SOLARIS
investment management

Solaris Core Australian Equity Fund

(APIR: WHT0012AU)

Monthly Investment Report

as at 30 April 2022

Market and Fund Performance

The S&P/ASX200 Accumulation Index fell -0.85% over the month, significantly outperforming offshore markets. The fund outperformed its benchmark for the month by 0.31%. Global inflationary pressures continue to surprise to the upside, pushing bond yields sharply higher (the Australian 10-year government bond yields moved +0.29% to 3.12%) and putting continued pressure on longer duration segments of the market. Offshore markets came under significant pressure during the month as fears of an economic slowdown increased, with global central banks planning to significantly increase cash rates from current settings and remove monetary policy stimulus. The United States S&P 500 Index finished the month down -8.8% and the NASDAQ composite down -13.3%, significantly underperforming the Australian market. The NASDAQ index which is heavily weighted to the information technology sector has felt the brunt of the move in yields and is now in a technical 'bear market' having corrected -21.2% calendar year to date. At the individual stock level, large US technology focused companies have experienced significant moves over this time with Meta (formerly Facebook), Amazon, Netflix and Alphabet (formerly Google) down -40.4%, -25.5%, -68.4% and -20.5% respectively. The Utilities, Industrial and Consumer Staples sectors appreciated while the IT, Materials and Consumer Discretionary sectors underperformed.

The top three moves in the Index over the quarter were Ramsay Health Care (+24.5%) which received a conditional, non-binding, indicative takeover proposal from a consortium of financial investors led by KKR at $88.00 per share, Graincorp Limited (+21.6%) continued to perform strongly due to global demand for Australia grain and strong supply chain margins for grain exports and AMP Limited (+20.2%) appreciated following the sale of the international infrastructure business and an intention to return surplus capital to shareholders. The bottom three moves within the Index were EML Payments (-46.8%) following an earnings downgrade in relation to operational execution issues in Europe, Megaport (-37.6%) after management delivered a soft result for 2022 March quarter which underwhelmed the market on revenue growth and Life360 (-31.7%) which underperformed following the March quarter 2022 report which announced the US listing has been halted due to market conditions.

A portfolio holding in focus over the month is Ramsay Health Care Limited, which has received a takeover proposal from a consortium of investors led by KKR. Ramsay is well placed with an irreplaceable network of hospitals that is set to experience a recovery in elective surgery volumes as a backlog of elective surgeries returns to the system. We have seen unrealised value in the company, with a significant earnings recovery on the cusp of being realised combined with the potential to unlock a significant amount of value from the Australian real estate portfolio. The takeover proposal highlights the willingness for private equity and superannuation fund capital to take advantage of mis-pricings in the listed market, in many cases by simply looking through the short-term noise and taking an investment view over a longer-term investment horizon. There remains a large amount of 'dry-powder' in private equity funds supported by superannuation capital that is looking to find a home, and if completed this deal will mark a continuation of the heightened merger and acquisition activity seen in 2021.

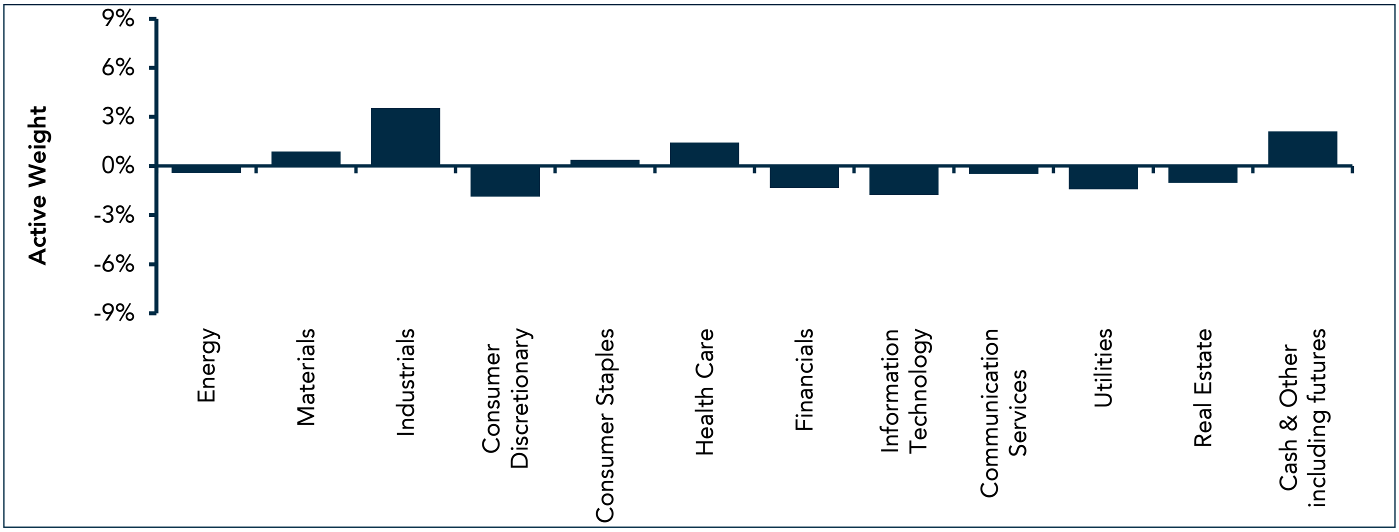
Returns	Month	Rolling Quarter	FYTD	1 Year	3 Years p.a.	5 Years p.a.	7 Years p.a.	10 Years p.a.	Inception p.a. (17/09/2008)
Fund Gross Return^	-0.46%	9.04%	8.07%	12.18%	7.88%	8.77%	8.67%	11.02%	8.97%
Benchmark Return*	-0.85%	8.24%	5.26%	10.16%	9.42%	8.81%	7.94%	9.90%	7.87%
Active Return	**0.39%**	**0.80%**	**2.81%**	**2.02%**	**-1.54%**	**-0.04%**	**0.73%**	**1.12%**	**1.10%**
Fund Net Return^	-0.54%	8.78%	7.20%	11.10%	6.84%	7.72%	7.63%	9.96%	7.94%
Benchmark Return*	-0.85%	8.24%	5.26%	10.16%	9.42%	8.81%	7.94%	9.90%	7.87%
Active Return (After fees)	**0.31%**	**0.54%**	**1.94%**	**0.94%**	**-2.58%**	**-1.09%**	**-0.31%**	**0.06%**	**0.07%**

^ 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
BHP Group Limited	Materials
Commonwealth Bank of Australia	Financials
CSL Limited	Health Care
Goodman Group	Real Estate
James Hardie Industries PLC	Materials
Macquarie Group Limited	Financials
National Australia Bank Limited	Financials
Westpac Banking Corporation	Financials
Woodside Petroleum Limited	Energy
Woolworths Group Limited	Consumer Staples

Sector Allocation



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	14.2%	2.0%	-2.0%	16.8x	16.5x	16.9x	3.9%	3.9%	3.8%
Banks	11.1%	4.6%	8.1%	15.9x	15.2x	14.0x	4.3%	4.6%	4.9%
Listed Property Trusts	10.1%	8.9%	5.5%	18.6x	17.1x	16.2x	3.9%	4.2%	4.4%
Resources	15.8%	-11.6%	-20.3%	9.6x	10.8x	13.6x	6.6%	5.4%	4.2%
Industrials ex-Banks	14.3%	16.1%	9.0%	25.8x	22.4x	20.5x	2.6%	2.9%	3.2%

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.

Market Outlook

As the health threat associated with the pandemic eases, so too does the need for extraordinary monetary and fiscal stimulus. With rapidly rising inflation fuelled by heightened demand and supply chain shocks combined with the impacts from the Russian invasion of Ukraine on global commodity prices, central banks globally are tightening monetary policy (raising cash rate settings and beginning quantitative tightening) while reducing fiscal stimulus. This has led to bond yields moving sharply higher, increasing discount rates and placing continued pressure on longer duration segments of the market. While many companies in this segment of the market have experienced material moves, many are yet to retreat to ‘value’ territory. We see the potential for commodity prices to remain well supported for an extended period of time, providing strong conditions for a range of Australian corporates. The easing of the health threat is also providing strong re-opening tailwinds for many companies that have been hampered by movement restrictions and COVID-19 associated disruptions.

With global markets experiencing significant volatility, we take a look at valuations for the Australian equity market relative to history. The overall ASX 200 Index is currently trading on a one year forward price to earnings (PE) multiple of 15.1x versus a long-term average of 14.9x. While the overall market looks to be close to the long-term “fair” multiple, this is assisted by the resources sector which is trading on a low PE multiple of 8.7x. Current earnings in the resources sector are assisted by booming commodity prices that investors are reluctant to capitalise and pay high multiples for. The resources sector has been performing strongly, assisting Australia in outperforming global markets recently. The Industrials ex Banks Index is a better guide of valuations across corporate Australia and the current PE of 22.8x remains significantly above the longer-term average of 17.0x. Some of this elevated multiple is warranted as a range of industrials are set to experience earnings growth as they recover from COVID-19 impacts, however, the multiple also suggests that despite the recent de-rating valuations remain elevated relative to history. Within the Solaris classification of the ‘High Growth’ segment of the market valuations have retracted materially from 43.3x to 30.0x, closer to the pre-Covid average of ~26.1x. Within the ‘High Value’ segment, the market is trading at 12.3x versus the 5-year average of 13.4x. In summary, while the broad index looks to be trading at a ‘fair’ multiple, digging deeper suggests industrial company valuations remain elevated versus history despite having de-rated on the recent moves driven by bond yields and discount rates. There is significant volatility and stock level dispersion is elevated, which is creating attractive investment opportunities in companies with recovery exposure, growth companies that are now supported by reasonable valuations and companies with value characteristics that are well positioned in this current environment.

Source: Solaris Investment Management, April 2022

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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

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