SOLARIS
investment management

Solaris Core Australian Equity Fund

(APIR: WHT0012AU)

Monthly Investment Report
as at 31 October 2022

Market and Fund Performance[1]

The S&P/ASX200 Accumulation Index increased +6.0% in October, delivering a positive return but underperforming developed market equities with the MSCI World Index posting a +7.5% return. Equity markets rallied despite economic data continuing to be strong, with the Q3 Australian CPI print at 7.3% y/y, which was the highest in 32 years. The Reserve Bank of Australia raised the cash rate for the sixth straight month bringing the cash rate to 2.6%; the hike was at a reduced margin of 0.25% but any dovish sentiment was balanced by accompanying comments that the central bank is committed to fighting inflation, and that further increases in cash rates are likely.

Financials (+12.0%) were the strongest-performing sector benefitting from the rising rate environment, followed by Real Estate (+9.9%) which bounced following the smaller than expected interest rate hike from the Reserve Bank of Australia and Energy (+9.5%) which rallied with the strength in oil prices during the month (Brent Oil +7.9%). Consumer Staples (-0.2%) and Materials (-0.1%) were the worst-performing sectors for the month.

Within the ASX 200 Index, the top three moves were Novonix (+52.3%) which performed strongly after the announcement of a $150mn grant from the US Department of Energy, Telix Pharmaceutical (+46.5%) after a trading update indicated a significant increase in sales of their Illuccix product in the United States and Liontown Resources (+26.5%), a lithium miner benefitting from ongoing demand in this sector. The bottom three performers included St Barbara (-31.1%), a gold miner whose quarterly results showed production down and costs up, BrainChip (-25.9%) and Megaport (-21.8%), which both underperformed following disappointing quarterly results.

A portfolio holding in focus over the month is Suncorp Group. In July, Suncorp Group announced its intention to sell its banking division to ANZ bank (subject to regulatory approvals over 2023) in order to focus on its core General Insurance operations, which remains one of the two significant general insurance businesses in the Australian and New Zealand markets. Suncorp has been undergoing structural improvement in its Insurance division in recent years (across digitisation, automation and investment in brands) and is well positioned to take advantage of a recovery in industry conditions as insurance premium rates and improving investment yields more than offset the adverse impact of claims inflation and rising reinsurance costs. Industry feedback suggests the sector has become more rational as many of the smaller, more aggressive competitors are becoming constrained from recent insurance catastrophes and rising reinsurance costs. While the heavy rainfall and flooding across Eastern Australia remains a risk to short term earnings, the forecast of an end to La Nina weather conditions by the end of 2022 and the improving industry fundamentals are yet to be priced into Suncorp Group's value and we see the pending bank sale and its associated release of capital as a strong catalyst for the stock over the next 12 months.

[1]Illustrative only and not a recommendation to buy or sell any particular security.

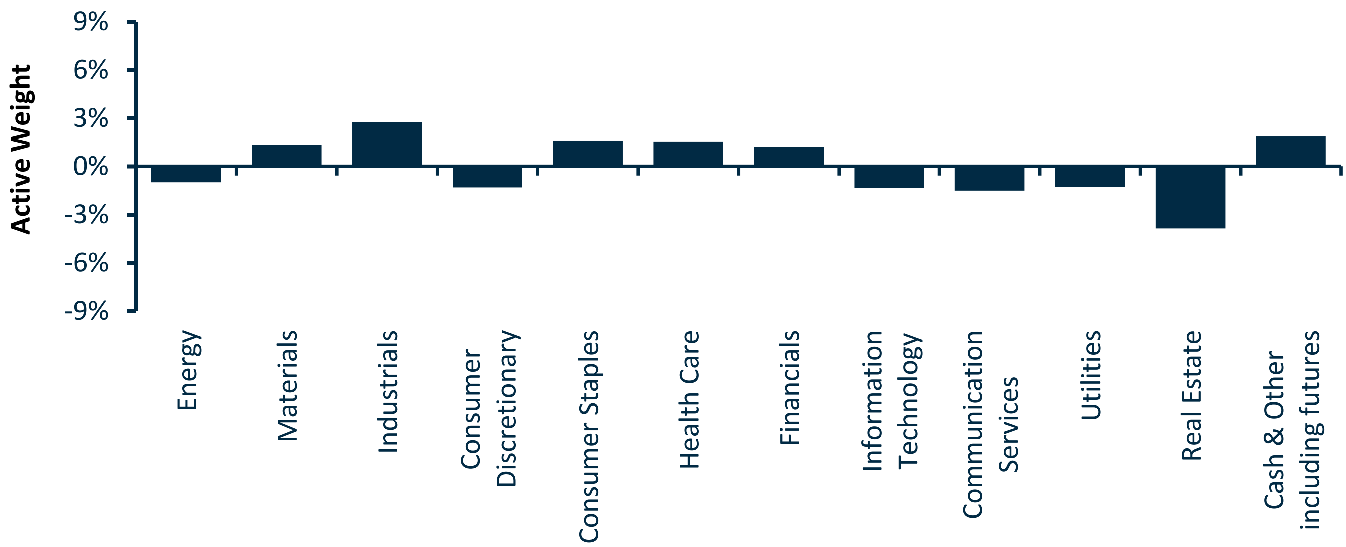
Returns	Month	Rolling Quarter	FYTD	1 Year	3 Years p.a.	5 Years p.a.	7 Years p.a.	10 Years p.a.	Inception p.a. (17/09/2008)
Fund Gross Return^	6.36%	1.61%	7.40%	-0.40%	3.90%	7.08%	8.44%	10.00%	8.27%
Benchmark Return*	6.04%	0.67%	6.45%	-2.01%	4.82%	7.18%	8.26%	8.73%	7.16%
Active Return	**0.32%**	**0.94%**	**0.95%**	**1.61%**	**-0.92%**	**-0.10%**	**0.18%**	**1.27%**	**1.11%**
Fund Net Return^	6.28%	1.37%	7.05%	-1.35%	2.90%	6.05%	7.40%	8.94%	7.24%
Benchmark Return*	6.04%	0.67%	6.45%	-2.01%	4.82%	7.18%	8.26%	8.73%	7.16%
Active Return (After fees)	**0.24%**	**0.70%**	**0.60%**	**0.66%**	**-1.92%**	**-1.13%**	**-0.86%**	**0.21%**	**0.08%**

^ Performance is for the Solaris Core Australian Equity Fund (APIR: WHT0012AU), 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. All p.a. returns are annualised. * Benchmark refers to the S&P/ASX 200 Accumulation Index.

Top 10 Stocks (Alphabetical Order)

Name	Sector
Australia and New Zealand Banking Group Limited	Financials
BHP Group Limited	Materials
Coles Group Limited	Consumer Staples
Commonwealth Bank of Australia	Financials
CSL Limited	Health Care
Macquarie Group Limited	Financials
National Australia Bank Limited	Financials
Westpac Banking Corporation	Financials
Woodside Energy Group Limited	Energy
Woolworths Group Limited	Consumer Staples

Sector Allocation



Source: Solaris Investment Management, October 2022

Market Valuation & Earnings Estimates:

	Market & Sector EPS Growth			Market & Sector PEs			Market & Sector Dividend Yield		
Pro-rated to June	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
All Companies	19.5%	-1.3%	1.5%	13.9x	14.0x	13.7x	4.6%	4.5%	4.6%
Banks	15.4%	13.3%	4.3%	15.2x	13.4x	12.9x	4.5%	4.9%	5.2%
Listed Property Trusts	10.9%	1.9%	4.0%	14.8x	14.5x	14.0x	5.0%	5.0%	5.2%
Resources	27.4%	-18.5%	-7.5%	6.7x	8.1x	8.8x	9.2%	7.0%	6.6%
Industrials ex-Banks	12.8%	12.7%	9.1%	22.8x	20.3x	18.6x	2.9%	3.2%	3.5%

Estimate only, which may not be realised in the future.

The securities presented on this slide are for illustrative purposes only and are not the complete holdings of the fund. Illustrative only and not a recommendation to buy or sell any particular security.

Market Outlook

The 2022 AGM period has provided opportunity for insights on company operations and the challenging outlook and difficulty in giving guidance have been noted by company management. The headwinds that we have been flagging (labor constraints, elevated inventories, input cost inflation and borrowing costs), continue to put pressure on earnings, particularly those companies that benefited from COVID lockdowns. Additionally, we are now seeing weather as a another factor negatively impacting companies.

As margin pressures are yet to subside, Q1 results have tended to be somewhat softer, prompting downgrades which have outnumbered upgrades by over 50% during the period and consensus expectations for earnings growth in 2023 continues to deteriorate. Meanwhile, economic data continues to print strongly and while the RBA has reduced the magnitude of their hikes the expectation is that the hiking cycle will continue.

As we progress through this current cycle, the market has de-rated to a one-year forward price to earnings multiple of 13.6x vs a long-term average of 17.1x. This is assisted in a large degree due to the index weight of the resources sector which is trading on an 8.2x multiple. The broader Industrials ex-Banks sector, is trading on 19.3x which remains above the long-term average of 17.1x. As such broad measures of value are yet to emerge at the Index level. Following the de-rating of high growth sectors of the market, stocks with 'High Growth' characteristics have de-rated from over 42x to a multiple of 27.3x versus a pre-COVID average of ~25x. At the portfolio level we continue to see opportunities emerge in quality businesses with growth characteristics that are now trading on significantly more attractive valuations, having de-rated materially. The portfolio is now positioned with a modest overweight position in companies with growth characteristics compared to an overweight position in companies with value characteristics one-year ago.

Portfolio positioning is driven by bottom-up stock level opportunities. The Solaris investment process is well-suited to this volatile market environment, with price moves now driven by company specific earnings, news flow and company outcomes. We are back to a "normal" investment landscape that provides opportunities for fundamental investing and stock selection. With the fast-paced landscape, consensus earnings estimates are often stale - a clear mispricing opportunity. While the impacts from rising rates prove challenging for companies carrying significant debt on their balance sheet, certain sectors will benefit from rising rates including Insurance and Banks and we have also seen attractive opportunities in these sectors recently. We continue to see plenty of opportunity and remain mindful of the overarching macro environment and risks at play.

Source: Solaris Investment Management, October 2022

Contact Details

For further information, please contact Solaris' distribution partner:

Pinnacle Investment Management Limited on 1300 010 311,

alternatively, please email: distribution@pinnacleinvestment.com

This communication is prepared by Solaris Investment Management Limited ('Solaris') (ABN 72 128 512 621, AFSL 330505) as the investment manager of the Solaris Core Australian Equity Fund (ARSN 128 859 898) ('the Fund'). Pinnacle Fund Services Limited ('PFSL') (ABN 29 082 494 362, AFSL 238371) is the product issuer of the Fund. PFSL is not licensed to provide financial product advice. PFSL is a wholly-owned subsidiary of the Pinnacle Investment Management Group Limited ('Pinnacle') (ABN 22 100 325 184). The Product Disclosure Statement ('PDS') and Target Market Determination ('TMD') of the Fund are available via the links below. Any potential investor should consider the PDS and TMD before deciding whether to acquire, or continue to hold units in, the Fund.

Link to the Product Disclosure Statement

Link to the Target Market Determination

For historic TMD's please contact Pinnacle client service Phone 1300 010 311 or Email service@pinnacleinvestment.com

This communication is for general information only. It is not intended as a securities recommendation or statement of opinion intended to influence a person or persons in making a decision in relation to investment. It has been prepared without taking account of any person's objectives, financial situation or needs. Any persons relying on this information should obtain professional advice before doing so. Past performance is for illustrative purposes only and is not indicative of future performance.

Whilst Solaris, PFSL and Pinnacle believe the information contained in this communication is reliable, no warranty is given as to its accuracy, reliability or completeness and persons relying on this information do so at their own risk. Subject to any liability which cannot be excluded under the relevant laws, Solaris, PFSL and Pinnacle disclaim all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage), however caused, which may be suffered or arise directly or indirectly in respect of such information. This disclaimer extends to any entity that may distribute this communication.

Any opinions and forecasts reflect the judgment and assumptions of Solaris and its representatives on the basis of information available as at the date of publication and may later change without notice. Any projections contained in this presentation are estimates only and may not be realised in the future.