SOLARIS
investment management

Solaris Core Australian Equity Fund (Performance Alignment)

(APIR: SOL0001AU)

Monthly Investment Report

as at 30 November 2019

Fund Performance

The fund outperformed its benchmark for the month by 0.28%. Overweight holdings in James Hardie Industries PLC, Aristocrat Leisure Limited, Pendal Group Limited and Virgin Money UK PLC and an underweight position in Australia and New Zealand Banking Group Limited made a positive contribution to relative performance. The main detractors were overweight holdings in Atlas Arteria, Aurizon Holdings Limited, Westpac Banking Corporation and National Australia Bank Limited together with an underweight position in Caltex Australia Limited.

Returns	Month	Rolling Quarter	FYTD	1 Year	3 Years p.a.	5 Years p.a.	7 Years p.a.	Since Inception p.a. (31/08/2012)
Fund Gross Return^	3.56%	4.66%	5.88%	26.47%	14.37%	11.75%	13.21%	13.59%
Benchmark Return*	3.28%	4.80%	5.34%	25.98%	12.66%	9.90%	10.88%	11.35%
Active Return	**0.28%**	**-0.14%**	**0.54%**	**0.50%**	**1.71%**	**1.85%**	**2.33%**	**2.24%**
Fund Net Return^	3.56%	4.66%	5.88%	26.48%	13.84%	11.16%	12.63%	13.03%
Benchmark Return*	3.28%	4.80%	5.34%	25.98%	12.66%	9.90%	10.88%	11.35%
Active Return (After fees)	**0.28%**	**-0.14%**	**0.54%**	**0.50%**	**1.18%**	**1.26%**	**1.75%**	**1.68%**

^ Performance is for the Solaris Core Australian Equity Fund (Performance Alignment) (APIR: SOL0001AU), also referred to as Class D 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.

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

Significant Contributors

James Hardie Industries PLC (+17.0%)

The building materials company appreciated over the month after reporting results for the half year to 30 September 2019 that were higher than investors' expectations, combined with an upward revision to earnings guidance outlook for the 2020 financial year.

Virgin Money UK PLC (+29.3%)

The bank (previously known as Clydesdale Bank UK and renamed during the month) reported financial results for the year to 30 September 2019. Investors were pleased with the "net interest margin" of 1.66% which was in line with guidance and a 6% reduction in underlying costs.

ANZ Banking Group Limited (-4.2%)

The bank underperformed the market along with the large banks over the month, as news of AUSTRAC's investigation into Westpac impacted investor confidence. Management confirmed the company is not aware of any impending litigation from AUSTRAC.

Significant Detractors

Westpac Banking Corporation (-10.5%)

During the month AUSTRAC commenced civil proceedings in relation to alleged contraventions of Westpac's obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act. News of the contraventions culminated in the resignation of several senior staff members including the CEO Brian Hartzer and Chairman of Board Lindsay Maxsted.

Aurizon Holdings Limited (-2.0%)

The rail freight company published the September quarter volumes for the above rail business during the month, where volumes in the Central Queensland Coal Network were softer than expected being 4% lower than the prior comparable period due to lower than expected demand for a key client.

Caltex Australia Limited (+26.7%)

During the month the integrated fuel company announced plans for a proposed initial public offering of up to a 49% interest in 250 retail petrol station sites. This news was well received by investors. Following this, the company received a takeover proposal from Canadian firm Alimentation Couche-Tard at $34.50 per share, a material premium to the trailing three-month average share price.

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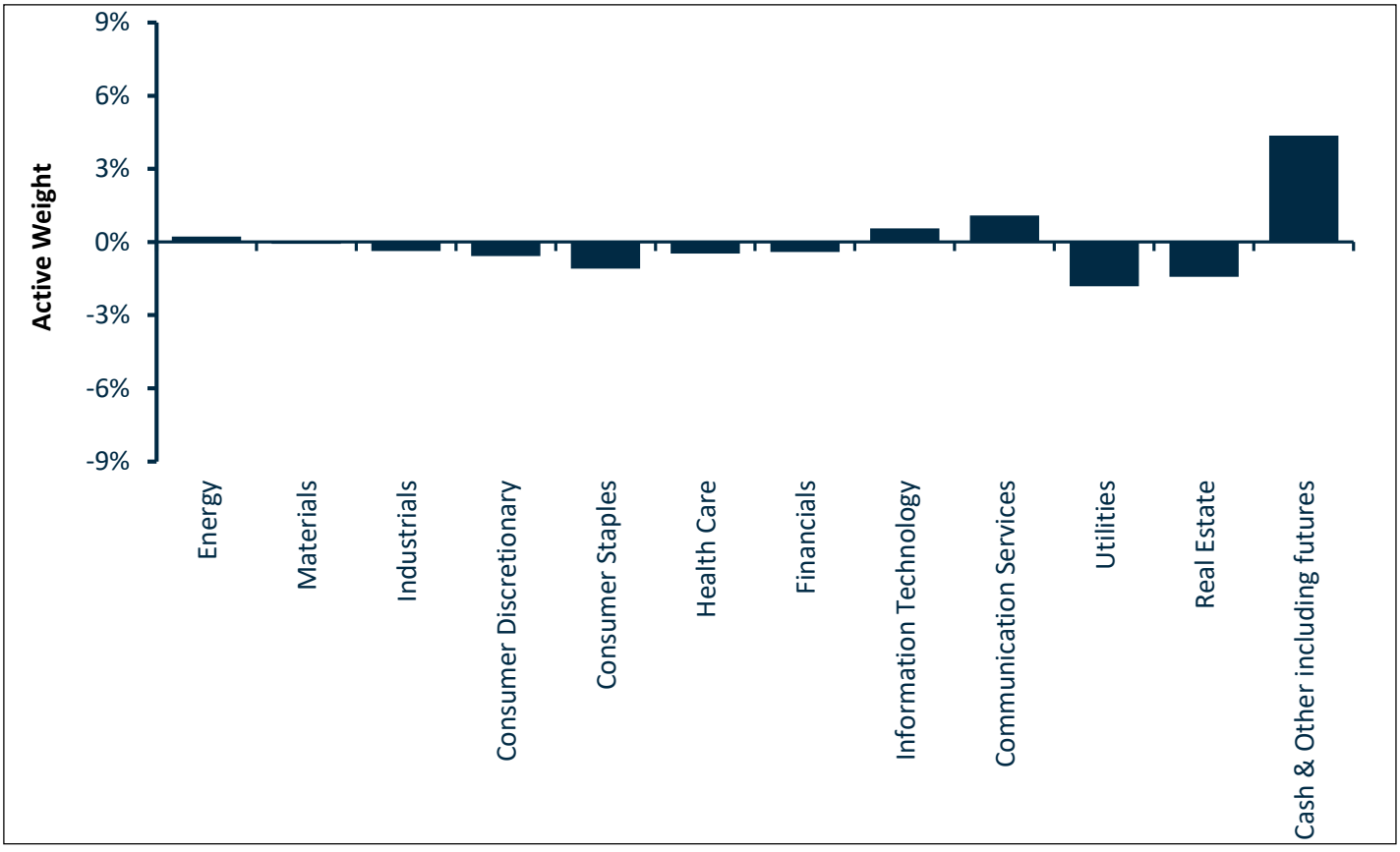
Top 10 Stocks

Name	Sector
CSL Limited	Health Care
BHP Group Limited	Materials
Westpac Banking Corporation	Financials
Commonwealth Bank of Australia	Financials
National Australia Bank Limited	Financials
Macquarie Group Limited	Financials
Telstra Corporation Limited	Communication Services
Woodside Petroleum Limited	Energy
Rio Tinto Limited	Materials
Australia and New Zealand Banking Group Limited	Financials

Sector Allocation



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Market Review

The S&P/ASX 200 Accumulation Index rallied +3.3% over the month, taking the trailing twelve month return to +26.0%. Global markets experienced a strong month (MSCI World ex Australia +2.7%) as speculation increased for a potential trade deal between the US and China. During the month a raft a domestic companies hosted their Annual General Meetings. In terms of index performance, the best sector performance was seen in Consumer Durables & Apparel (+11.9%), Food Beverage & Tobacco (+11.2%) and Software & Services (+11.0%). While the worst performers were Household & Personal Products (-4.7%), Banks (-3.7%) and Insurance (-0.8%).

The top three moves within the S&P/ASX 200 Accumulation index included NRW Holdings (+33.3%) after executing an agreement to acquire 100% of BCG Contracting, Virgin Money Plc (+29.3%) after reporting results for the year ended 30 September 2019 that were stronger than investors' expectations and Caltex Australia (+26.7%) which received a takeover proposal from Canadian firm Alimentation Couche-Tard. The bottom three moves were G8 Education (-23.5%) after revising earnings guidance lower due to deteriorating trading conditions, Polynovo (-20.8%) which held its 2019 Annual General Meeting during the month and Smartgroup Corporation (-20.7%) which provided updated earnings guidance for the 2019 financial year combined with news that the long term CEO is planning to retire in February 2020.

S&P/ASX 200 Top & Bottom performing sectors for the month ending 30 November:

The best performing sectors in the S&P/ASX200 Accumulation Index for the month were Consumer Durables & Apparel (+11.9%), Food Beverage & Tobacco (+11.2%), Software & Services (+11.0%), Pharmaceuticals & Biotechnology (+10.3%) and Telecommunication Services (+9.6%). The worst performing sectors included Household & Personal Products (-4.7%), Banks (-3.7%), Insurance (-0.8%), Utilities (-0.6%) and Media & Entertainment (+0.8%).

S&P/ASX200 Top & Bottom performing stocks for the month ending 30 November:

The top 5 performing stocks in the S&P/ASX200 Accumulation Index for the month were NRW Holdings Ltd (+33.3%), Virgin Money UK PLC (+29.3%), Caltex Australia Limited (+26.7%), Technology One Limited (+25.9%) and The A2 Milk Company Limited (+22.7%). The bottom 5 performers included G8 Education Limited (-23.5%), Polynovo Limited (-20.8%), Smartgroup Corporation Ltd (-20.7%), Speedcast International Limited (-18.6%) and Nufarm Limited (-16.4%).

Market Valuation & Earnings Estimates:

	Market & Sector EPS Growth			Market & Sector PE's			Market & Sector Dividend Yield		
Pro-rated to June	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
All Companies	1.4%	2.7%	3.2%	18.2x	17.7x	17.2x	4.3%	4.1%	4.1%
Banks	-8.4%	-2.9%	0.8%	13.3x	13.7x	13.5x	6.2%	6.1%	5.8%
Listed Property Trusts	0.0%	6.9%	2.7%	18.5x	17.3x	16.9x	4.4%	4.6%	4.7%
Resources	12.3%	4.7%	-1.4%	13.8x	13.2x	13.4x	5.9%	4.3%	4.0%
Industrials ex-Banks	2.5%	4.9%	6.8%	23.4x	22.3x	20.9x	3.2%	3.3%	3.5%

Source: Solaris Investment Management, November 2019

Market Outlook

The backdrop for the Australian economy is expected to remain supportive for businesses and households. The RBA has calibrated the benchmark cash rate to a record low of 0.75% enabling borrowing costs to reach historically low levels. The supportive settings have begun to flow through to residential property market which is showing healthy signs after delivering the fifth consecutive increase in the CoreLogic national Home Value Index. Pockets of high growth stocks look expensive however, we continue to find attractive investment opportunities in this low rate environment.

Contact Details

For further information, please contact Solaris' distribution partner:

Pinnacle Investment Management Limited on 1300 010 311,

alternatively, please email: distribution@pinnacleinvestment.com

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