

COMMENTARY

The fund returned negative 0.29% for the month of January 2023. Net exposure averaged 36% long, while gross averaged 144%. This brings our calendar year return to negative 0.29%, financial year return to negative 1.12% and since inception return to positive 21.62% p.a. net of fees.

Global risk markets rallied through January as investor sentiment continued its upward march, buoyed by further data supporting a 'peak' in inflation. Whilst for the time being it appears we are unlikely to see the inflation prints in the year ahead - which we saw last year in the United States and EU region - we are not convinced that the month on month declines since October support a 'Fed Pivot' and are operating under the base case that monetary policy will remain restrictive for the foreseeable future, supporting the construction of our short portfolio and steering us away from pockets of the market that still have unjustifiably high valuations.

The picture which we, like many, are still grappling with is the resilience of the global economy. It appears a faster pace of China re-opening, a mild European winter and a resilient US consumer are resulting in economic surprises to the upside, adding to risk sentiment seen through January.

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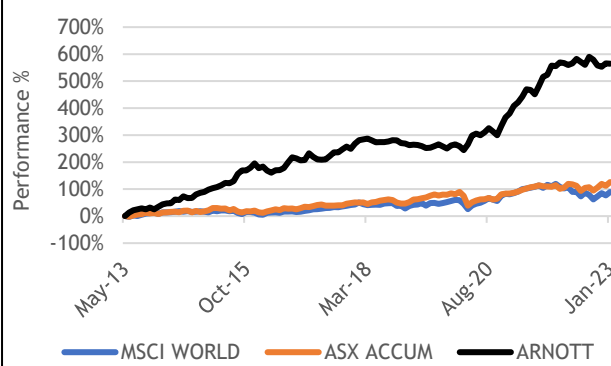
PERFORMANCE METRICS

	From May 2013	
	Arnott	MSCI
Annualised returns	21.62%	6.82%
% Positive months	62.93%	62.93%
Average monthly return	1.71%	0.64%
Avg return in MSCI up months	1.50%	3.16%
Avg return in MSCI down months	2.08%	-3.62%
Best month	13.07%	12.66%
Worst month	-6.09%	-13.47%
Largest drawdown	-11.61%	-26.39%
Longest drawdown (mths)	24	20
Sortino	4.17	0.65
Sharpe ratio	1.68	0.46

CORRELATION TO ASSETS (2013 to Current)

MSCI Index	0.04
US Government Bond Index	-0.03
US\$ Gold	0.02
Bloomberg Commodities Index	-0.02
Hedge Fund L/S	0.02

CUMULATIVE FUND PERFORMANCE (2013-current)



MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
-0.29%	144%	36%

STRATEGY HISTORICAL PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2013						13.07	7.63	2.97	2.82	-2.69	5.23	-5.25	25.00
2014	7.61	6.56	2.43	0.77	8.87	-0.93	8.46	-3.78	0.34	7.78	3.24	1.92	51.59
2015	4.46	2.88	1.99	3.19	4.12	-0.52	3.44	11.47	5.23	0.00	3.67	5.72	55.80
2016	-6.09	2.14	-5.17	-2.83	3.30	0.40	2.69	7.49	6.29	-1.15	-2.34	0.48	4.33
2017	7.99	-4.01	-2.94	-0.34	0.43	4.08	4.21	-0.02	3.37	2.79	-2.32	5.51	19.58
2018	3.47	0.88	0.72	-1.68	-1.86	0.09	0.03	0.66	1.24	-0.18	-2.61	-0.50	0.12
2019	-1.66	0.53	-0.30	-1.16	-1.90	0.29	1.70	1.72	-2.10	-2.04	3.20	1.05	-0.82
2020	-1.90	-4.03	6.32	8.76	1.82	-1.47	2.69	3.82	-2.94	-3.32	8.59	7.22	27.23
2021	3.26	5.69	2.74	3.93	5.03	-0.40	-2.81	5.60	5.75	1.30	5.37	-0.24	40.90
2022	2.07	-0.34	-1.10	0.95	2.50	-1.68	-1.61	4.48	-1.55	-3.07	-0.77	1.87	1.50
2023	-0.29												-0.29

2013 - 2017 Data. Bondi Capital Investments Pty Ltd (managed account). Performance net of 0 & 25 fees. Currency AUD. Fund administered by Mainstream. Fund was not audited.
 2018 - Current Data. Australian Unit trust. Performance net of 0 & 25 fees. Currency AUD. Fund administered by Mainstream. Fund audited by EY.

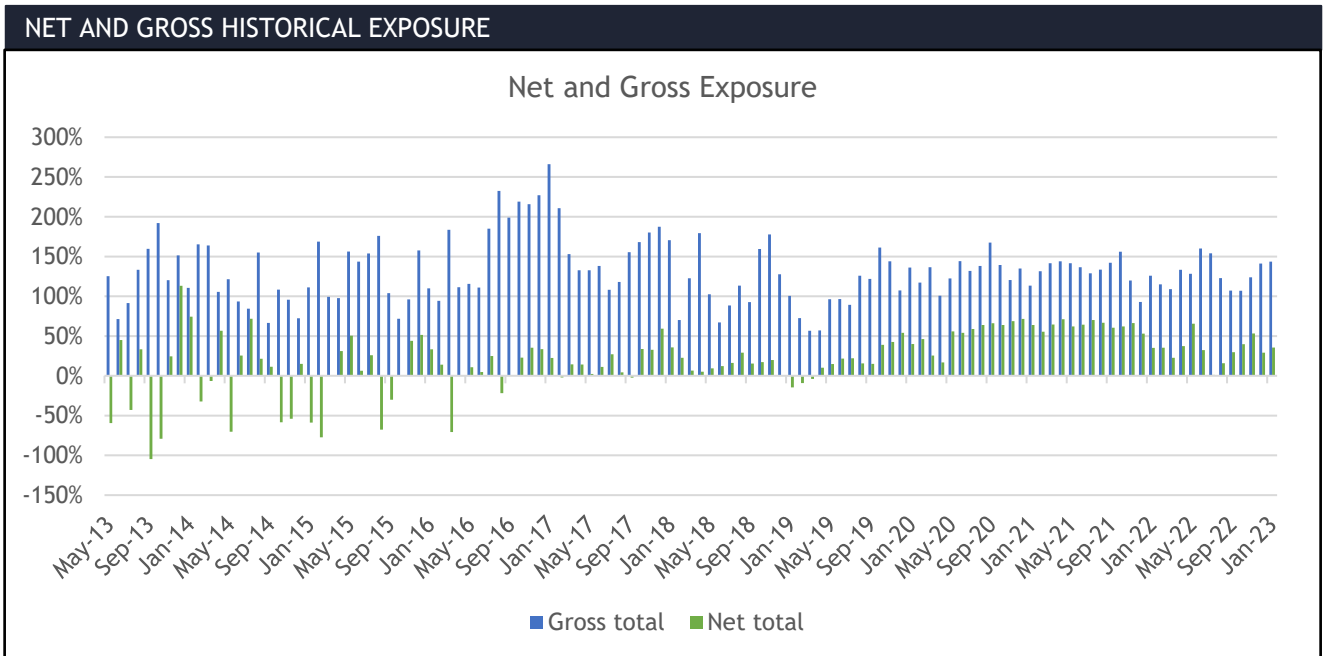
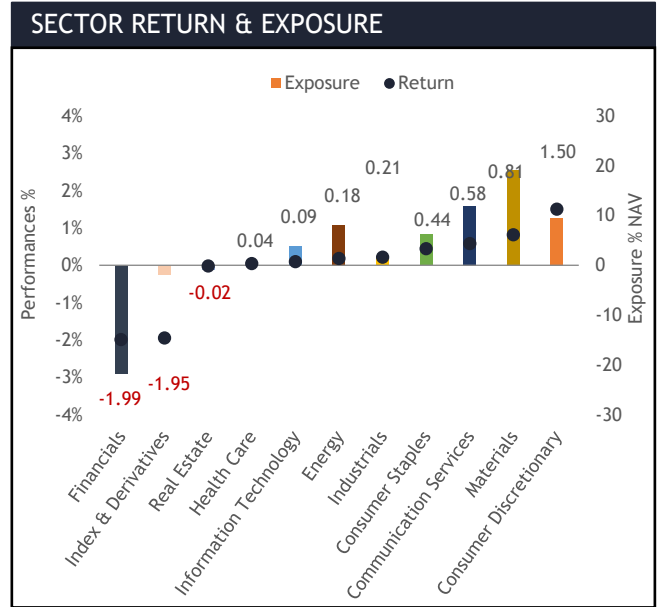
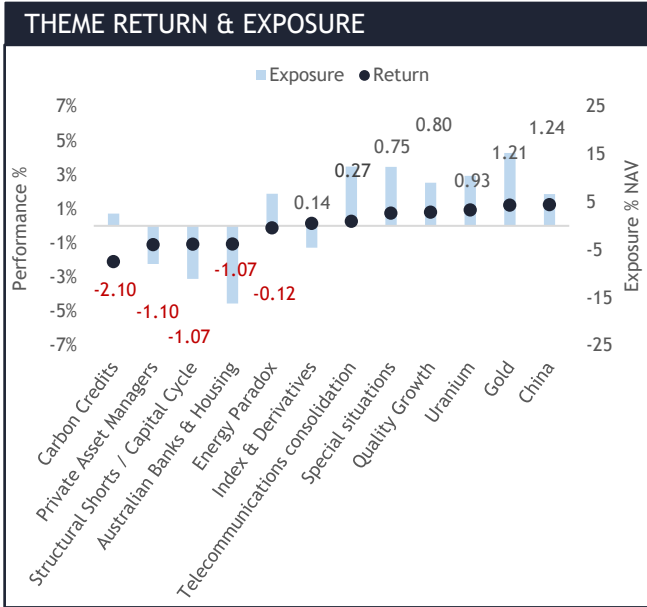
Whilst the timing appears difficult, the pricing of risk in global equity markets suggest the skew of risk reward is tilted to the downside, as suggested by the chart below from Morgan Stanley Investment Research:



Source: Morgan Stanley Investment Research

The S&P500 is at the lowest level of equity risk premium we have seen in decades.

We are by no means calling for an equity market crash or suggesting we will be aggressively net short, we are merely illustrating how we are thinking above risk in the current environment and it does not seem to us that the risk / reward is favourable to be reliant on net long exposure to the market to generate returns and are instead focused on identifying idiosyncratic, underappreciated, undervalued pockets of the market that present to us as attractive risk / reward payoffs such as Uranium, North Asian Equities, Gold and very cheap high free cash flow generative equities.



INVESTMENT STRATEGY

The Fund adopts an absolute return strategy, focusing on thematic investment opportunities with an equity bias. We seek to achieve the investment objective through our asymmetric investment approach which includes:

1. Finding what we perceive to be good quality investments based on our analysis; and
2. Not losing money in the pursuit of realising these investments.

We strive to achieve asymmetric returns through a thematic investment process. This has four pillars.

1. Find asymmetric themes;
2. Invest in the best ideas within those themes;
3. Focus on macro drivers for risk & opportunities; and
4. Generate an asymmetric return profile.

FUND INFORMATION			
BASE CURRENCY	AUD	ARNOTT CAPITAL PTY LTD	AFSL License 233743 ABN 23086081889
STRATEGY INCEPTION	1999	CIO KENNY ARNOTT	kma@arnott.com.au
MINIMUM SUBSCRIPTIONS	AUD \$100,000	CONTACT DETAILS	investor@arnott.com.au
WITHDRAWALS	Monthly	PRIME BROKER	Morgan Stanley International PLC J.P. Morgan Securities PLC
PERFORMANCE FEE	20%	FUND ADMINISTRATOR	Apex Group Ltd.
MANAGEMENT FEE	1.5%	FUND AUDITOR	Ernst and Young
SUBSCRIPTIONS	Monthly	LEGAL ADVISORS	Ernst and Young

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