

COMMENTARY

The fund returned positive 1.07% for the month of May 2023. Net exposure averaged 35% long, while gross averaged 85%. This brings our calendar year return to negative 2.66% and since inception return to positive 20.54% p.a. net of fees.

An example of how we find themes:

We think of economies and markets in three broad layers. At the highest layer, is high level macro data. We primarily study this level of data and trends for risk management, not for alpha creation. The middle layer is where we find investment themes. The lowest layer is individual stock analysis. This is how we execute our investment themes.

The current macro environment is dominated by two narratives. Traditional economists, using their toolkit of traditional indicators, are predicting a recession in the US. Two indicators that come to mind are the yield curve and the senior loan officers survey. And yet the market seems to be ignoring these predictions. So, that begs the question of who is correct?

In answering this question, we remind ourselves that our job is to determine whether we have a variant perception to what the current market is pricing - because that is what an asymmetric investment opportunity is. In considering this, we have thought about what is different in this cycle to past cycles. There is an obvious difference. The US household has been handed a huge amount of stimulus directly into their bank accounts. And so, they have entered what may be a tougher period with a huge amount of excess savings. It is possible that this factor is causing a lag on how the consumer will react to tighter financial conditions.

Continued page 2.

PERFORMANCE METRICS

From May 2013

Annualised returns	20.54%
% Positive months	61.67%
Average monthly return	1.63%
Average return in MSCI up months	1.44%
Average return in MSCI down months	1.95%
Best month	13.07%
Worst month	-6.09%
Largest drawdown	-11.61%
Longest drawdown (mths)	24
Sortino	4.02
Sharpe ratio	1.61

THEME RETURN & EXPOSURE (MAY 2023)



CORRELATION TO ASSETS

Global Equity Markets	0.05
US\$ Gold	0.03
Bloomberg Commodities Index	-0.02
Hedge Fund L/S	0.02

MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
1.07	85%	35%

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	-2.34	-0.36	-0.75	1.07								-2.66

Past performance is not necessarily an indicator of future performance.

2013 - 2017 Data. Bondi Capital Investments Pty Ltd (managed account). Performance net of 0 & 25 fees. Currency AUD. Fund administered by Apex. Fund was not audited.

2018 - Current Data. Australian Unit trust. Performance net of 0 & 25 fees. Currency AUD. Fund administered by Apex. Fund audited by EY.

Above data and fees apply to the Arnott Opportunities Trust - Founder Class. Other classes will be subjected to different fees. For a copy of the Information Memorandum, please contact investor relations at investor@arnott.com.au.

This leads us to a potential thematic idea. Will the US and global consumer in the developed markets change their spending habits as they run out of excess savings? Currently we are seeing early signs of slowing consumer spending facing most developed economies, as the lagged impact of interest rate rises, and surging cost of living begin to hit household budgets. This is coming at the same time as consumers are rapidly burning through excess savings built up over 2020 and 2021. We will monitor the consumer behaviour for a potential investment opportunity on the short side.

“Data is the New Oil” theme:

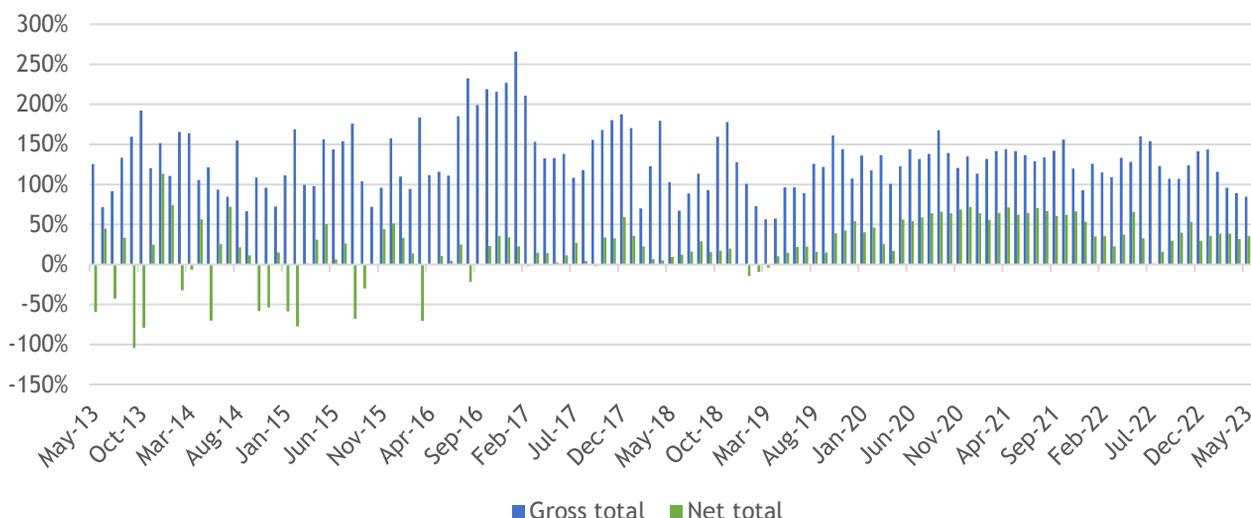
During the month the largest thematic contributor to fund performance (+75bps) was a recent addition to the portfolio, *Data is the New Oil*. It is clear to us that the demand for data will continue to grow exponentially and with demand growth in data, so too the required computing power, taking the large volume of unstructured data created every day and processing this into something that is usable. This explosion in data use and compute power will see a wide variety of winners from productivity gains, the growth of existing industries and the creation of whole new industries.

Currently we are expressing this theme via positions in South Korean memory and semiconductor equipment names based in Asia, which we see as the picks and shovels in the Artificial Intelligence (‘AI’) arms race. These companies are recovering from one of the deepest earnings downgrade cycles seen for the industry, as the demand for semiconductors collapsed through 2022 resulting in valuations trading below historical averages and an overly dire outlook for the sector as suppliers continue to work through excess inventory levels.

Looking to the future, we believe we are at the beginning of a period of extreme growth for these companies with the catalyst being the surge in demand for computing power that AI is already creating.

NET AND GROSS HISTORICAL EXPOSURE

Net and Gross Exposure



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	CONTACT DETAILS	investor@arnott.com.au
MINIMUM SUBSCRIPTIONS	AUD \$100,000	WITHDRAWALS	Monthly
FUND ADMINISTRATOR	Apex Group Ltd.	PRIME BROKER	Morgan Stanley International PLC J.P. Morgan Securities PLC
LEGAL ADVISORS	Ernst and Young	FUND AUDITOR	Ernst and Young
FEE STRUCTURE	Management Fee	Performance Fee	Subscriptions
* Founder Class	0%	25%	Closed to new investors
Main - Post July 2020 Class	1.5%	20%	Monthly

* All data displayed in this document is Founder Class data. For a copy of the Offering Memorandum, please contact investor relations at investor@arnott.com.au.

Disclaimer

This document is given to only wholesale clients (as defined in the Corporations Act 2001 (Cth)) by representatives of Arnott Capital Pty Limited (ABN 23086081889, AFS Licence Number 233743) (**Arnott**). By viewing this document, you are representing that you are a wholesale client and agree to keep this document confidential. This document is directed at persons who are sophisticated investors with sufficient professional or other experience to properly assess the nature of the matter discussed herein. This document has been prepared for general information purposes only without taking into account any potential investors' personal objectives, financial situation or needs. It should not be relied upon by the recipient in making an investment decision. You should obtain relevant and specific professional advice and check the accuracy of all relevant information before making any investment decision. This document is intended to provide a general outline only and is not intended to be a definitive statement on the subject matter. The document is not intended to be relied upon by recipients given the contingent nature of the content matter. This is not an offer to invest in any security or financial product.

Forward-looking information in this document is provided as a general guide only and should not be relied upon as an indication of the future performance of any financial products (including the Arnott Opportunities Trust and Arnott Opportunities (Cayman) Fund ("Funds")). No representation is made as to future performance or volatility of the financial products. Persons should rely solely upon their own investigations in respect of the subject matter discussed in this document. Past performance information given in this document is given for illustrative purposes only and are as at the date of publication of this material. It should not be relied upon as (and is not) an indication of future performance.

No representations or warranties, express or implied, are made as to the accuracy or completeness of the information, opinions and conclusions contained in this document. In preparing these materials, Arnott has relied upon and assumed, without independent verification, the accuracy and completeness of all information available to Arnott. Whilst efforts have been made to ensure the information is correct, no warranty of accuracy or reliability is given, and no responsibility is accepted for errors of omissions. To the maximum extent permitted by law, neither Arnott nor its director, employees or agents accept any liability for any loss arising in relation to this document. The offer of interests in the Arnott funds will only be made in the offering document for the respective fund. For a copy of the Information Memorandum, please contact investor relations at investor@arnott.com.au.

Hong Kong

This document has not been reviewed or approved by any regulatory authority in Hong Kong. This document does not constitute an offer or invitation to the public in Hong Kong to acquire the units in the Fund. Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue, this document or any advertisement, invitation or document relating to the units in the Fund, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than in relation to the units of the Fund that are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" (as such term is defined in the Securities and Futures Ordinance of Hong Kong (Cap. 571) and the subsidiary legislation made thereunder).

Singapore

This document is being furnished to you on the basis that you are an "institutional investor" (as defined in the Securities and Futures Act (Chapter 289) of Singapore) and on a confidential basis, solely for your information. This document may not be reproduced, disclosed, or distributed to any other person in Singapore. Arnott, as the responsible entity and manager for the Fund has not taken any steps to ensure that the capital markets products referred to in this document are suitable for any particular investor, and will not treat recipients as its customers by virtue of their receiving this document. This document has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore and this document is not intended to constitute an offering, and is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. The investments or services referred to in this document may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this document constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

United Kingdom

The content of this communication has not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("the Act"). Such approval is, unless an exemption applies, required by Section 21 of the Act. Reliance on this communication for the purpose of engaging in any investment activity may expose an individual to a significant risk of losing all of the property invested [or of incurring additional liability]. If you are in any doubt about the investment to which this communication relates you should consult an authorised person specialising in advising in relation to the investment(s) described herein.

This communication is exempt from the general restriction in Section 21 of the Act on the communication of invitations or inducements to engage in investment activity on the grounds that it is made to, and only directed at persons falling within [(a) article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) (Order) 2005 (“the FPO”) (high net worth companies, unincorporated associations or partnerships, the trustees of high value trusts, etc.)] ; [(b) article 50 of the FPO (certified sophisticated investor) being persons who hold a current certificate in writing signed by an authorised person to the effect that they are sufficiently knowledgeable to understand the risks associated with the investment of the kind described in this communication together with a statement signed by them, within the period of 12 months ending on the day on which this communication is made, in the terms of the FPO;] [(c) persons having professional experience in matters relating to investments falling within article 19(5) of the FPO (investment professionals);] and (d) any persons to whom this communication may otherwise lawfully be made (together “Relevant Persons”)

Any investments or investment activity to which this communication relates will only be available to Relevant Persons and will be engaged in only with such persons. If you are not a Relevant Person this communication is not intended for you and you should place no reliance and should not act upon it for any purposes.

United States

This document may not be distributed in the United States and does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from the registration of the US Securities Act, the US Investment Company Act of 1940 and applicable US state securities laws.