WaveStone Dynamic Australian Equity Fund

Quarterly Fund Report - March 2023

Portfolio returns

The Fund delivered a total return of 3.9% for the March quarter after all fees and expenses. The S&P/ASX 300 Accumulation Index returned 3.3% over the same period. The Fund size was $177.4m and the unit price was $1.6743 as at 31 March 2023.

Performance	Quarter %	FYTD %	1 year %	3 years % p.a	5 years % p.a	10 years % p.a[4]	*Inception % p.a[1,4]*
Fund return (including franking credits)	4.4	11.9	2.1	17.4	9.5	9.9	10.8
Less: Franking credits[2]	0.5	1.2	1.4	1.3	1.6	1.5	1.5
Total Return[3]	**3.9**	**10.6**	**0.7**	**16.1**	**7.9**	**8.5**	**9.3**
S&P/ASX 300 Accumulation Index[4]	3.3	13.3	-0.6	16.6	8.6	8.1	9.0
Active return[3]	**0.6**	**-2.7**	**1.3**	**-0.5**	**-0.8**	**0.3**	**0.3**
Average Daily Net Equity Exposure	79	81	81	81	80	79	81

Past performance is not a reliable indicator of future performance. Numbers may not add due to rounding. Data source: Fidante Partners, 31 March 2023.

[1]The Fund's inception date is 02 July 2009.

[2]Franking credits accrued as received by the Fund.

[3]After all fees and expenses and assumes all distributions are reinvested.

[4]From 1 January 2014, the benchmark of the Fund changed to the S&P/ASX 300 Accumulation Index. Prior to this, the benchmark of the Fund was the RBA Cash Rate.

Portfolio analysis as at 31 March 2023

Exposure analysis	
Position	**% of net invested capital**
Long Stocks (40)	109.2
Short Stocks (6)	-6.3
Gross Exposure	115.5
Net Physical Long	102.9
Index Futures/Puts	-21.6
Net effective equity exposure	**81.3**
Cash/(Borrowings)	**-2.9**

Largest stock holdings	
Stock net exposure analysis	**% of net invested capital**
BHP Group Limited	11.9
CSL Limited	9.7
Commonwealth Bank Of Australia	7.0
National Australia Bank Limited	6.2
ANZ Group Holdings Limited	5.4
Top 10	63.2

WaveStone is pleased that the Dynamic Fund's net return was 0.7% vs the market return of -0.6% over the 12 months to the end of March 2023, outperforming the ASX300 by 1.3%.

Quarter in review

The March-23 quarter saw the ASX300 Accumulation Index returning 3.3%, with large caps outperforming the Small Ordinaries Index which returned 1.9%. The quarter was dominated by the US regional banking crisis, rising interest rates and reporting season. The key drivers of the market were:

Sector Performance: The best performing sectors for the quarter were Consumer Discretionary (+11.4%), Communication Services (+10.3%) and Materials (+8.2%). The worst performing sectors were Financials (-2.3%), Real Estate (+0.0%) and Energy (+0.6%). While the top sector performers were relatively consistent over the past 3 months, underperformance of Financials and Real Estate was back ended. Weakness in Financials (-4.8%) was felt after CBA's February result, which flagged that net interest margins were under pressure. The sector was further hit in March as investors grew increasingly worried of contagion effects from the collapse of 3 US regional banks and the shotgun merger between Credit Suisse and UBS. This also had adverse second order impacts on Real Estate (-6.6%), a sector dependent on regional banks for credit.

Rates and Yields: Yields drastically declined as the US 10-yr retreated 41bps to end at 347bps, while the AUS 10-yr retreated 75bps to 330bps. While a strong labour market in February sparked fears for stubborn wage inflation, focus subsequently pivoted from inflation control to the preservation of financial and economic stability in reaction to the banking crisis. Locally, yields also fell in reaction to a moderating March inflation print of 6.8% - the lowest since June 22.

Reporting Season: Whilst 1H23 reporting season saw more earnings misses (36% of companies) than beats (28% of companies), earnings overall were quite robust despite the pressures from high interest rates. This, in our view, reflects the large savings balances held by households leading to demand holding up and good market structures domestically allowing companies to put prices up. The outlook commentaries were cautious as demand conditions were uncertain and elevated wage pressures were being felt across the economy. Forecast revenues were higher for FY23 and FY24 but EPS were downgraded for both years.

Commodities: Iron ore prices rose 10.4% over the quarter; expectations of demand returning in China following the end of Covid restrictions. Gold prices were also strong during the quarter rising by 8.0%. In contrast, Brent Crude prices declined 7.2% due to an anticipated slowdown in the developed world.

Corporate News: The March quarter featured a wave of corporate news/activity both globally and locally. Prominently featured was the global banking crisis catalysed by the run and subsequent bankruptcy of three regional banks in the US. The fear of deposit runs and heightened funding costs had spill over effects on the entire banking ecosystem, resulting in a series of recapitalisations (eg. First Republic, Signature) and M&A (ie. UBS and Credit Suisse). While the Australian banks equities sold off, there was limited contagion in funding markets.

M&A was also active in the quarter despite the rising cost of debt, notably from private equity who are sitting on considerable amounts of dry powder. Australia is seen as an attractive investment destination given a relatively better economic outlook and oligopolistic market structures. Examples during the quarter included the TPG bid for Invocare at $12.65ps (41% premium), and KKR-backed Soufflet bid for United Malt Group at $5.00ps (42% premium). Albermarle made a bid for Liontown Resources at $2.50/share, a 63% premium to last close. Kelsian purchased All Aboard America Holdings, the 4th largest motorcoach USA operator for US$371m (6.9x CY22 EV/EBITDA) and Newmont lobbed a $24.5bn bid for Newcrest Mining.

Fund Performance Summary

The Fund delivered a return of 3.9% for the March quarter after fees and expenses, outperforming the broader ASX300 accumulation index which returned 3.3% over the same period. Top performers over this period included being underweight Westpac, holding Xero and Aristocrat, and being short Temple & Webster. Bottom performers included holding Domino’s Pizza and Cleanaway and being underweight Newcrest Mining.

Fund's best performing investments			
Longs	**bps**	**Shorts**	**bps**
Westpac Banking Corporation	+41	Temple & Webster Group Ltd	+22
Xero Ltd	+39	Bank Of Queensland Limited	+10
Aristocrat Leisure Limited	+32		

Major Contributors

Westpac Banking Corporation

Westpac (**WBC**) helped the Fund performance over the quarter especially following the regional banking crisis in the US and the merger of Credit Suisse with UBS in Europe. Westpac is the second largest provider of home loans in Australia and continues to lose market share, growing at 0.6x system in the last six months. This was due to a competitive, slowing market dominated by cash backs and WBC rolling out a new platform. In this coming half, about 15% of its book is rolling from fixed rate to variable loans which should further pressure NIM. Whilst WBC is expected to be showing cost to income improvements as legacy businesses are exited, we are unconvinced that the current competitive environment is conducive for a bank in turnaround mode.

Xero Ltd

In early March, Xero (**XRO**) announced it would be reducing its global headcount by 700-800 people (~15% cut) and provided first time FY24 guidance of OPEX to revenue of around 75%. New CEO, Sukhinder Singh-Cassidy has wasted no time in trying to streamline and simplify the organisation. In our view, there appears to be a stronger focus on balancing growth and profitability for Xero than there has been in past. In addition, the company announced it will be retiring its non-core WorkflowMax product (project management software) by June 2024 and announced new head of product, Diya Jolly (ex-Google & Okta), who will be based in San Francisco.

Aristocrat Leisure Limited

Aristocrat (**ALL**) reconfirmed its FY23 guidance at its AGM in late February and announced an additional A$500m on-market buyback which was well-received. Further, US-listed industry peers reported better than feared results and the US gaming market remains resilient, with GGR spend up low single digits yoy in January and February. Pixel United returned to growth in the month of March (according to Sensor Tower data) after cycling strong covid comps in the pcp and Anaxi, Aristocrat's real money gaming (RMG) arm, announced a number of new content deals with high profile customers during the quarter such as BetMGM (largest iGaming operator with ~30% share) & Caesar's Entertainment. The company is delivering on what they promised in November last year. The stock remains a core holding in the Fund.

Temple and Webster (short)

The Fund was short Temple and Webster **(TPW)** and the stock fell 30% in February after the company walked away from its guidance for double digit revenue growth sometime in FY23 - which has been pushed out to FY24. Outlook commentary was negative, and the trading update showed sales trends for Jan/Feb 23 have deteriorated (down 7%), with management calling out consumers focusing more towards value and a noticeable slowdown in homewares (40% of group sales) relative to furniture. Cost remains a focus with 3-5% EBITDA margin guidance re-iterated, though in our view, this will come at the expense of top line growth. Given the share price reaction and $100m cash on balance sheet, we decided to close the short position and lock-in profits.

Fund's least performing investments			
Longs	**bps**	**Shorts**	**bps**
Domino's Pizza Enterprises Limited	-27	SPI Future	-69
National Australia Bank Limited	-26	Breville Group Ltd	-10
Newcrest Mining Limited	-25	Altium Limited	-10

Major Detractors

Domino's Pizza Enterprises Limited

Dominos (**DMP**) surprised the market in February with a 1H23 earnings downgrade and walked away from its prior FY23 NPAT guidance to "exceed FY22 NPAT excluding ~$7m FX headwinds". The share price fell 25% on the day, despite a 10% earnings downgrade. In our view, the move was exacerbated by the fact the company raised $165m equity to purchase 33% of the German JV that DMP doesn't own and reiterated guidance in early December 2022. The company admitted they lifted price too aggressively and this led to transaction volumes declining as the half progressed, as well as a lower than expected December trade in Japan which is a high margin segment for the group given the larger corporate store mix. We under appreciated the earnings risk heading into the result but the long-term thesis around the store rollout remains intact and the management team have a long-term track record of execution that gives us comfort that once this period of inflation eases and franchisee profitability improves, the store rollout will continue.

Fortescue Metals

Fortescue Metals (**FMG**) rose 10% over the quarter, outperforming the broader ASX 200 (+2%) as well as iron ore (its key commodity exposure) which was down 1% over the period. In late 2022, China removed its 'zero-Covid' policy which helped fuel expectations on economic activity, and the resulting effect this could have on the demand for steel and, in turn, iron ore. We also note FMG reported a strong Dec'Q result (in January) with production at a record level and costs generally beating consensus' expectations.

Newcrest Mining Limited

Newcrest Mining (**NCM**) rallied c.30% over the quarter and outperformed the gold price and domestic precious metal peers. The key driver of the outperformance was US gold major Newmont's proposal of 0.38 Newmont shares per Newcrest share, which implied a ~20% premium to NCM's share price at the time of the bid in early February. NCM's Board rejected the offer, but the parties have since agreed to undertake early-stage dialogue after a standstill agreement was reached in March. The proposal continues to underscore that major miners are looking to offset declining production & mine lives – an acute issue for gold companies given years of underinvestment in exploration – and are willing to put a premium on assets in low-risk jurisdictions such as Australia & Canada, in which NCM has a strong presence.

Fund Activity

New Stocks Added	Stocks Exited
• Pilbara Minerals Ltd • Kelsian Group	

Increases	Decreases
• ASX Limited • Domino's Pizza Enterprises Limited • Xero Ltd • Insurance Australia Group Limited	• Qantas Airways Limited • Charter Hall Group • Seven Group Holdings Ltd • Nine Entertainment Co Holdings Ltd

Key additions

The Fund added Kelsian (**KLS**) back into the portfolio following the equity raise to purchase US-based All Aboard America Holdings (AAAH) for US$351m (6.9x CY22 EV/EBITDA). AAAH is the 4th largest motorcoach operator in the USA and provides motorcoach services to corporate, government, education, LNG and tourism sectors. Despite being an amalgamation of 6 different brands, the business has grown revenue organically at a 13% CAGR over the last 10 years. We view the purchase multiple as fair value (in line with historical M&A transactions) and at the placement price of $5.55/share implies the combined business is trading at 13x P/E, in our view. It's a company we've owned in the past and exited due to the increased competitive environment for contract tenders. However, since then, KLS has successfully won Region 13, Region 2 and Region 15 in NSW and demonstrated it can compete with the global bus operators. We believe that KLS can transfer its expertise and scheduling systems to AAAH (as they have a proven track record in Singapore and the UK), which can unlock further new contract opportunities, particularly within the LNG and corporate space.

Pilbara Minerals (**PLS**) is a lithium miner with a 100% interest in the Pilgangoora Project in Western Australia. We like PLS given it has a well-defined & fully (internally) funded growth profile to take production from the current ~580ktpa spodumene concentrate to ~1Mtpa by H2 CY'25. We note that there is latent capacity in its installed capital base which reduces the risk of capex inflation. Furthermore, PLS has a strong balance sheet (~20% of its current market cap) which mitigates near-term price weakness. It remains cash generative and net cash will continue growing which provides strategic optionality, including for additional shareholder returns (maiden dividend announced with the HY) and/or selective M&A to consolidate its position as a leader in a growing market for critical battery materials. A downstream JV with POSCO adds exposure to battery chemicals, which means its production (Australian spodumene & South Korean lithium hydroxide) are fully IRA-compliant as a source of lithium units to US-based OEMs. On consensus forecasts, PLS trades on forward EV/EBITDA of ~3.5-4.0x and FCFE yields of 10-15% pa (at spot prices, PLS trades on 1.5-2.0x fwd EV/EBITDA and 30-50% pa FCFE yields).

Notable increases

The Fund increased its position in Xero (**XRO**) early in the quarter on the belief that the company would pivot its strategy more towards profitability and free cash flow under new CEO Sukhinder Singh-Cassidy, mirroring the cost out programs displayed by several other global technology companies such as Salesforce, Amazon and Meta etc. This did eventuate in early March as we discussed in the previous section of this report. The key debate from here is what impact does the headcount reductions have on revenue growth and we believe in the near term there is very little impact and the company should be able to achieve top line growth in the high teens % over the next couple of years.

The Fund added to its position in ASX (**ASX**) over the quarter. Coming off cyclical lows in Futures volumes, we have observed green shoots calendar year to date with 3 consecutive months of volume improvements. While capital raisings remained weak, we believe this is a function of market cyclicality amidst heightened volatility, which should recover through the cycle and be leveraged to increasing market capitalisation over time. While the company is undergoing a period of heightened uncertainty with regards to new management and the CHESS replacement, this appears largely discounted in the share price. At its core, ASX remains a defensive stalwart in a favourable industry structure, where diversified revenue streams should hedge out market, rates and volatility risk.

The Fund's position in IAG (**IAG)** was increased during the period. We like the market structure of the domestic insurance industry. The 1/1/23 renewals for reinsurance showed that there was less capital available – forcing rates higher. This will work in favour of the incumbents as the challenger brands will be constrained for capital to grow. IAG renewed their quota shares until 2029 giving them certainty of capital. With the business interruption provisions being released, IAG will likely use its surplus capital to grow organically and also buy back shares. The CGU business insurance division under Jarred Hill is turning around – with most of the improvement in profitability in out years coming from internal execution. The end of La Nina should mean that perils outcomes will be better in the next 12-24 months, helping reported profits and dividends.

The Fund increased its position in Domino's Pizza (**DMP**) after the share price fell dramatically following its disappointing 1H23 result which we view as an overreaction. We believe the fundamental long term store rollout opportunity for DMP has not changed and the earnings downgrades were borne out of a temporary fall in transaction volumes following a negative consumer response to menu price increases & delivery fee surcharge (Australia only) to offset rising cost inflation, as well as a further unwinding of the COVID benefit in the delivery channel which has now largely played out. The company has since introduced flex pricing to offer consumers more value and choice within the menu and are currently testing to potentially remove the delivery fee surcharge to win back the hearts and minds of the customer. Key ingredients such as cheese and wheat also appear to have fallen 25% and 47% from the peak levels seen in CY22. Interestingly, DMP's rolling 12 months EBIT is now back to where it was in 2019 despite having 50% more stores, and this is partly due to currency headwinds which are now in the base. At 25x P/E, the company is trading well below its long term average and we see good value at the current share price, notwithstanding some short term earnings volatility as franchise profitability needs to improve before the store rollout can reaccelerate.

Notable portfolio exits and reductions

Qantas (**QAN**) has benefited immensely from the recovery in air travel in the near term. As articulated, we were very attracted to the improvement in the industry structure since the collapse of Virgin (and now, private equity ownership) as well as the tailwinds to travel from the consumer shifting to higher consumption of services (away from goods). That has largely played through resulting in QAN experiencing very strong profit and cash flow this year. The stock has moved closer to our valuation and hence the reduction in our holding.

The Fund trimmed its position in Nine Entertainment (**NEC**) after the share price had a strong bounce in January and early February, outperforming the broader market despite the fact that the metro FTA market continued to soften in the face of a tougher macroeconomic backdrop and is likely to get harder in 4Q23 as the election/Clive Palmer benefit is cycled. NEC's 1H23 result was in line with the company's guidance provided back in December last year and confirmed that NEC continues to take market share in total TV from Seven and Ten - we remain positive to the fact that 44% of NEC's revenue comes from digital channels and is likely to keep growing as BVOD grows. However, we remain concerned there is further downside risk in Domain (NEC owns 60%) due to a tougher listings environment, particularly in NSW and Victoria where Domain is over indexed and can't be fully offset by yield growth.

The Fund trimmed its position in Seven Group (**SVW)** on valuation. SVW reported a strong 1H23 result and upgraded guidance, one of the few ASX companies to do so this reporting season. SVW's two most important divisions, WesTrac and Coates, continue to perform strongly driven by increased maintenance spend by large miners (WesTrac) and elevated government infrastructure spend (Coates). SVW also benefitted from a stronger than expected result from Boral (BLD), which is in the early stages of a turnaround, led by highly regarded CEO, Vik Bansal.

The Fund lowered its position in Charter Hall (**CHC**) over the quarter - the higher interest rate environment remains a headwind for the CRE sector and as a fund manager, CHC has struggled to increase FUM. This will mean that base fees growth (largely driven by acquisitions and revaluations) and performance fees will be lower in FY24.

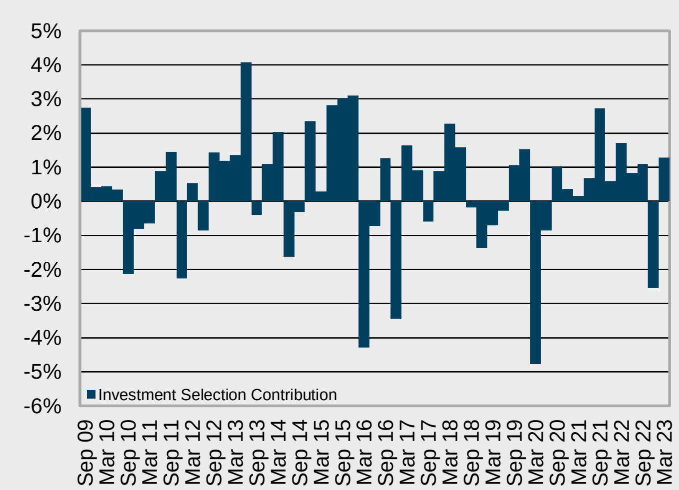
Fund Statistics

Best month [1]	10.5%	**Worst month [1]**	-20.0%	**Fund volatility**	11.7%
Sharpe Ratio	0.6%	**Positive months**	68%	**S&P/ASX300 volatility**	13.9%

[1] Based on monthly returns since inception. After all fees and expenses and assumes all distributions are reinvested.

Quarterly investment selection contribution

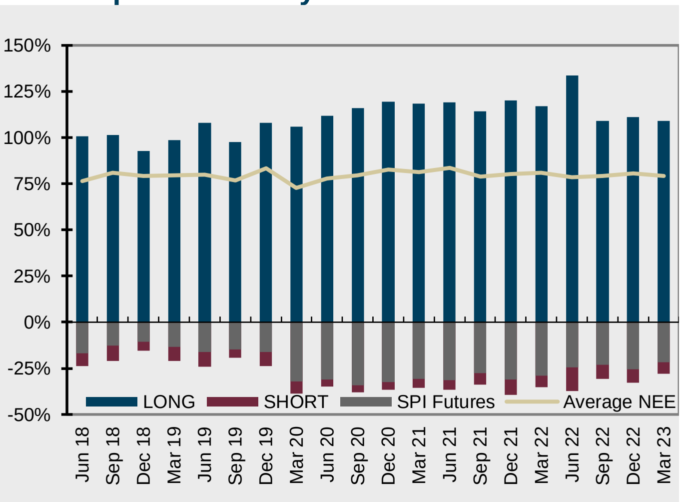
Market return x NEE = Mkt Contribution + Investment Selection Contribution = Total Return				
Market return	x NEE	= Market contribution	+ Investment Selection contribution	= Total return
3.3	79.2	2.6	1.3	3.9



Past performance is not indicative of future performance

This table represents the part of the Fund's Quarterly Total Return (after all fees and expenses and assumes all distributions are reinvested) that is attributable to WaveStone investment selections. Investment selection contribution is defined as Total Return (after all fees and expenses and assumes all distributions are reinvested) less market benchmark adjusted by the Funds Average Net Equity Exposure (NEE).

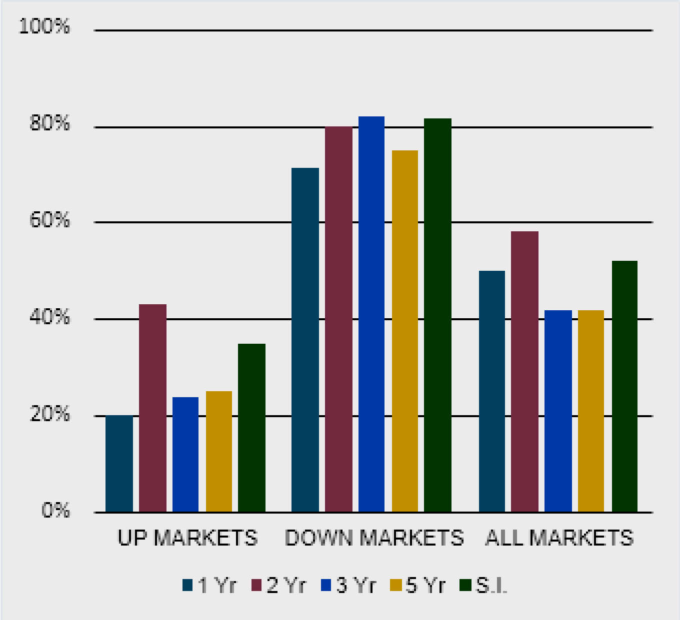
Fund exposure history



Sector exposure analysis as at 31 March 2023

	Long	Short	Net	Index	Diff
Consumer Discretionary	9.6	-2.4	7.1	6.7	0.4
Consumer Staples	9.3	-1.1	8.3	4.9	3.4
Health Care	16.9	-2.2	14.7	10.1	4.6
Energy	5.1	-1.2	3.8	5.7	-1.9
Utilities	0.0	-0.3	-0.3	1.4	-1.7
Industrials	9.1	-2.6	6.5	6.7	-0.1
Materials ex Metals & Mining	1.3	-1.8	-0.5	2.2	-2.7
Metals & Mining	20.9	-5.0	15.8	23.4	-7.5
Non-bank Financials	8.8	-1.7	7.1	7.7	-0.6
Banks	18.5	-4.9	13.6	18.8	-5.2
Property Trusts	3.6	-1.3	2.3	6.0	-3.6
Telecoms	3.6	-1.9	1.7	4.0	-2.3
Information Technology	2.6	-1.5	1.1	2.5	-1.3
Total Exposure	**109.2**	**-109.2**	**81.3**	**100.0**	**18.7**

Outperformance Consistency



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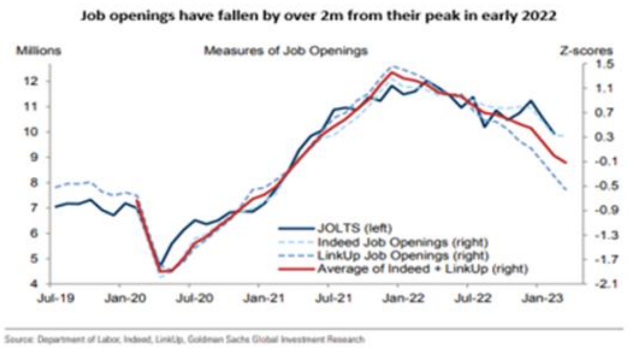
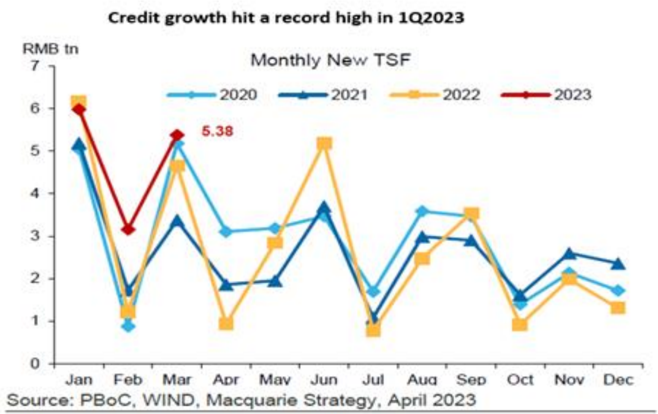
Outlook & Strategy

Global economic growth continues to remain robust, helped by a warmer winter in Europe and China reopening late last year. Energy prices have fallen significantly since the start of the Ukraine war and this has helped lower headline inflation as well as consumer sentiment. The tightness in labour markets however has meant that services sector inflation remains quite persistent, resulting in short term rates still heading higher in the US and Europe.

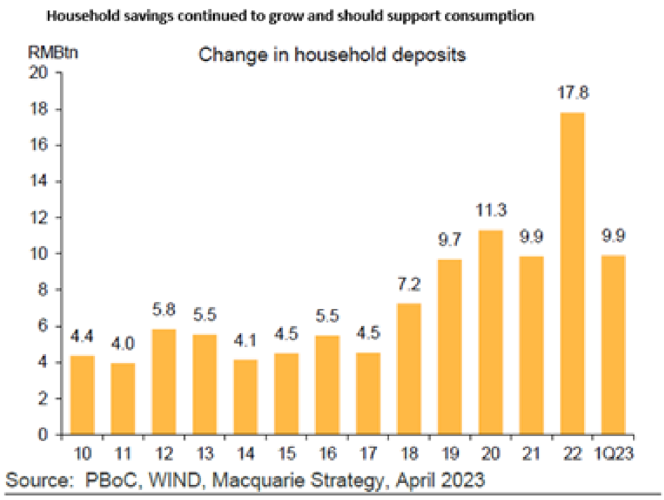
The run and subsequent closure of three regional banks in the US, quickly followed by the shotgun merger of Credit Suisse with UBS all point to more stress in the financial system. We are expecting that the resulting tightening of financial conditions will be meaningful for credit supply especially in certain sectors such as C&I and CRE in the US.



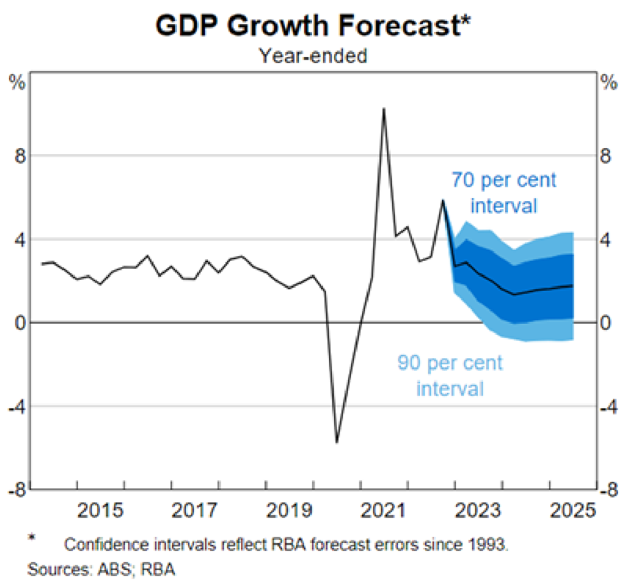
Xi's appointment for an unprecedented third term as the head of the Chinese government has led to the addition of new members to the all-powerful Politburo. The new government has set a modest GDP target for 2023 of 5% - given this is their first year in office, we expect the targets to be overachieved. We continue to expect greater monetary and fiscal policy coordination, with support for the infrastructure sector and policy measures to support consumption. The property sector has bottomed and will be a lesser drag on growth in 2023. Longer term, China's overall indebtedness will restrain the government from big stimulus measures to shore up growth.



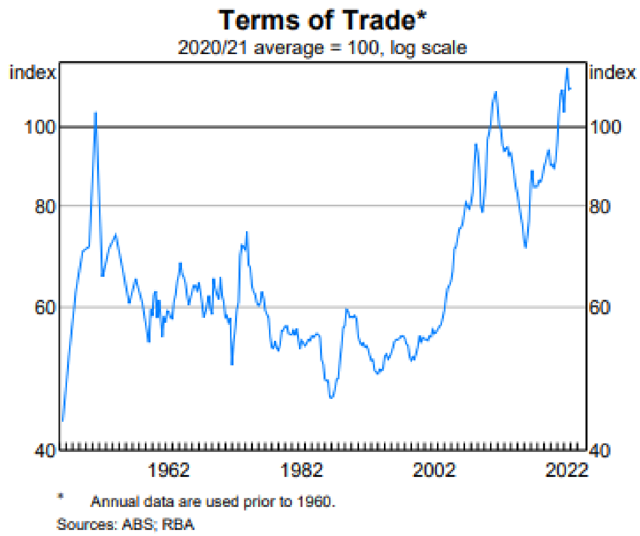
The Chinese consumer remains cautious with household savings still very elevated. We expect that confidence needs to be rebuilt for animal spirits to return. Since a substantial portion of the consumer's wealth is tied to the property market, the government will likely have to introduce further measures to boost confidence in the new housing market – a positive for the materials sector.



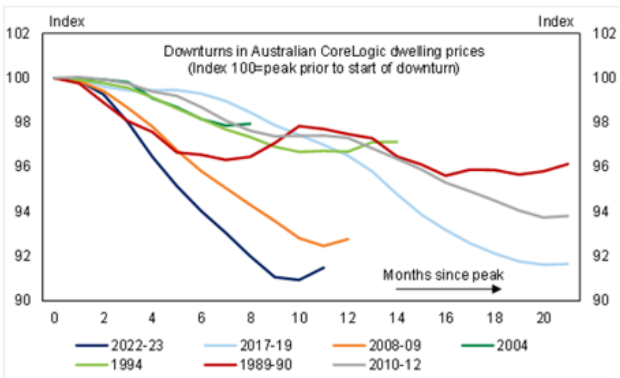
In Australia, economic growth is forecast to slow in 2023, with the sharp increase in interest rates leading to declines in household wealth (shares and property) and lower disposable income weighing on consumption growth. With Labour governments in the key states and the recent Federal by-election win in Aston, there is a risk that the government overreaches and the Federal Budget contains measures that will impact households' wealth and income adversely.



With the RBA pausing their rate hikes this month, there is already a respite in the house price falls. In fact, house prices are already trending higher. Whilst this may be good news for financial stability, we think any signs of strength will have to mean the RBA will need to raise rates again potentially pushing the can down the road.



House Prices already recovering?

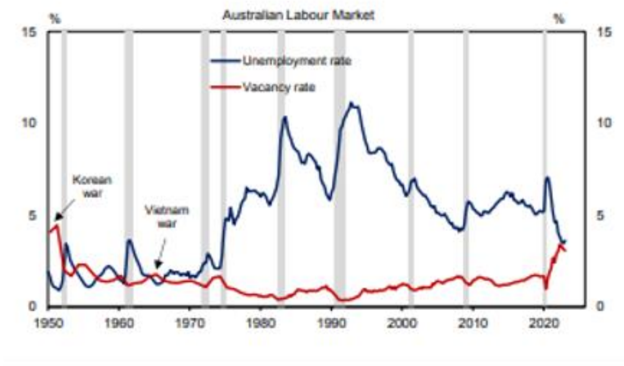


Source: CoreLogic

The export sector has been strong, especially with a recovery in Chinese economic growth; high commodity prices are having a positive impact on Australia's terms of trade which stand at all-time highs.

The labour market locally remains extremely tight – the significant growth in net migration will eventually help with labour supply. The short-term increase in population growth will likely keep rents high, putting further pressure on household income. With the election of a Labour government in NSW on a platform of removing wage caps for the public service, we expect that the minimum wage decision in May will be significant.

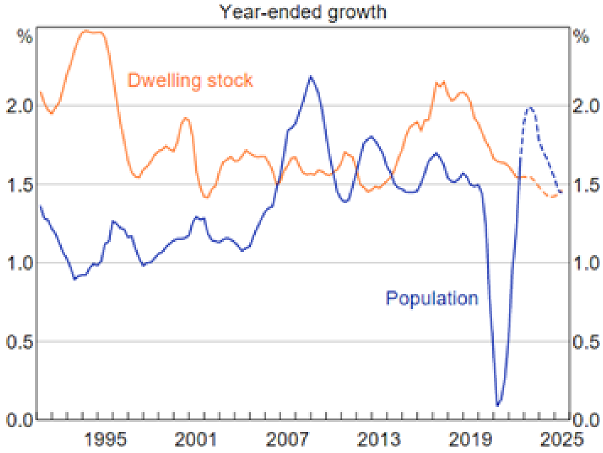
The labour market remains extremely tight



Source: Goldman Sachs Global Investment Research, ABS

Population and Dwelling Stock*

Year-ended growth

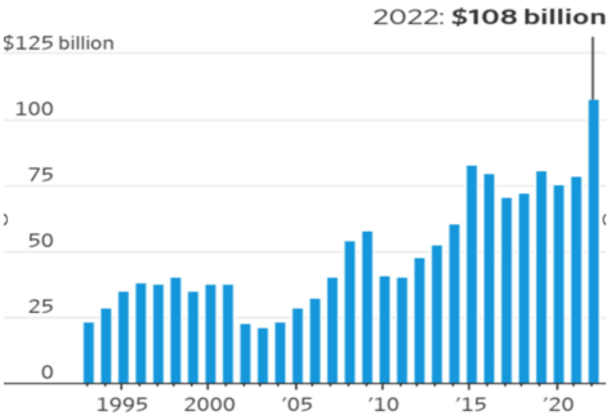


* Dashed lines represent forecasts.

Sources: ABS; RBA

Decarbonisation and deglobalisation will continue to be dominant themes for the foreseeable future. In the US, the Inflation Reduction Act (2022) contains ~US$500B of spending and tax breaks aiming to augment domestic manufacturing and commercialisation of low carbon technologies. This follows the passing of the European Green Deal in 2020. The passing of legislation in March 2023 on the Safeguard Mechanism in Australia to reduce carbon emissions will finally give certainty around the framework for investments going forward. Please read our ESG quarterly for more details.

The manufacturing sector in the US showing signs of re-shoring



Figures from 2002 on include public as well as private spending.

Source: US Census Bureau, WSJ

Asset markets continue to show resilience despite the significant uncertainties evident in the world. More recently, markets have taken in their stride the turmoil in the regional banking sector in the US as well as the collapse of Credit Suisse.

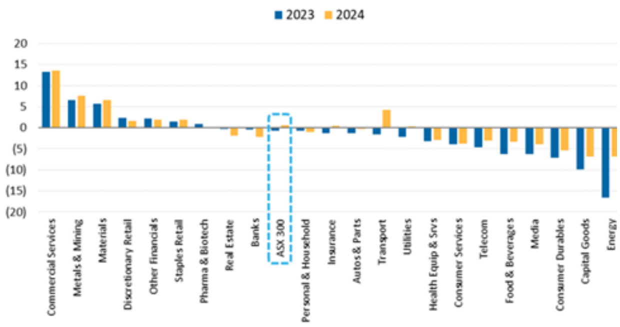
The large savings buffer in the household sector (government transfers and inability to spend due to lockdown restrictions), we believe, has meant that business profits have held up longer than expected as companies managed to take price to offset the inflationary impact on their costs. In Australia, industry structure has played a large part in the pricing power of corporates – with operating margins remaining robust as evidenced in the February reporting season.

As consumers exhaust their dry powder and become more cautious, we continue to believe that operating margins will come under pressure on the back of stickier costs (wages etc) and an inability to hold price. This, coupled with subdued volume growth and higher interest costs will impact corporate profitability – we expect earnings to remain under pressure for the rest of this year.

Market and sector EPS growth (%) (pro-rated to June)	FY21A	FY22A	FY23E	FY24E	FY25E	Current 1 yr fwd	Forec 2 yr F
All Companies	28.8	22.3	5.5	2.6	3.5	**3.7**	
Banks	31.8	13.7	14.0	(0.5)	0.9	**5.2**	
Property Trusts	(13.0)	12.0	6.6	5.0	6.9	**5.6**	
Resources	58.3	37.0	(7.2)	(3.5)	(2.3)	**(4.9)**	**(2**
Industrials (All Cos ex Res, LPTs, Banks)	7.7	10.1	20.9	13.2	11.9	**16.2**	**1**
S&P/ASX 100	29.2	19.4	6.6	0.8	1.7	**3.0**	
Small Companies	17.0	34.8	(7.3)	25.7	21.2	**12.8**	**2**
Small Industrials	9.5	25.9	(4.7)	4.4	13.3	**0.9**	
Small Resources	46.4	55.8	(13.0)	77.1	32.5	**42.1**	**4**
Domestic Industrials	2.6	(1.2)	11.3	12.2	12.6	**11.9**	**1**
International Industrials	15.0	25.7	31.9	14.1	11.2	**21.0**	**1**

Source: Macquarie

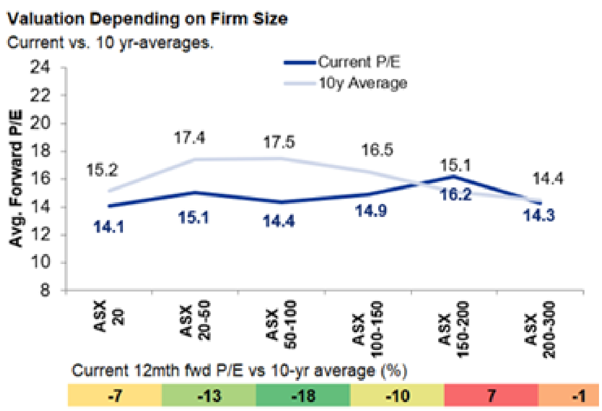
ASX 300 - Change in Consensus EPS Over Last 3 Months



Source: Macquarie

Note that tech (not shown) was -58% for 2023 and -51% for 2024

Valuations have retraced significantly, especially in smaller companies. Given that we still anticipate downgrades to earnings, the lower multiples to some extent reflect market pricing of earnings risks.



We consider bottom-up stock picking as the key ingredient to long term portfolio outperformance. WaveStone follows its defined investment approach to identify high quality business franchises that have built and demonstrated a Sustainable Competitive Advantage (SCA). We continue to focus on companies offering valuation upside with effective capital allocation.

ESG Activity

Our most recent report on ESG activity can be found here: [WaveStone ESG report]

ASIC Periodic Reporting Requirements

The WaveStone Dynamic Australian Equity Fund (Fund) is classified as a hedge fund in accordance with the Australian Securities and Investments Commission Regulatory Guide 240 *Hedge funds: Improving disclosure.* We are required to provide this additional information to you on a quarterly basis.

Asset Allocation (as at 31 March 2023)

Exposure analysis	
Position	**% of net invested capital**
Australian listed equities	102.9
International listed equities	-
Exchange traded derivatives	(21.6)
Over-the-counter derivatives	-
Cash equivalent investments	(2.9)
Net equity exposure	81.3
Gross equity exposure	137.1

Liquidity profile

The table below demonstrates the liquidity profile of the Fund as at 31 March 2023.

In summary, 100% of the Fund’s assets can be liquidated within 10 days.

Time to liquidate	% of assets
Within 1-10 days	100%
>10 to 21 days	0%
> 21 days	0%

Maturity profile

The table below demonstrates the maturity profile of the Fund as at 31 March 2023 / the Fund does not have any material liabilities.

Time to liquidate	% of assets
<10 Days	100%
>10 to 21 days	0%
> 21 days	0%

Derivative counterparties engaged

The derivative counterparties engaged for the period 1 January 2023 to 31 March 2023 are provided in the table below.

Derivatives counterparty
UBS AG, Australia Branch

Leverage ratio

WaveStone uses leverage to increase the exposure of the Fund to investment markets. Leverage can be obtained by either of the following methods:

- Using derivative instruments to increase the Fund's investment exposure beyond the net asset value of the Fund; or
- Borrowing a share to sell on the market (short selling); or
- Borrowing cash to invest.

WaveStone will use leverage as an investment strategy predominantly through short selling and using derivatives.

Short positions are taken on particular stocks where WaveStone believes a security is overvalued and it is expected that these stocks will fall in price, or for hedging purposes. Short selling will also increase the Fund's total gross effective exposure to the share market above 100% of its net asset value.

The Fund may have gross exposure of up to 250% of net asset value (NAV), including up to 100% in short positions and 150% total in long positions.

The Fund has the ability to borrow up to a maximum of 50% of the Fund's net asset value. The level of borrowings employed by the Fund have historically been and is anticipated to continue to be around 0-20% of the net asset value of the Fund. Borrowings undertaken by the Fund may be undertaken through the prime broking relationship with UBS AG, Australian Branch. The Fund must provide collateral to secure its obligations under the relevant Customer Documents.

As at 31 March 2023, the Fund is long 109.2% and short 6.3%; gross leverage is 115.5% and net leverage is 81.3%.

Fund Facts as at 31 March 2023

APIR Code	HOW0053AU
Inception date	02 July 2009
Management fee + (Performance Fee)	1.10% p.a. + (15% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark.)[1]
Buy/sell spread	+0.20% / -0.20%
Fund size	$177.4M
Exit price	$1.6743

Data source: Fidante Partners.

[1]The performance fee is applied on the outperformance over the benchmark after deduction of fees and expenses and after adding back any distributions paid.

During the period there have been no changes to key service providers for the Fund including any changes to any related party arrangement. Additionally, there have been no material changes in the Fund's investment team, risk profile, or strategy, nor to the individuals who play a key role in the investment decisions for the Fund.

Contact us

For more information, please contact Fidante Partners Adviser Services on 1800 195 853 or Fidante Partners Investor Services on 13 51 53, or visit www.wavestonecapital.com