

# Solaris High Alpha Australian Equity Fund

(APIR: WHT0016AU)

## Monthly Investment Report as at 30 April 2019

### Fund Performance

The Fund underperformed its benchmark for the month by 0.03%. Overweight holdings in Westpac Banking Corporation, Reliance Worldwide Corporation Limited, The Star Entertainment Group Limited and Appen Limited and an underweight position in South32 Limited made a positive contribution to relative performance. The main detractors were overweight holdings in Atlas Arteria, Scentre Group and Northern Star Resources Ltd together with underweight positions in Australia and New Zealand Banking Group Limited and Commonwealth Bank of Australia.

Returns	Month	Rolling Quarter	FYTD	1 Year	3 Years p.a.	5 Years p.a.	7 Years p.a.	10 Years p.a.	Since Inception p.a. (17/10/2008)
Fund Gross Return <sup>^</sup>	2.42%	10.32%	6.00%	10.80%	14.09%	9.78%	12.51%	11.23%	11.53%
Benchmark Return <sup>*</sup>	2.37%	9.29%	5.76%	10.41%	11.10%	7.52%	10.11%	10.01%	9.27%
<b>Active Return</b>	<b>0.05%</b>	<b>1.04%</b>	<b>0.25%</b>	<b>0.40%</b>	<b>3.00%</b>	<b>2.26%</b>	<b>2.40%</b>	<b>1.21%</b>	<b>2.26%</b>
Fund Net Return <sup>^</sup>	2.34%	10.07%	5.15%	9.74%	13.00%	8.73%	11.43%	10.22%	10.34%
Benchmark Return <sup>*</sup>	2.37%	9.29%	5.76%	10.41%	11.10%	7.52%	10.11%	10.01%	9.27%
<b>Active Return (After fees)</b>	<b>-0.03%</b>	<b>0.78%</b>	<b>-0.60%</b>	<b>-0.67%</b>	<b>1.90%</b>	<b>1.20%</b>	<b>1.32%</b>	<b>0.20%</b>	<b>1.08%</b>

<sup>^</sup> Performance is for the Solaris High Alpha Australian Equity Fund (APIR: WHT0016AU), 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.

<sup>\*</sup> Benchmark refers to the S&P/ASX 200 Accumulation Index.

### Significant Contributors

#### Reliance Worldwide Corporation Limited (+13.2%)

The plumbing products and solutions business experienced a strong month as investors moved past the recent news of the retirement of chairman Jonathan Munz combined with the sell down of his remaining holding in the business and focused on the future growth prospects in both the US and UK.

#### Appen Limited (+13.6%)

The language technology data and services company continued its positive momentum over the month as it completed the acquisition of Figure Eight Technologies, which is aimed at improving Appen's video and image capabilities and crowd productivity.

#### South32 Limited (-10.5%)

Management released their March quarter 2019 production report which included reduced production guidance at its South Africa Energy Coal operations due to community protests and a slower than expected ramp up of activity following a dragline outage. Weakness in key commodity prices including Alumina also weighed on the share price.

### Significant Detractors

#### Atlas Arteria (-3.0%)

The toll road owner and operator underperformed the market as traffic growth during the March quarter 2019 on the company's Dulles Toll Road was impacted by the winter snow events and the US Federal Government shutdown.

#### Commonwealth Bank of Australia (+5.5%)

The bank appreciated during the month, in line with broader Banking Sector which was supported by improved funding conditions which will provide support for bank margins after a period of sustained pressure.

#### Scentre Group (-7.1%)

The real estate development and management business was impacted by persistent soft retail trading conditions. Several research houses downgraded their investment recommendations in the lead up to the release of the March 2019 quarter operating update on 1 May.

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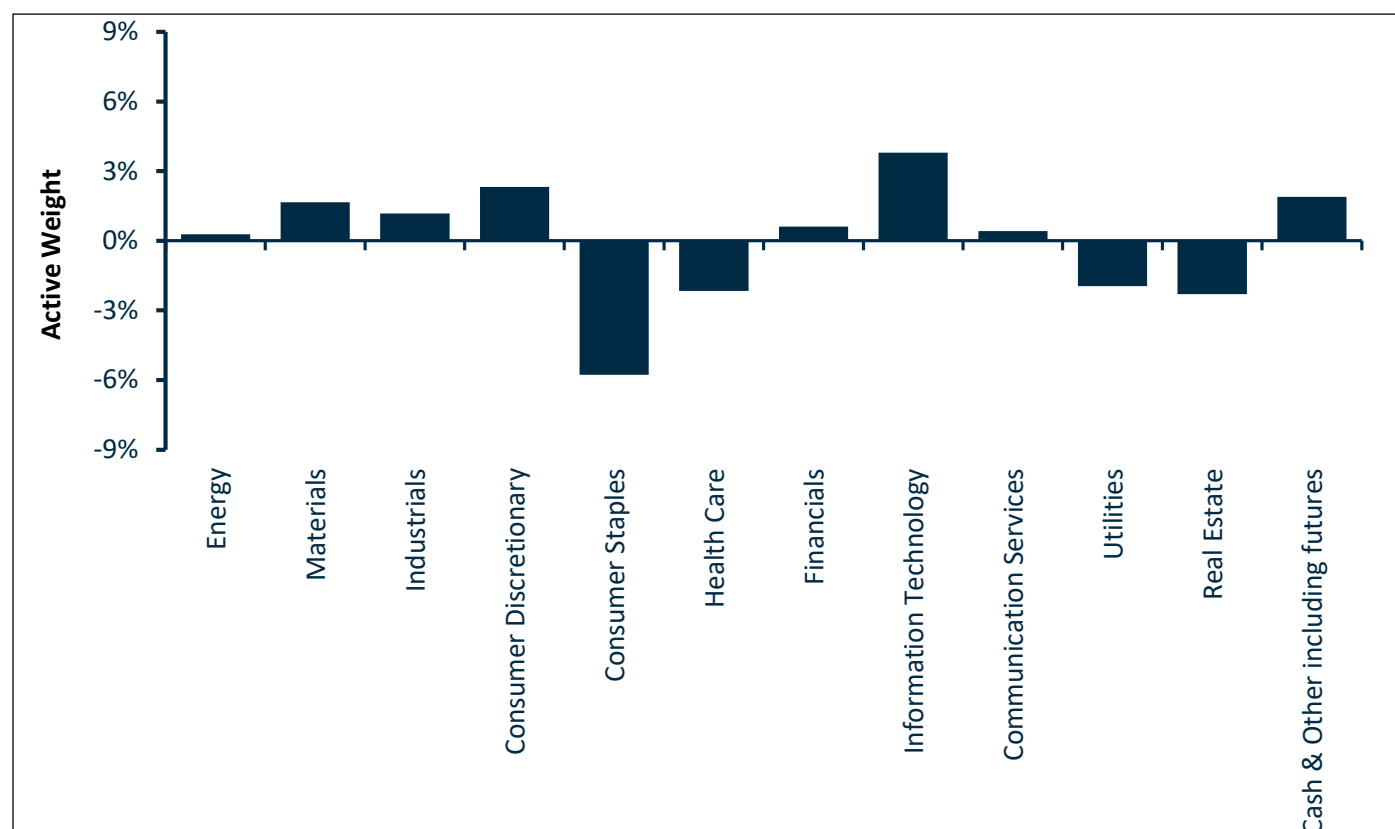
## Monthly Investment Report

as at 30 April 2019

### Top 10 Stocks

Name	Sector
Westpac Banking Corporation	Financials
BHP Group Limited	Materials
National Australia Bank Limited	Financials
CSL Limited	Health Care
Macquarie Group Limited	Financials
Link Administration Holdings Limited	Information Technology
Rio Tinto Limited	Materials
Insurance Australia Group Limited	Financials
QBE Insurance Group Limited	Financials
Atlas Arteria	Industrials

### Sector Allocation



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### Market Review

The S&P/ASX200 Accumulation Index continued its recent positive momentum finishing 2.37% higher over the month and 13.51% higher calendar year to date. The main contributor to Index performance was the Banking sector (+4.4%) which was supported by improved funding positions as deposit growth strengthened amid softer lending growth. The Resources sector (-2.5%) was the primary detractor from Index performance as Iron Ore prices consolidated following the large spike as a result of the supply disruptions following the tragedy in Brazil.

The top three moves within the S&P/ASX 200 Index included Eclix Group (+58.6%) where a restructuring is supporting a recovery in investor sentiment following the collapse of the merger with McMillan Shakespeare in March, DuluxGroup (+31.8%) which received a takeover proposal from Japanese firm Nippon Paint and Magellan Financial (+22.5%) which continued its positive momentum in net flows and fund performance. The bottom three performers were the Pilbara Minerals (-22.8%) and Galaxy Resources (-22.3%) which were both impacted by negative sentiment following the Chinese government's announcement of reduced incentives for electric vehicles combined with recent soft prices for battery grade lithium and Evolution Mining (-12.8%) after publishing its March quarterly report during the month that was less positive than investors had anticipated.

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

The best performing sectors in the S&P/ASX200 Accumulation Index for the month were Consumer Durables & Apparel (+18.2%), Food Beverage & Tobacco (+11.0%), Capital Goods (+8.7%), Real Estate Management & Development (+7.5%) and Software & Services (+7.3%). The worst performing sectors included Real Estate Investment Trusts (-2.6%), Materials (-2.0%), Household & Personal Products (-0.6%), Utilities (-0.5%) and Energy (+1.5%).

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

The top 5 performing stocks in the S&P/ASX200 Accumulation Index for the month were Eclix Group Limited (+58.6%), Duluxgroup Limited (+31.8%), Magellan Financial Group Limited (+22.5%), Afterpay Touch Group Ltd (+22.1%) and Healius Limited (+18.6%). The bottom 5 performers included Pilbara Minerals Limited (-22.8%), Galaxy Resources Limited (-22.3%), Evolution Mining Limited (-12.8%), Washington H Soul Pattinson & Co Ltd (-11.7%) and South32 Limited (-10.5%).

### Market Valuation & Earnings Estimates:

	Market & Sector EPS Growth			Market & Sector PE's			Marker & Sector Dividend Yield		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Pro-rated to June									
All Companies	5.0%	7.0%	1.5%	16.3x	15.3x	15.0x	4.7%	4.5%	4.6%
Banks	-1.1%	2.6%	1.4%	12.5x	12.2x	12.0x	6.3%	6.3%	6.4%
Listed Property Trusts	-0.6%	5.7%	4.2%	17.4x	16.4x	15.8x	4.6%	4.8%	5.0%
Resources	17.7%	9.8%	-6.7%	13.0x	11.9x	12.7x	6.0%	4.7%	4.3%
Industrials ex-Banks	2.9%	8.3%	5.8%	20.4x	18.8x	17.8x	3.7%	3.8%	4.0%

Source: Solaris Investment Management, April 2019

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### Market Outlook

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In 2019 we have seen downside risks to the global economic outlook rise to the forefront. Ongoing trade friction between the United States and China, combined with the Brexit deliberations continues to add uncertainty to global markets. Global bond yields have pressed markedly lower, as any expectations for a normalisation of policy settings have been pushed out due to the major central banks providing supportive settings for the major economies. Domestically, the Australian economic conditions have softened. Following the royal commission into the banking sector we remain focused on whether domestic credit growth will be restricted at a time when the housing market continues to soften (with clearance rates remaining weak and property prices in the major cities flat or negative year on year).

Given this backdrop, the Reserve Bank of Australia is expected to continue to provide a supportive backdrop for the local economy with a growing probability of one or more cash rate cuts from the current 1.50% level. The upcoming Australian Federal election and any potential changes to government policy are front of mind. We remain cautious in some areas of the market but continue to see attractive investment opportunities.

### 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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