

Quarterly Newsletter as at 31 December 2019

Solaris Australian Equity Long Short Fund (APIR: WHT3859AU)

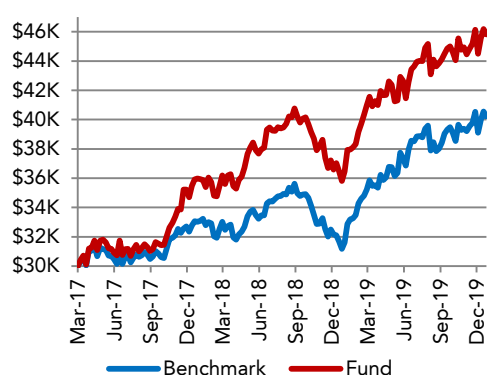
Fund Overview

FUM	\$443.5m
Investment Objective	Exceed the S&P/ASX200 Accum. Index by taking both long and short positions
Typical Number of Stocks	40 - 70 Long and 20 - 30 Short
Max Long/Short Exposures	140% Long and -40% Short
Max Cash	30%
Management Fee	0.99%
Performance Fee	15% (of perf above bmk + mgt fee)
Buy/Sell Spread	+/- 0.3%
Distribution	Semi-annually at 31 Dec and 30 Jun
Min initial investment	\$30,000

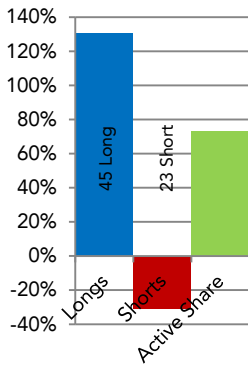
Top 10 Holdings

CSL Limited (Pharmaceuticals & Biotechnology)
BHP Group Limited (Metals & Mining)
Westpac Banking Corporation (Banks)
Atlas Arteria (Transportation)
Macquarie Group Limited (Diversified Financials)
Telstra Corporation Limited (Telecommunication Services)
National Australia Bank Limited (Banks)
QBE Insurance Group Limited (Insurance)
Scentre Group (Real Estate)
Aurizon Holdings Limited (Transportation)
Top 10 Weight (gross): 35.7%

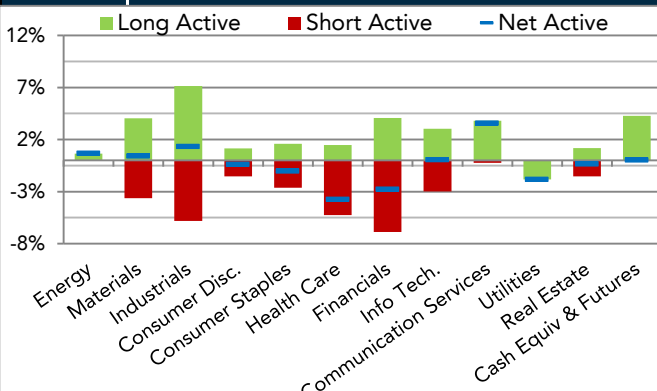
\$30,000 Investment Comparison



Exposure



Sector Exposure vs Benchmark



Returns	Month	Rolling Qtr	FYTD	1 Year	2 Years p.a	3 Years p.a.	5 Years p.a.	Since Inception p.a. (1-Mar-2017)
Fund Gross [^]	-2.08%	0.94%	3.89%	22.83%	13.70%	-	-	17.63%
Benchmark*	-2.17%	0.68%	3.06%	23.40%	9.49%	-	-	10.32%
Active	0.08%	0.25%	0.83%	-0.57%	4.20%	-	-	7.31%
Fund Net [^]	-2.17%	0.68%	3.37%	21.59%	11.98%	-	-	15.48%
Benchmark*	-2.17%	0.68%	3.06%	23.40%	9.49%	-	-	10.32%
Active After Fees	0.00%	0.00%	0.30%	-1.80%	2.48%	-	-	5.16%

[^] Fund refers to the Solaris Australian Equity Long Short Fund (APIR: WHT3859AU), the returns are calculated based on month end prices before tax. Net returns are calculated after management fees and operating costs, excluding taxation. Gross returns are stated excluding all fees, costs and taxation. Past performance is not indicative of future performance.

* Benchmark refers to the S&P/ASX 200 Accumulation Index.

Contact Details:

For further information please contact Solaris' distribution partner:-

Pinnacle Investment Management Limited on **1300 010 311**

alternatively, please email: distribution@pinnacleinvestment.com

IMPORTANT: The information in this document was prepared by Solaris Investment Management Limited, ABN 72 128 512 621, AFSL 330505. Interests in the Solaris Australian Equity Long Short Fund (ARSN 618 962 995) ('Fund') are issued by Pinnacle Fund Services Limited (ABN 29 082 494 362 AFSL 238371). The issuer is not licensed to provide financial product advice. The Product Disclosure Statement ('PDS') of the Fund is available at solariswealth.com.au. Any potential investor should consider the current PDS and consult their financial adviser before making an investment decision. Information contained in this communication is general information only. Past performance is not a reliable indicator of future performance. Solaris Investment Management Limited and Pinnacle Fund Services Limited believe the information contained in this communication is reliable, however no warranty is given as to its accuracy or completeness. Persons relying on this information do so at their own risk.

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The end of a decade... and what will 2020 bring?

As 2019 draws to a close, the Australian equity market recorded its best annual performance in a decade. The S&P/ASX 200 Accumulation Index finished the calendar year with a strong +23.4% return driven by several developments including three interest rate cuts by the Reserve Bank of Australia, strong commodity prices, a softening Australian dollar, a US-China trade war truce, the UK election and continued enthusiasm for growth and technology shares.

With global equity markets at or close to all-time highs, unprecedented monetary policy action from global Central Banks, bond yields racing to zero, and governments consumed by politics, what will 2020 have in store for investors?

Quite frankly, we don't know.

Trying to predict macroeconomic events and timing the market is not our strength and something we do not advocate. Market forecasting is perilous at the best of times and investors only need to look back over the last few years to demonstrate how hard it has been to make accurate predictions. For instance how many anticipated Donald Trump would become President of the USA, and furthermore that equity markets would forge ahead to rally in the aftermath of his victory? Elsewhere who would have forecast we would be living in a world of sub-zero bond yields?

We pick companies and build portfolios for our clients that are designed to outperform regardless of market direction or macroeconomic events.

Portfolio construction

Solaris tries, as much as possible, to ensure the risk in the fund is generated from bottom up stock decisions, rather than allowing macro events to dictate risk and performance.

To this end, we quantify how much risk comes from styles (growth, value, momentum, size etc), sectors and stocks relative to the market. The Solaris Long Short Fund currently generates more than 75% of risk in the portfolio from stocks and have maintained a level above 70% for the last year which lessens the impact of any particular macro event.

Through our portfolio construction and strong risk management which is embedded into our process we are confident in our objective and seek to offer higher potential returns than a long only Australian shares portfolio, across all market conditions. The objective is to not only outperform our investment objectives during bull markets but also offer some protection during downturns.

A measured approach to shorting

Shorts are classified into three categories: Outright/Event shorts, Funding shorts and Pairs. We do this as we believe each of these categories of shorts have distinctive characteristics common only to their category and as such need to be viewed/managed differently.

Approaching the short space using the three categories described above is quite unique and we believe provides a few key benefits to the Solaris Long Short Fund.

This approach enables a diversification of return streams from the short portfolio but also and, more notably, can substantially reduce risk levels.

The improvement in both diversification and risk management seeks to drive a superior, more predictable, less volatile return for the fund, something not usually associated with Long Short portfolios.