

WaveStone Dynamic Australian Equity Fund

The WaveStone Dynamic Australian Equity Fund

The WaveStone Dynamic Australian Equity Fund (the Fund) offers investors a benchmark unaware long/short Australian equities opportunity with the objective to add value over the long term through a high conviction portfolio.

Key features of the Fund

- Active, high conviction investment approach focused on quality growth companies
- Typically invests in 25-50 stocks with a maximum of 10 short positions
- Uses a range of tools including short selling and derivatives to generate alpha, manage risk and protect capital
- Considers tax effectiveness and the benefits of franking credits

Our investment approach

WaveStone believe:

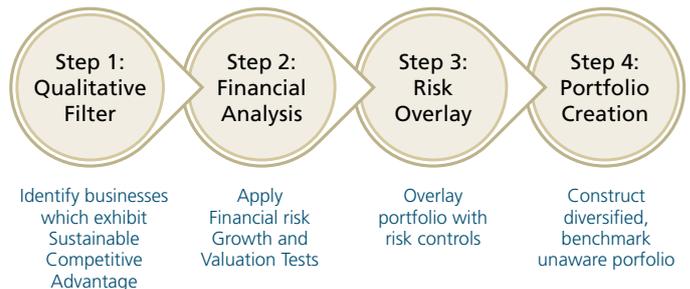
- Share prices over time typically reflect the growth in the level of a company's earnings.
- Markets are not efficient, leading to securities becoming mispriced.

WaveStone will:

- Identify businesses which exhibit **Sustainable Competitive Advantage (SCA)**. SCA is determined by the interaction of Superior Corporate DNA and Favourable Industry Dynamics.
- Identify companies where the Board and Management have demonstrated a track record of effective capital allocation.
- Exploit inefficiencies whereby the market misprices the underlying medium to long term earnings potential.

Process

We follow a repeatable, four-step investment process:



Key differentiators: Filter is **qualitative** and **unique portfolio construction**.

Finding companies with a Sustainable Competitive Advantage

The cornerstone of WaveStone's investment approach is to identify businesses which exhibit a **Sustainable Competitive Advantage** – businesses with superior corporate DNA operating within industries with favourable dynamics that deliver above market earnings growth.

Corporate DNA, or a company's genetic markers, can indicate a company's likelihood of success. There are seven markers including a company's track record, logical expansion plans and its research and development effort.

Once we have established if a company has the Superior Corporate DNA attributes, we then assess whether or not the company is facing headwinds or tailwinds in its industry. A total of eight markers of industry dynamics are considered.

Dynamic exposure and short selling

The Fund has the ability to adjust its level of market exposure (beta) from 50% to 100% based on expected return. Typically, we consider stocks with few or none of the traits of superior corporate DNA as shorting opportunities. Short selling is restricted to a maximum of ten stocks.

What makes us different

Experienced investors – Diverse team led by three principals with over 20 years experience each.

Unique qualitative approach – Screen companies for Sustainable Competitive Advantage combined with strong valuation discipline.

Boutique advantage – All principals are aligned with investor outcomes.

Fund characteristics

| | |
|-----------------------------|---|
| Fund inception date : | 2 July 2009 |
| Objective: | To provide capital growth over the long term (at least five years) and tax effective income |
| Benchmark: | The Fund does not attempt to track any benchmark |
| Minimum initial investment: | \$10,000 or \$1,000 with Regular Savings Plan |
| Management fee: | 1.10% p.a. of the net asset value of the Fund |
| Performance fee: | 15% of the Fund's return above the S&P/ASX 300 Accumulation Index |
| Distribution frequency: | Yearly |
| APIR code: | HOW0053AU |

Asset allocation

| Asset class | Min (%) | Max (%)* |
|---------------------|---------|-----------------|
| Long securities | 50 | 150 |
| Short securities | 0 | 50 [^] |
| Cash | 0 | 50 |
| Derivatives | 0 | 50 |
| Net equity exposure | 50 | 100 |

*includes use of leverage to increase exposure of the Fund to investment markets.

[^] PDS allows for a maximum of 100% short securities however the portfolio is managed to a maximum 50%.

About WaveStone

WaveStone is a specialist boutique Australian equities manager based in Sydney. WaveStone was founded in 2006 and is majority owned by its principals.

WaveStone aims to provide capital growth over the long term and tax-effective income by investing in quality companies with a sustainable competitive advantage.

Experienced team

The WaveStone Capital investment team is highly seasoned, with over 20 years' investment experience each. Our team members have managed multi-product and multi-billion dollar funds in both wholesale and retail markets with distinction.



Catherine Allfrey
Principal



Raaz Bhuyan
Principal



Graeme Burke
Principal

Our partner

Fidante Partners forms long term alliances with talented investment teams to support and grow specialist investment management businesses. By providing a broad range of integrated services to WaveStone Capital, Fidante Partners frees up the WaveStone investment team to focus on what we do best; investing and managing assets.

Contact us:

Individual Investors

To find out more, please contact your financial adviser or call the Fidante Partners Investor Services Team on 13 51 53.

Financial Advisers

To find out more, please contact your local Fidante Partners Business Development Manager or call the Fidante Partners Adviser Services Team on 1800 195 853.

WaveStone
CAPITAL

This material has been prepared by WaveStone Capital ABN 80 120 179 419 AFSL 331644 (**WaveStone**), the investment manager of WaveStone Dynamic Australian Equity Fund (**Fund**). Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (**Fidante**), is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The PDS for the Fund, issued by Fidante, should be considered before deciding whether to acquire or hold units in the Fund. The PDS can be obtained by calling 13 51 53 or visiting www.fidante.com. Neither Fidante nor any of its respective related bodies corporate guarantees the performance of the Fund, any particular rate of return or return of capital. Past performance is not a reliable indicator of future performance. WaveStone and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, WaveStone and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties.