

## COMMENTARY

The Fund returned -0.02% for the month of February 2025. Net exposure averaged 36% long, while gross averaged 109%. This brings the calendar year return to 1.03% and the since inception return to 18.34% p.a. net of fees.

Gains through the month of February, were generated from the long themes in *Aerospace* (+36 bps) and *Data is the New Oil* (+33 bps). With losses stemming from the *Uranium* theme (-60 bps) and *Japan Corporate Reform* theme (-46 bps).

Entering 2025, Arnott believed one of the key risks for the markets this year was related to Artificial Intelligence (AI). Specifically, the concern of when, or if at all, investors and market participants would begin to see revenues that matched the billions of dollars invested in the AI sector.

As the year unfolded, Arnott has continued to refine the thinking and understanding of this space. It is becoming increasingly clear that the timeline for substantial revenue generation from AI is further out than current valuations and market participants expectations suggest. While the technology is advancing at an extraordinary pace, Arnott perceives a lengthy period ahead, before any material revenue generation.

In Arnott's view, the reasoning behind this, is that it appears many enterprises are still in the experimental phase. When questions are asked about use cases and return on investment (ROI), it is often dismissed by vague comments centred around increased engineering efficiency and productivity gains.

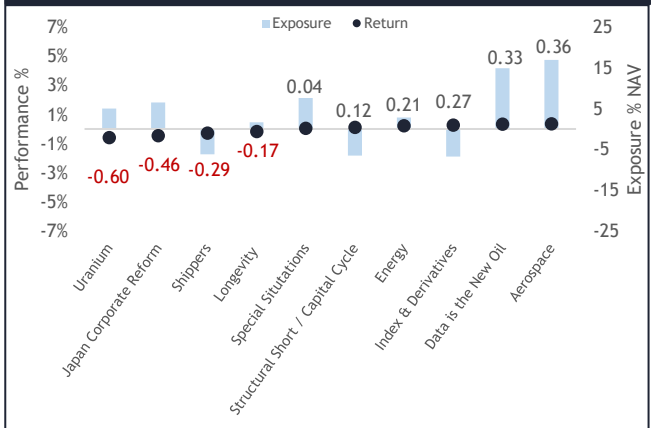
To sum it up, the thinking has evolved to be in line with a phrase that is commonly attributed to Bill Gates, "People overestimate what can be done in one year, and underestimate what can be done in ten".

## STRATEGY PERFORMANCE METRICS\*

From May 2013

|                                    |         |
|------------------------------------|---------|
| Annualised returns                 | 18.34%  |
| % Positive months                  | 61.70%  |
| Average monthly return             | 1.47%   |
| Average return in MSCI up months   | 1.30%   |
| Average return in MSCI down months | 1.77%   |
| Best month                         | 13.07%  |
| Worst month                        | -6.09%  |
| Largest drawdown                   | -11.61% |
| Longest drawdown (mths)            | 24      |
| Sortino                            | 3.67    |
| Sharpe ratio                       | 1.52    |

## THEME CONTRIBUTORS TO FUND PERFORMANCE<sup>^\*</sup>



<sup>^</sup> Theme Contributors to Performance is Gross of Fees and exclusive of Cash.

## CORRELATION TO ASSETS - STRATEGY\*

|                             |      |
|-----------------------------|------|
| Global Equity Markets       | 0.04 |
| US\$ Gold                   | 0.01 |
| Bloomberg Commodities Index | 0.00 |
| Hedge Fund L/S              | 0.02 |

## MONTHLY SUMMARY METRICS - FEBRUARY 2025

|            |              |            |
|------------|--------------|------------|
| NET RETURN | AV GROSS EXP | AV NET EXP |
| -0.02%     | 109%         | 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 | -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 | 3.45  | 1.37  | 0.78  | -0.67 | -3.36 | -1.93 | 3.45  | 0.70  | -0.54 | 0.46  | 3.00   |
| 2025 | 1.05  | -0.02 |       |       |       |       |       |       |       |       |       |       | 1.03   |

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 AUD.

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](mailto:investor@arnott.com.au).

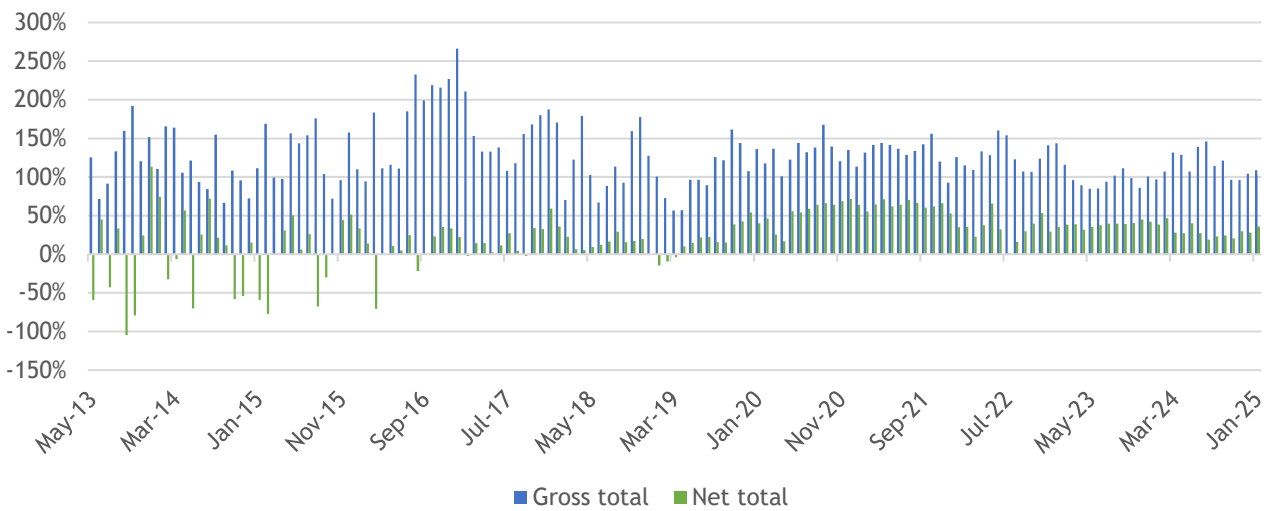
**COMMENTARY CONTINUED**

Taking this into consideration, Arnott’s outlook for the next 12 months, is that expectations are unrealistic versus the realities, in the AI space.

The implications of this for the portfolio are firstly, a slightly more bearish stance to U.S. indices that are heavy with U.S. technology names with the highest level of capital expenditures in AI. Secondly, Arnott may build short exposure to parts of the market that have been beneficiaries of the AI hype cycle, that may be long term winners, but in the next year expectations may be slightly elevated in comparison to reality.

**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               | AUD             | ARNOTT CAPITAL PTY LTD | AFSL License 233743<br>ABN 23086081889                             |
| STRATEGY INCEPTION          | 1999            | CONTACT DETAILS        | <a href="mailto:investor@arnott.com.au">investor@arnott.com.au</a> |
| MINIMUM SUBSCRIPTIONS       | AUD \$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  |
| 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](mailto:investor@arnott.com.au).

#### Disclaimer

This document is for wholesale clients only (as defined in the Corporations Act 2001 (Cth)) and has been prepared by the appointed Investment Manager, Arnott Capital Pty Limited (ABN 23 086 081 889, AFSL 233743) ('Arnott', we, us, our). Channel Investment Management Limited ACN 163 234 240 AFSL 439007 ('CIML') is the trustee and issuer of units in the Arnott Opportunities Trust (the 'Fund'). Channel Capital Pty Ltd ACN 162 591 568 Authorised Representative No. 001274413 ('Channel Capital') provides investment infrastructure and distribution services for Arnott and is the holding company of CIML. This document is supplied on the following conditions which are expressly accepted and agreed to by each interested party ('Recipient').

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 (and is not) an indication of the future performance of any financial products. 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.

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 directors, employees or agents accept any liability for any loss arising in relation to this document. The offer of interests in the Fund will only be made in the offering document for the Fund. For a copy of the Offering Memorandum, please contact investor relations at [investor@arnott.com.au](mailto:investor@arnott.com.au).