

WaveStone Dynamic Australian Equity Fund

Quarterly Fund Report - September 2022

Portfolio returns

The Fund delivered a total return of 1.5% for the September quarter after all fees and expenses. The S&P/ASX 300 Accumulation Index returned 0.5% over the same period.

| Performance | Quarter % | FYTD % | 1 year % | 3 years % p.a | 5 years % p.a | 10 years % p.a ⁴ | Inception % p.a ^{1,4} |
|---|------------|------------|-------------|---------------|---------------|-----------------------------|--------------------------------|
| Fund return (including franking credits) | 2.1 | 2.1 | -0.7 | 5.4 | 9.0 | 10.6 | 10.5 |
| Less: Franking credits ² | 0.6 | 0.6 | 1.5 | 1.2 | 1.6 | 1.5 | 1.5 |
| Total Return³ | 1.5 | 1.5 | -2.2 | 4.1 | 7.4 | 9.2 | 9.0 |
| S&P/ASX 300 Accumulation Index ⁴ | 0.5 | 0.5 | -8.0 | 2.7 | 6.8 | 8.4 | 8.4 |
| Active Return | 1.0 | 1.0 | 5.8 | 1.4 | 0.6 | 0.8 | 0.6 |
| Average Daily Net Equity Exposure | 82 | 82 | 81 | 80 | 80 | 80 | 81 |

Past performance is not a reliable indicator of future performance. Numbers may not add due to rounding. Data source: Fidante Partners, 30 September 2022.

¹The Fund's inception date is 02 July 2009.

²Franking credits accrued as received by the Fund.

³After all fees and expenses and assumes all distributions are reinvested.

⁴From 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 as at 30 September 2022

| | |
|---|---|
| APIR Code | HOW0053AU |
| Inception date | 02 July 2009 |
| Management fee + (Performance Fee) | 0.99% p.a. + (15% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark.) ¹ |
| Buy/sell spread | +0.20% / -0.20% |
| Fund size | \$172.7M |
| Exit price | \$1.5358 |

Data source: Fidante Partners.

¹The performance fee is applied on the outperformance over the benchmark after deduction of fees and expenses and after adding back any distributions paid.

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.

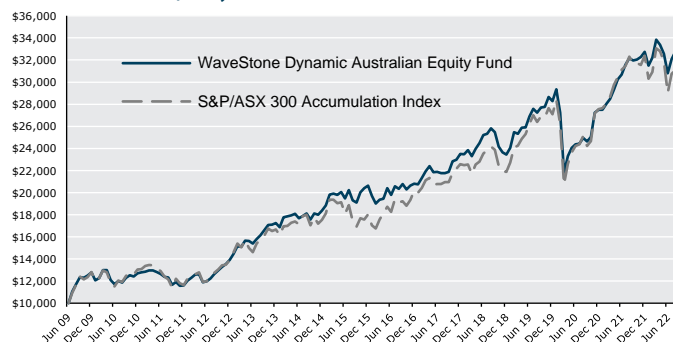
Experienced investment professionals: access to experienced investment professionals with over 20 years of experience.

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.

Growth of \$10,000



Past performance is no indication of future performance. **Franking credits accrued as received by the Fund. The Fund's inception date is 02 July 2009. 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.**

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 additional information to you on a quarterly basis.

Asset Allocation (as at 30 September 2022)

| Exposure analysis | |
|-------------------------------|---------------------------|
| Position | % of net invested capital |
| Australian listed equities | 101.7 |
| International listed equities | - |
| Exchange traded derivatives | (23.1) |
| Over-the-counter derivatives | - |
| Cash equivalent investments | (1.7) |
| Net equity exposure | 78.6 |
| Gross equity exposure | 139.7 |

Liquidity profile

The table below demonstrates the liquidity profile of the Fund as at 30 September 2022.

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

The table below demonstrates the maturity profile of the Fund as at 30 September 2022 / the Fund does not have any material liabilities.

| Time to liquidate | % of assets |
|-------------------|-------------|
| <10 Days | 100% |
| >10 to 21 days | 0% |
| > 21 days | 0% |

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 have 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 2022, the Fund is long 109.2% and short 7.5%; gross leverage is 116.7% and net leverage is 78.6%.

Derivative counterparties engaged

The derivative counterparties engaged for the period 1 July 2022 to 30 September 2022 are provided in the table below.

| Derivatives counterparty |
|--------------------------|
| UBS AG, Australia Branch |

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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.

This material has been prepared by WaveStone Capital Pty Ltd (ABN 91 092 873 160, AFSL 232379) WaveStone Capital, the investment manager of the WaveStone Dynamic Australian Equity Fund. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (Challenger Group) and 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 to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. 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. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the Banking Act 1959 (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (Challenger ADI) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.