

## COMMENTARY

The fund returned positive 1.07% for the month of May 2024. Net exposure averaged 40% long, while gross averaged 107%. This brings our calendar year return to positive 5.67% and since inception return to positive 20.18% p.a. net of fees.

We have exposure to power generators in Japan. This is an interesting theme that has several drivers. First, utilities in Japan, along with all corporations are experiencing a significant shift in corporate focus on returns. Second, they are in the process of restarting their nuclear power generation fleet. Thirdly, they are experiencing increased power demand.

For decades, power markets in developed countries have experienced declining demand due to improving energy efficiency and rising residential solar (embedded generation). After years of lacklustre demand growth, data centre power demand, heavily influenced by AI-related needs, is set to raise forecasted electricity demand. This will structurally change the power market dynamics globally. Closer to home, Asian countries (including Japan) forms more than a third of global datacentre capacity. To give you a sense of the rising power needs, it is estimated that AI uses ~10x more electricity than traditional Google search. As a result, power demand growth is on track to double in Malaysia, Japan is reversing its multi-decade decline, and Australia and Singapore are seeing tighter power markets.

*Continued p.2.*

## PERFORMANCE METRICS

From May 2013

Annualised returns	20.18%
% Positive months	65.91%
Average monthly return	1.61%
Average return in MSCI up months	1.51%
Average return in MSCI down months	1.76%
Best month	13.07%
Worst month	-6.09%
Largest drawdown	-11.61%
Longest drawdown (mths)	24
Sortino	3.79
Sharpe ratio	1.62

## THEME RETURN & EXPOSURE (MAY 2024)



## CORRELATION TO ASSETS

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

## MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
1.07%	107%	40%

## 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	-1.33	0.20	-0.21	-0.95	-1.87	0.50	1.75	1.53	-1.91	-2.00	3.28	1.12	-0.04
2020	-2.03	-5.10	7.77	7.95	1.60	-1.31	3.22	4.56	-3.56	-3.90	9.33	8.24	28.38
2021	3.43	5.63	2.80	4.05	5.19	-0.48	-2.74	5.37	5.86	1.87	4.51	0.22	41.60
2022	1.61	0.17	-0.73	0.32	2.65	-1.85	-0.96	3.75	-1.79	-2.93	-0.48	2.21	1.75
2023	0.26	-2.97	-0.12	-0.77	0.99	2.39	1.12	1.03	2.37	-2.72	0.21	3.15	4.84
2024	0.97	-1.52	3.67	1.42	1.07								5.67

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 - 2019 Data. Australian Unit trust. Performance net of 0 & 25 fees. Currency AUD. Fund administered by Apex. Fund audited by EY.

2019 - Current Data. Arnett Opportunities Fund (Cayman). Performance net of 0 & 25 fees. Currency USD. Fund administered by Apex. Fund audited by EY.

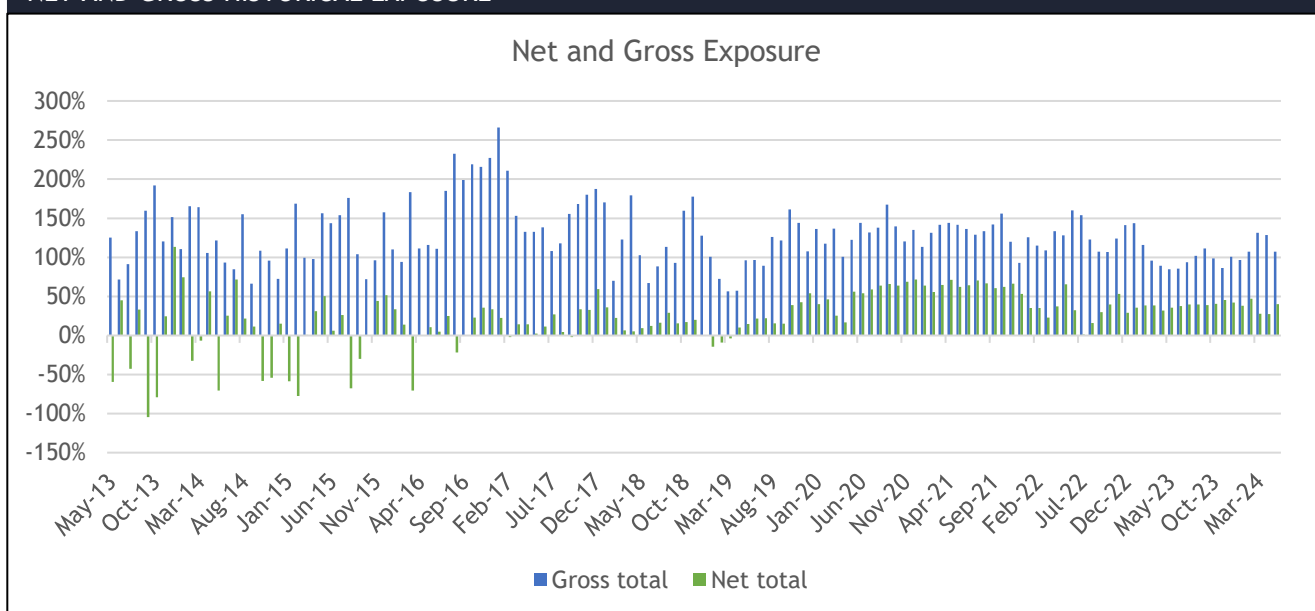
Above data and fees apply to the Arnett Opportunities (Cayman) Fund - Main Class (Founder Class). Other classes will be subjected to different fees. For a copy of the Offering Memorandum, please contact investor relations at [investor@arnott.com.au](mailto:investor@arnott.com.au).

## COMMENTARY CONTINUED

The Power Demand theme has numerous beneficiaries. These include direct beneficiaries such as the power producers and power grid operators. Second-derivative beneficiaries include supporting local infrastructure, equipment exporters of semiconductors and power transformers for High Voltage DC. Along with this is the commitment from Hyperscalers to be net zero, which is driving further demand for renewables in the form of power purchase agreements being underwritten for new projects. This allows the likes of Amazon and Microsoft to meet their 100% renewable powered AI data centre targets. In particular, this is seeing solar panel manufacturers and battery storage companies benefit from AI-driven electricity demand. The Power Demand theme gives you the opportunity to own cyclical stocks that go from cyclical to secular.

For decades the Japanese Electric Utility companies have suffered low ROEs due to declining electricity demand and the shutting of their nuclear power reactors, following the Great East Japan Earthquake in 2011 causing the Fukushima nuclear power plant accident. However, this environment is starting to change. This year saw Japan release its annual forecast for electric power, which marked the first projected increase in demand since Fukushima. Power demand is now expected to grow 5% to 10% over the next ten years, driven by newly built data centres and semiconductor plants. Another tailwind for these electric utilities is the ongoing restart of their nuclear power reactors, which represent a direct benefit to operating income from lower thermal fuel costs. Under Japan's Sixth Strategic Energy Plan, nuclear is targeted to supply 20-22% of total power by 2030 (currently ~6% in 2022) which will require more reactors to be restarted.

NET AND GROSS HISTORICAL 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	USD	ARNOTT CAPITAL PTY LTD	AFSL License 233743 ABN 23086081889
STRATEGY INCEPTION	1999	CONTACT DETAILS	<a href="mailto:investor@arnott.com.au">investor@arnott.com.au</a>
MINIMUM SUBSCRIPTIONS	USD \$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	<b>Management Fee</b>	<b>Performance Fee</b>	<b>Subscriptions</b>
* Class A (Founder Class)	0%	25%	Closed to new investors
Class C	1.5%	20%	Monthly

\* All data displayed in this document is Founder Class data. Other classes will be subjected to different fees. For a copy of the Offering Memorandum, please contact investor relations at [investor@arnott.com.au](mailto:investor@arnott.com.au).

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