

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 two 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 S&P/ASX 300 Accumulation Index
Minimum initial investment:	\$10,000 or \$1,000 with Regular Savings Plan
Management fee:	0.99% 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%.

^^ 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.

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

Our partner

Fidante 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 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 Investor Services Team on 13 51 53.

Financial Advisers

To find out more, please contact your local Fidante Business Development Manager or call the Fidante Adviser Services Team on 1300 721 637.

WaveStone
CAPITAL

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