

COMMENTARY

The fund returned negative 1.53% for the month of February 2024. Net exposure averaged 47% long, while gross averaged 107%. This brings our calendar year return to negative 0.55% and since inception return to positive 19.70% p.a. net of fees.

Throughout February, key contributors to fund performance were our long *Japan Corporate Reform* and *Data is the New Oil* themes. Key detractors were our *Uranium*, *Special Situations*, and *Commodity* themes.

Our *Data Is the New Oil* theme is predicated on the thesis that as our use cases for data increase, so too will the demand for computing power, which is set to drive a surge in industry profitability for the semiconductor industry. Expression of this theme is concentrated in Asian semiconductor names that are yet to fully recover from a deep industry depression as the boom of 2021 was met with the bust of 2022 and a very slow recovery through 2023, as the lingering impacts of de-stocking continued to plague the industry.

As we move into 2024, Artificial Intelligence ('AI') euphoria is being converted into spending by corporates, inventory levels are clean in most end markets and industry supply has been constrained, setting the stage for a material rise in prices and industry profitability. The theme remains primarily expressed through long positions in South Korean memory names and semiconductor equipment names across Asia.

This theme has a downside that revolves around a question lingering in the minds of many, if not most individuals - is AI a bubble?

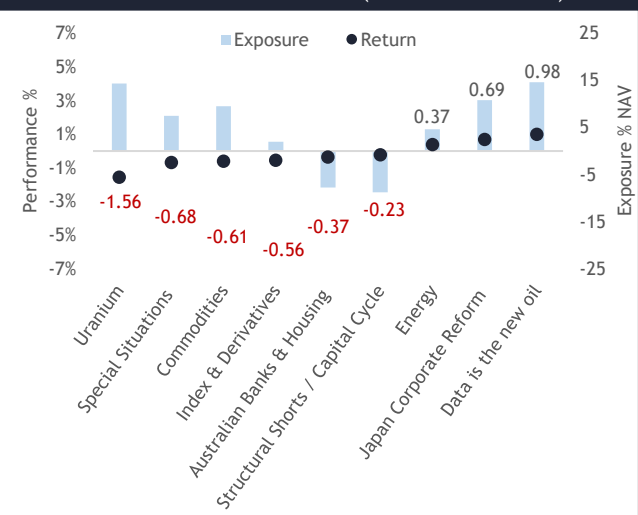
Our view is that it is far too early to tell. Our reasoning comes down to the theory of reflexivity and its application to financial markets, made famous by George Soros. The theory holds that there is a feedback loop where investors' prevailing biases can validate themselves by not only impacting market prices, but also the fundamentals these market prices are set to reflect. When we apply this logic to the realm of AI, it seems as though companies have inundated us with their AI strategies for the past 6-months. Investor conferences are dominated by discussions surrounding AI plans, and these stocks have become the sole focus of market participants. Given this, it appears probable that the boom in spending on AI initiatives has only just begun, driven by the imperative for every management team to validate their relevance in a world with AI. We believe the phase 2 and 3 beneficiaries are only just commencing; AI "enabled" companies (e.g. software incorporating AI to enhance their products/revenues) and AI "productivity" spending (e.g. labour-intensive industries).

PERFORMANCE METRICS

From May 2013

Annualised returns	19.70%
% Positive months	62.02%
Average monthly return	1.57%
Average return in MSCI up months	1.40%
Average return in MSCI down months	1.86%
Best month	13.07%
Worst month	-6.09%
Largest drawdown	-11.61%
Longest drawdown (mths)	24
Sortino	3.91
Sharpe ratio	1.58

THEME RETURN & EXPOSURE (FEBRUARY 2024)



CORRELATION TO ASSETS

Global Equity Markets	0.04
US\$ Gold	0.01
Bloomberg Commodities Index	-0.02
Hedge Fund L/S	0.02

MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
-1.53%	107%	47%

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	2.02	0.88	1.58	2.45	-2.70	-0.24	3.16	4.40
2024	1.10	-1.53											-0.55

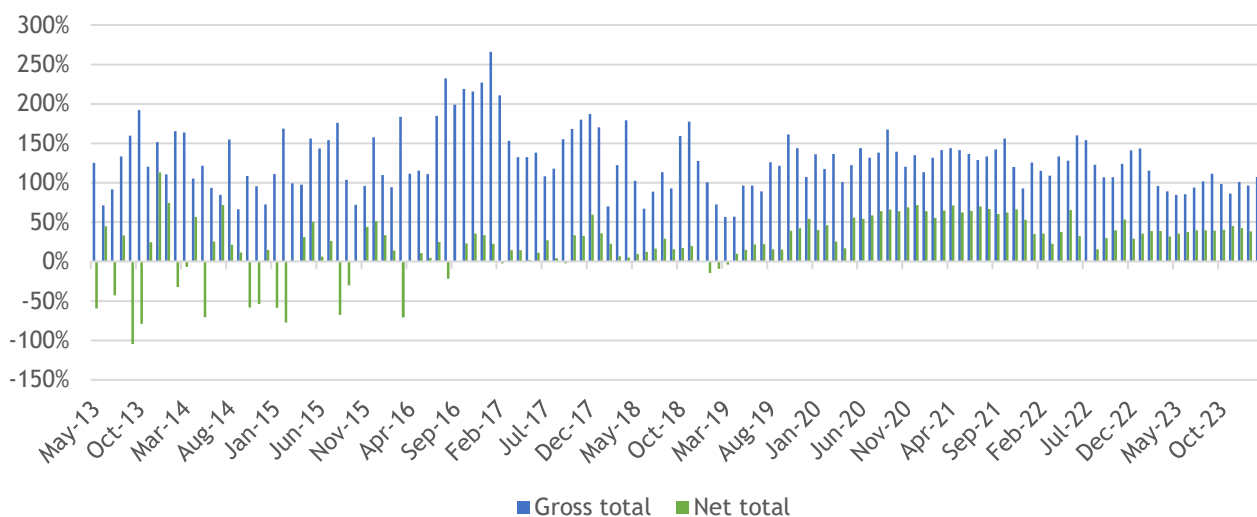
Past performance is not necessarily an indicator of future performance.

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.

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.

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