

Quarterly Newsletter as at 31 December 2018

Solaris Australian Equity Long Short Fund (APIR: WHT3859AU)

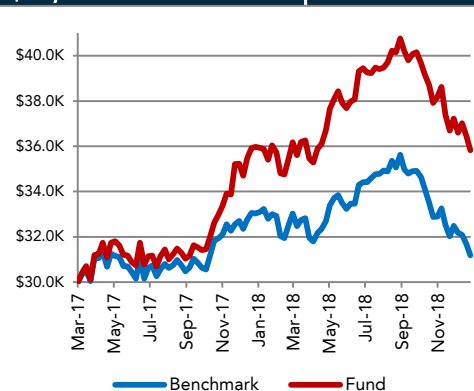
Fund Overview

FUM	\$115.3m
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

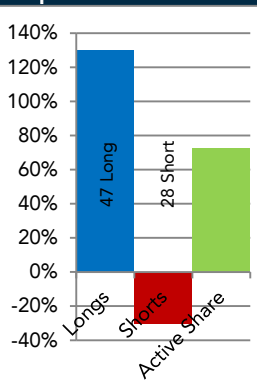
Top 10 Holdings

BHP Group Limited (Metals & Mining)
Westpac Banking Corporation (Banks)
National Australia Bank Limited (Banks)
CSL Limited (Pharmaceuticals & Biotechnology)
Commonwealth Bank of Australia (Banks)
Macquarie Group Limited (Diversified Financials)
Scentre Group (Real Estate)
Aristocrat Leisure Limited (Consumer Services)
Link Administration Holdings Limited (Software & Services)
Atlas Arteria (Transportation)
Top 10 Weight (gross): 35.3%

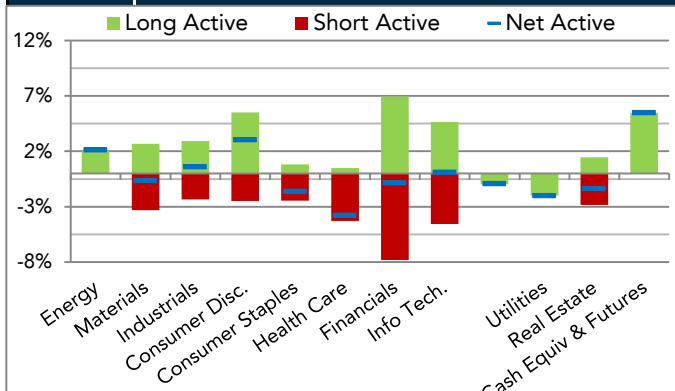
\$30,000 Investment Comparison



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 [^]	1.07%	-7.15%	-5.38%	5.24%	-	-	-	14.88%
Benchmark*	-0.12%	-8.24%	-6.83%	-2.84%	-	-	-	3.79%
Active	1.19%	1.08%	1.45%	8.08%	-	-	-	11.09%
Fund Net [^]	0.84%	-7.51%	-6.06%	3.12%	-	-	-	12.27%
Benchmark*	-0.12%	-8.24%	-6.83%	-2.84%	-	-	-	3.79%
Active After Fees	0.96%	0.73%	0.77%	5.96%	-	-	-	8.48%

[^] 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**

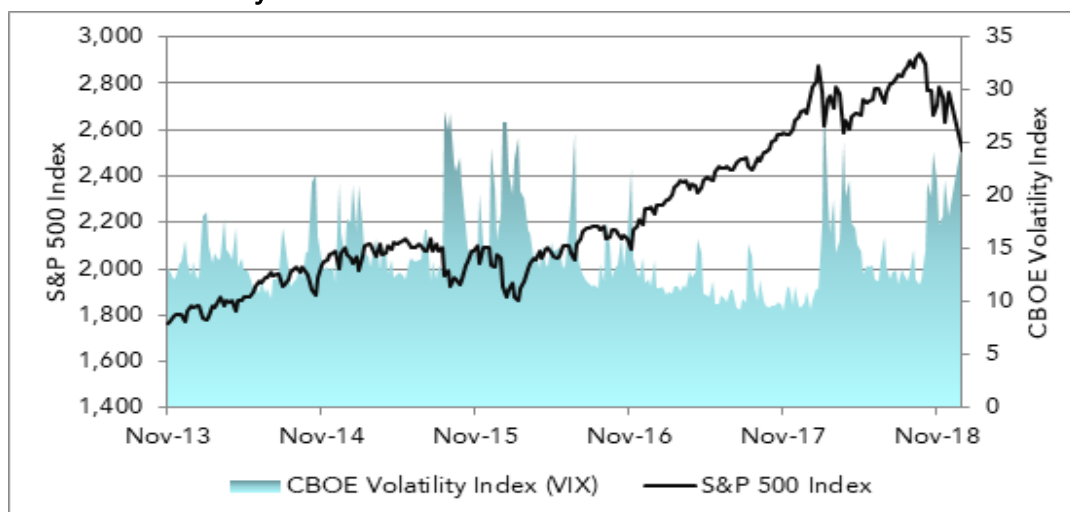
alternatively, please email: distribution@pinnacleinvestment.com.au

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 resurrection of market volatility



After an extended period of steady equity returns, volatility has returned to equity markets. You don't have to look far to get a good understanding of what investors are currently grappling with: Brexit, Italy, oil sanctions, US mid-term elections, trade war angst and domestically, The Royal Commission, housing related fears and our own political uncertainty.

It has been a stomach churning ride to say the least and these wild swings can rattle even the most seasoned investor.

Important therefore to keep some perspective

- Volatility is a normal part of investing
- Downturns are normally short lived
- Take advantage of opportunities
- Timing the market is hard

Whilst we have thought the market was expensive for a while, trying to time market peaks and troughs is near impossible. It can be a real trap for investors trying to pick these movements and is something we never advocate.

Quote: "Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves." - Peter Lynch

We really take this quote to heart and whilst we see some areas of the market as still looking a little expensive we are also finding some value out there and have been using the selloff to top up some of our high conviction long names that are suddenly looking a lot more attractive.

Overall, we believe equity market volatility is here to stay and, in an effort, to guard against market volatility we believe it is sensible that investors look towards strategies that are flexible and seek to dampen downside risk.

In the Solaris Long Short Fund we seek to offer higher potential returns than a long only product, across all market conditions. The objective is to not only outperform during bull markets but also offer some protection during downturns.

So how do we short?

With regards to our short selling approach, each potential position is classified as either an Outright short, Pairs trade or Funding short.

The Outright shorts are the more traditional event style shorts, and in the past (during the market rally), they have been less significant in a performance sense than the Funding & Pairs trades. More recently this has changed, and we have had a lot of success trading Outright shorts over the last few months. We have made more than 130bps in outperformance over the last quarter trading these Outright shorts which has significantly protected the portfolio throughout this period of uncertainty.