

# Solaris Core Australian Equity Fund

(APIR: WHT0012AU)

## Quarterly Investment Report as at 31 March 2024

### Market and Fund Performance<sup>1</sup>

The S&P/ASX 200 Accumulation index returned 5.3% for the March quarter, underperforming the S&P 500 (+10.2%). Despite a volatile reporting season in February, the quarter still delivered a positive return with confidence that a soft landing for the economy will be achieved. Inflationary pressures are on a downward trend, yet data releases have been better than expected, underscoring the resilience of the broader economy. Consequently, the anticipated timing of rate cuts in the US has been postponed, as evidenced by a 36 basis point increase in the US 10-year bond yield over the quarter, while the Australian 10-year yield remained unchanged.

Commodity moves were mixed over the quarter, with gold up over 8% and oil up over 15%. Meanwhile, downward momentum in Iron Ore continued, falling nearly 30% for the quarter.

The top performing sectors were Information Technology (+24.4%), Real Estate (+15.3%) and Consumer Discretionary (+12.9%). The worst performing sectors were Materials (-6.2%), Communication Services (+1.1%) and Consumer Staples (+2.0%).

The top index performers for the quarter included Life360 (+73.1%), a tech company who announced the commencement of advertising on their platform at their most recent result which was well received by the market. Megaport (+62.9%), was also a top performer as the networking service business delivered a positive 2nd quarter update beating expectations and announcing a new significant global client win and Alumina (+56.9%) also outperformed following agreement for the Australian aluminium producer to be formally taken over by their US parent, Alcoa in \$2.2bn deal.

The worst performers included two lithium miners as the sector remains under pressure due to supply/demand imbalances, Sayona Mining (-43.7%) who was also removed from the S&P/ASX 200 index on 15 March and Arcadium Lithium (-39.5%). Strike Energy (-38.1%), also underperformed as the oil and gas explorer was under pressure following a trading halt in February and announcement relating to issues at one of its gas wells.

A portfolio holding in focus is Life 360, leading mobile-application for connecting families via their platform that offers location, driving and safety information.

Life360 has established itself as one of the top 5 networking applications in the US, and has over 66 million monthly active users. Solaris expects Life 360 to benefit from a number of opportunities supporting the company:

- Only 5% of users are currently generating revenue, and have opportunity to convert to paid subscribers to access more features
- The introduction of advertising, announced at last result, allows Life360 to monetise a significant number of free users.
- Geographic expansion, company has a strong position in Australia and North America with further growth available in Europe.

Life360 is led by a good CEO and we see valuation upside given the growth on offer for this innovative software application company which remains a preferred holding for Solaris in the Technology sector.

<sup>1</sup>Illustrative only and not a recommendation to buy or sell any particular security.

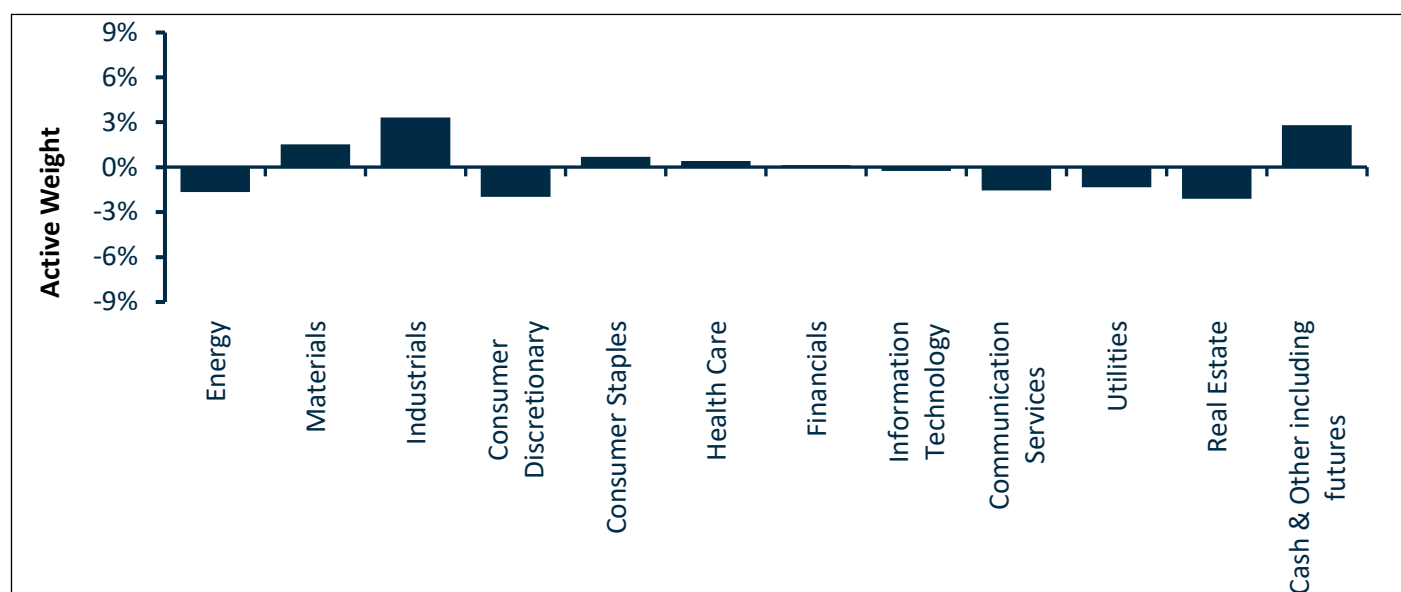
Returns	Month	Rolling Quarter	FYTD	1 Year	2 Years p.a.	3 Years p.a.	5 Years p.a.	7 Years p.a.	10 Years p.a.	Inception p.a. (17/09/2008)
Fund Gross Return <sup>^</sup>	3.74%	6.55%	15.55%	15.98%	7.94%	10.77%	8.55%	8.89%	8.97%	8.92%
Benchmark Return <sup>*</sup>	3.27%	5.33%	13.30%	14.45%	7.03%	9.62%	9.15%	8.59%	8.27%	7.87%
<b>Active Return</b>	<b>0.47%</b>	<b>1.22%</b>	<b>2.25%</b>	<b>1.53%</b>	<b>0.91%</b>	<b>1.15%</b>	<b>-0.60%</b>	<b>0.30%</b>	<b>0.70%</b>	<b>1.05%</b>
Fund Net Return <sup>^</sup>	3.65%	6.29%	14.72%	14.87%	6.91%	9.70%	7.50%	7.84%	7.92%	7.89%
Benchmark Return <sup>*</sup>	3.27%	5.33%	13.30%	14.45%	7.03%	9.62%	9.15%	8.59%	8.27%	7.87%
<b>Active Return (After fees)</b>	<b>0.38%</b>	<b>0.96%</b>	<b>1.42%</b>	<b>0.42%</b>	<b>-0.12%</b>	<b>0.08%</b>	<b>-1.65%</b>	<b>-0.75%</b>	<b>-0.35%</b>	<b>0.02%</b>

<sup>^</sup> Performance is for the Solaris Core Australian Equity Fund (APIR: WHT0012AU), also referred to as Class B units, and is based on month end prices before tax. Net performance is calculated after management fees and operating costs, excluding taxation. Gross performance is stated excluding all fees, costs and taxation. This is historical performance data. It should be noted the value of an investment can rise and fall and past performance is not indicative of future performance. All p.a. returns are annualised. <sup>\*</sup> Benchmark refers to the S&P/ASX 200 Accumulation Index.

### Top 10 Stocks (Alphabetical Order)

Name	Sector
ANZ Group Holdings Limited	Financials
BHP Group Limited	Materials
Commonwealth Bank of Australia	Financials
CSL Limited	Health Care
Goodman Group	Real Estate
Macquarie Group Limited	Financials
National Australia Bank Limited	Financials
Rio Tinto Limited	Materials
QBE Insurance Group Limited	Financials
Suncorp Group Limited	Financials

### Sector Allocation



Source: Solaris Investment Management, March 2024

### Market Valuation & Earnings Estimates:

	Market & Sector EPS Growth			Market & Sector PEs			Market & Sector Yield		Dividend
Pro-rated to June	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
All Companies	-3.9%	-3.5%	2.8%	17.0x	17.4x	17.0x	4.0%	3.7%	3.8%
Banks	9.8%	-3.6%	-3.1%	15.4x	16.0x	16.5x	5.1%	4.7%	4.7%
Listed Property Trusts	-0.4%	0.4%	4.5%	17.2x	17.1x	16.4x	4.7%	4.1%	4.1%
Resources	-25.2%	-13.9%	-0.6%	11.4x	12.5x	12.6x	5.2%	4.8%	4.5%
Industrials ex-Banks	17.0%	6.3%	8.6%	23.1x	21.8x	20.2x	3.0%	2.9%	3.2%

Estimate only, which may not be realised in the future.

The securities presented on this slide are for illustrative purposes only and are not the complete holdings of the fund.  
Illustrative only and not a recommendation to buy or sell any particular security.

## Market Outlook

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For the past 18 months, investors and corporates have been navigating an uncertain macroeconomic environment with high inflation and an aggressive rate hiking cycle. Despite this, the Australian and global economies have shown impressive resilience and recession risk continues to subside. The growing acceptance that a soft-landing has been achieved has reduced the uncertainty in the macro environment but has induced strong momentum into equity markets, with high beta and growth companies benefitting, causing material share price re-rates in a number of companies and sectors.

As active managers, our investment philosophy is predicated on exploiting inefficiencies in valuations and earnings and the extreme valuations that we are seeing in pockets of the market from the momentum trade are providing opportunities for the team. We remain cautious names in the market that are trading on high valuations, without the prospect of earnings upgrades to support share prices. As an example, we are wary the banking and real estate sectors. Conversely, we are seeing opportunities in other areas of the market, including some of the value and lower beta companies.

Changing trends and market dynamics provides opportunity for the Solaris investment approach as we construct the portfolio from bottom-up research and seek opportunities across sectors and companies. Against the backdrop of negative earnings growth, we remain focused on constructing the portfolio with companies that are best placed to deliver earnings or valuations upside. A key theme in the portfolio remains companies with true pricing power.

The portfolio has been overweight both growth and cyclical companies over the past two years. However, with valuations looking stretched, particularly in growth companies, the growth bias is reducing with select opportunities in value becoming more visible. If the momentum continues, it is likely that we will continue to reduce growth exposure and seek more value companies.

Through our portfolio construction and robust risk management, which is embedded in our +20-year process, we are confident in our objective and seek to offer higher potential returns across all market conditions. We are seeing clear investment opportunities across many areas of the market and believe this elevated volatility is well suited to the Solaris investment process.

Thank you as always for the privilege of managing your investments.

Source: Solaris Investment Management, March 2024

## Contact Details

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For further information, please contact Solaris' distribution partner:

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alternatively, please email: [distribution@pinnacleinvestment.com](mailto:distribution@pinnacleinvestment.com)

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Link to the [Product Disclosure Statement](#)

Link to the [Target Market Determination](#)

For historic TMD's please contact Pinnacle client service Phone 1300 010 311 or Email [service@pinnacleinvestment.com](mailto:service@pinnacleinvestment.com)

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