



WaveStone Dynamic Australian Equity Fund

Quarterly Report September 2019

Performance	Quarter (%)	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	Since inception (%)
Fund return (including franking credits)	3.3	11.8	11.9	11.2	12.0
Less: Franking credits ¹	0.3	3.1	1.9	1.7	1.6
Total return²	3.0	8.7	10.0	9.5	10.4
S&P/ASX 300 Accumulation Index ³	2.6	12.6	11.9	9.6	10.1
RBA Cash Rate	0.3	1.4	1.5	1.7	2.7
Average Daily Net Equity Exposure	76	79	80	78	81

Past performance is not a reliable indicator of future performance.

¹ Franking credits accrued as received by the Fund.

² After all fees and expenses and assumes all distributions are reinvested.

³ 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.

Fund facts

APIR Code	HOW0053AU
Inception date	2 July 2009
Investment objective	The Fund aims to provide capital growth over the long-term (at least five years) and tax-effective income.
Management Fee	1.10% p.a.
Performance Fee	15% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark.
Buy/sell spread	+0.20%/-0.20%
Fund size	\$491m
Exit price	\$1.7537 (ex-distribution)
Distribution frequency	Annually

RG240 Exposure analysis

Position as at 30 Sep 2019	% of net invested capital
Australian listed equities	92.8
International listed equities	-
Exchange traded derivatives	(14.6)
Over-the-counter derivatives	-
Cash equivalent investments	7.2
Net equity exposure	78.2
Gross equity exposure	116.8

Fund features

Variable Beta: The flexibility to reduce market exposure to cushion falls.

Alpha extension: The flexibility to borrow long and sell short. This increases the available opportunity to add value.

Experienced investment professionals: access to experienced investment professionals with over 20 years of experience.

Proprietary research model: WaveStone undertake significant proprietary research to identify quality businesses that display sustainable competitive advantage.

Capture growth: access to a portfolio that has the potential to provide long-term capital growth.

Tax benefits: aims to deliver low fund turnover and pass through tax benefits (franking credits) to its investors.

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.



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 extra information to you on a quarterly basis.

Liquidity profile

The table below demonstrates the liquidity profile of the Fund as at 30 September 2019.

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

As at 30 September 2019, the Fund does not have any material liabilities.

Derivative counterparties engaged

The derivative counterparties engaged for the period 30 June 2019 to 30 September 2019 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 has 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 30 September 2019, the Fund is long 97.5% and short 4.6%; gross leverage is 102.1% and net leverage is 78.2%.



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