

COMMENTARY

The Fund returned positive 3.89% for the month of September 2024. Net exposure averaged 24% long, while gross exposure averaged 121%. This brings the calendar year return to positive 3.48%, and since inception return to positive 19.31% p.a. net of fees.

Gains through the month of September were generated from our long themes in China (+248bps) and Uranium (+92bps), as well as trading long positions in Chinese Equity Futures within our Index & Derivatives book (+56bps). Losses this month were small and were isolated to our Special Situations theme (-36bps) and Commodities (-32bps).

By far the biggest event and source of volatility for the Fund in September was China. Through the final weeks of September, there was a significant shift in policy from Chinese authorities, showing a renewed resolve to support the economy. A resolve that market participants did not believe existed anymore. This surprise policy response set off a 20%+ rally in Chinese equity indices through the final weeks of September, significantly benefitting our recently established China theme, discussed in our most recent [investor letter](#).

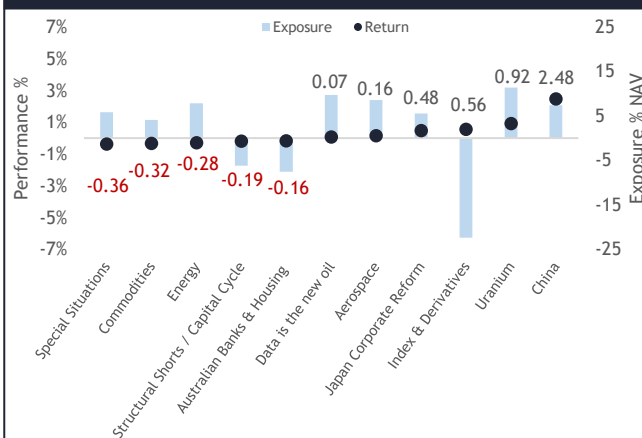
Whilst a shift in policy is unequivocally good for equities, we have taken the opportunity to reduce the Fund's exposure to China. We have made this decision despite still alluring valuations, the resilience of companies which have shown the ability to grow earnings through even the toughest of economic conditions, and a global investor base still significantly underweight the second largest economy in the world. The current trading set up, however, is not one that is not overly appealing to us.

Western investors have been conditioned by central banks and governments over recent decades to see large amounts of stimulus and liquidity injected into the system to smooth over any problems as and when they occur.

STRATEGY PERFORMANCE METRICS*

From May 2013	
Annualised returns	19.31%
% Positive months	64.71%
Average monthly return	1.54%
Average return in MSCI up months	1.42%
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	3.68
Sharpe ratio	1.55

THEME CONTRIBUTORS TO FUND PERFORMANCE^{^*}



[^] Theme Contributors to Performance is Gross of Fees and exclusive of Cash.

CORRELATION TO ASSETS - STRATEGY*

Global Equity Markets	0.04
US\$ Gold	0.00
Bloomberg Commodities Index	0.00
Hedge Fund L/S	0.02

MONTHLY SUMMARY METRICS - SEPTEMBER 2024

NET RETURN	AV GROSS EXP	AV NET EXP
3.89%	121%	24%

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	-0.61	-3.39	-1.83	3.89				3.48

Past performance is not an indicator of future performance.

* Strategy - refers to the period from 2013 - 2017 for Bondi Capital Investments Pty Ltd ('Managed Account'), and 2018 - 2024 is for the Fund. The Managed Account was externally administered by Apex, but not externally audited. The Fund is audited by EY. Performance for the whole reported period is reported net of all fees. The currency is USD.

Above data and fees apply to the Arnott Opportunities (Cayman) Fund - Main Class (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.

COMMENTARY CONTINUED

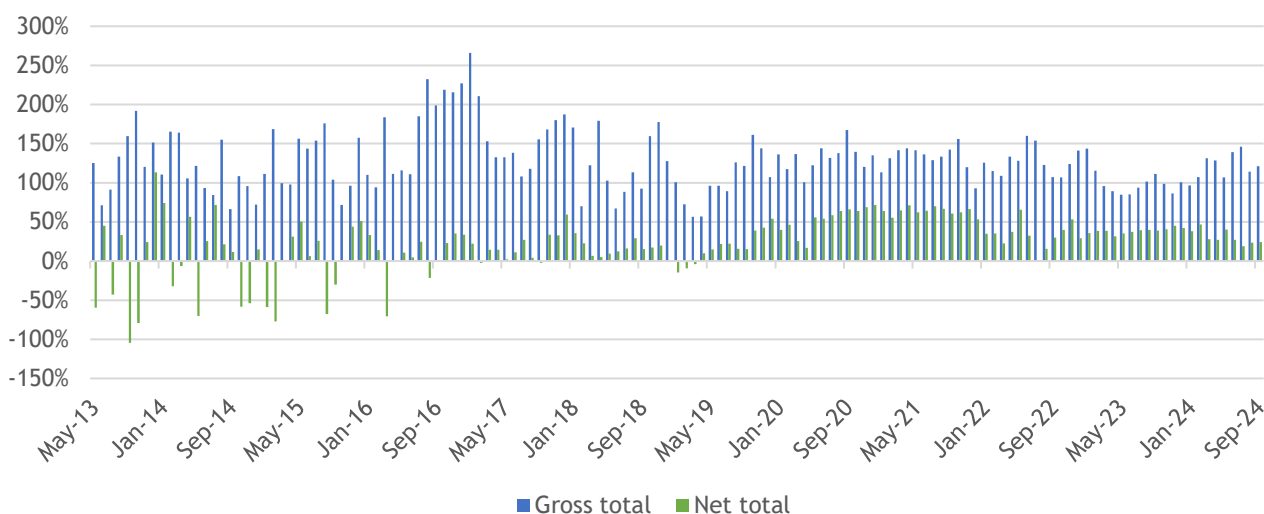
It is our belief that market participants that have been recent buyers of Chinese equities are now expecting the same policy response. One neat number of significant size being communicated from upper echelons of the party to the market, does not feel like a high percentage chance possibility. Within the space of a month, it seems to us that market expectations have gone from all hope is lost, to the expectation of this exact result.

As we move towards the end of October and into early November, we expect a step in market volatility as we approach the US election, that two weeks ago, was priced as a coin toss, to one now priced closer to a Trump victory and republican clean sweep. Whilst the outcome of the 2016 election was positive for the economy and bullish for markets, we believe there are two clear negative implications for risk assets that a Trump presidency brings. Escalating tariffs and protectionist measures will likely be inflationary, as the US tries to near shore key supply chains. The US Government fiscal deficit is already at war time levels, and it is difficult to see how we continue with an expansionary fiscal agenda (widening the deficit) without an increasing risk profile priced for the debt.

Amid higher inflation and concerns over fiscal debt, we may be heading for a period of sustainably higher interest rates, just as markets are eagerly overjoyed at the prospects of significant rate cuts in the months ahead.

STRATEGY 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	USD	ARNOTT CAPITAL PTY LTD	AFSL License 233743 ABN 23086081889
STRATEGY INCEPTION	1999	CONTACT DETAILS	investor@arnott.com.au
MINIMUM SUBSCRIPTIONS	USD \$100,000	WITHDRAWALS	Monthly
FUND ADMINISTRATOR	Apex Group Ltd.	PRIME BROKER	Morgan Stanley International PLC
LEGAL ADVISORS	Ernst and Young	FUND AUDITOR	Ernst and Young
FEE STRUCTURE	Management Fee	Performance Fee	Subscriptions
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.

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