



PINNACLE INSIGHT SERIES 2025

How to pick a compounder

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Portfolio Manager

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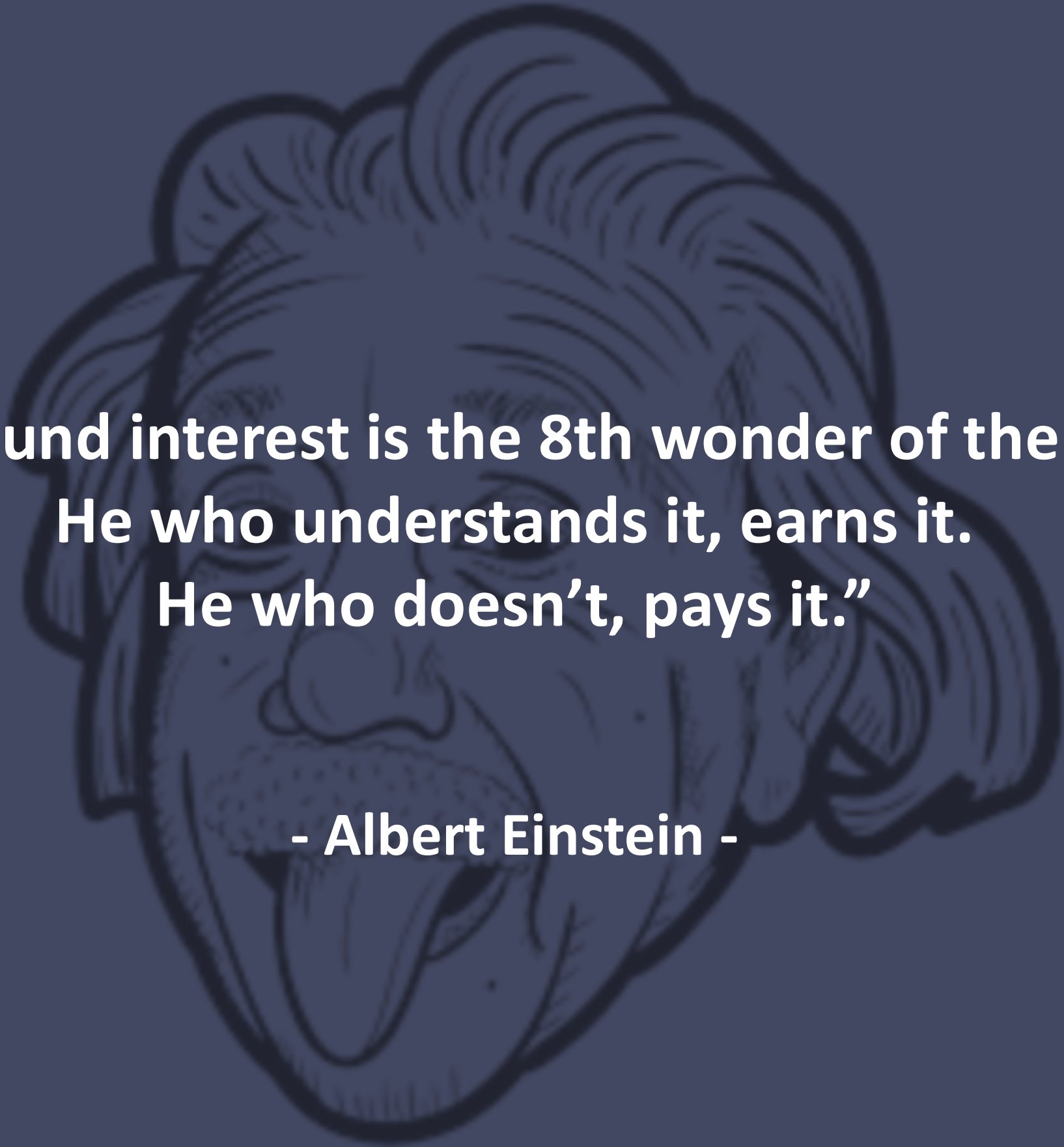
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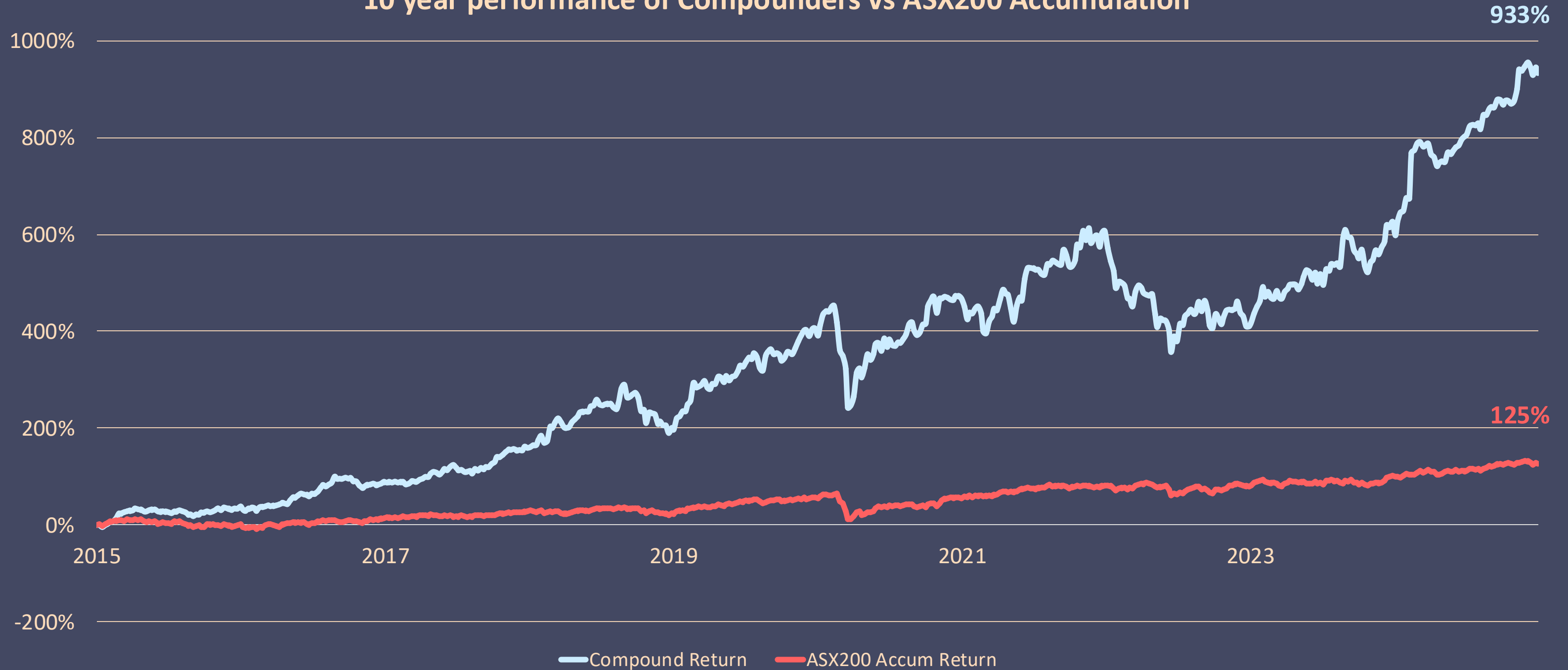


**“Compound interest is the 8th wonder of the world.
He who understands it, earns it.
He who doesn’t, pays it.”**

- Albert Einstein -

High quality compounders outperform

10 year performance of Compounders vs ASX200 Accumulation



Note: Compounders Index is made up of 7 large compounders in ASX200 and is equal weighted. Source: Bloomberg. As at 31 December 2024.
Past performance is not a guarantee of future results.
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Characteristics of a compounder?

High return on invested capital



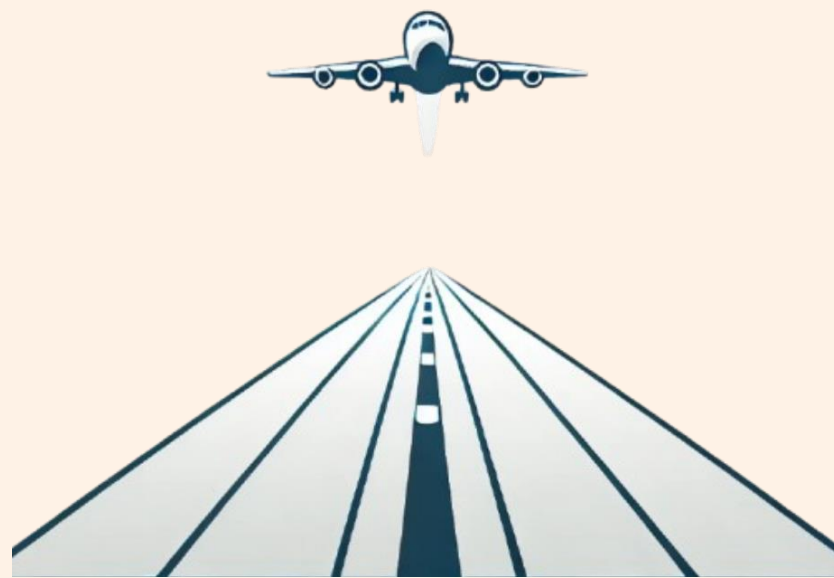
Pricing Power



Thrive in all economic cycles



Predictable growth – long runway



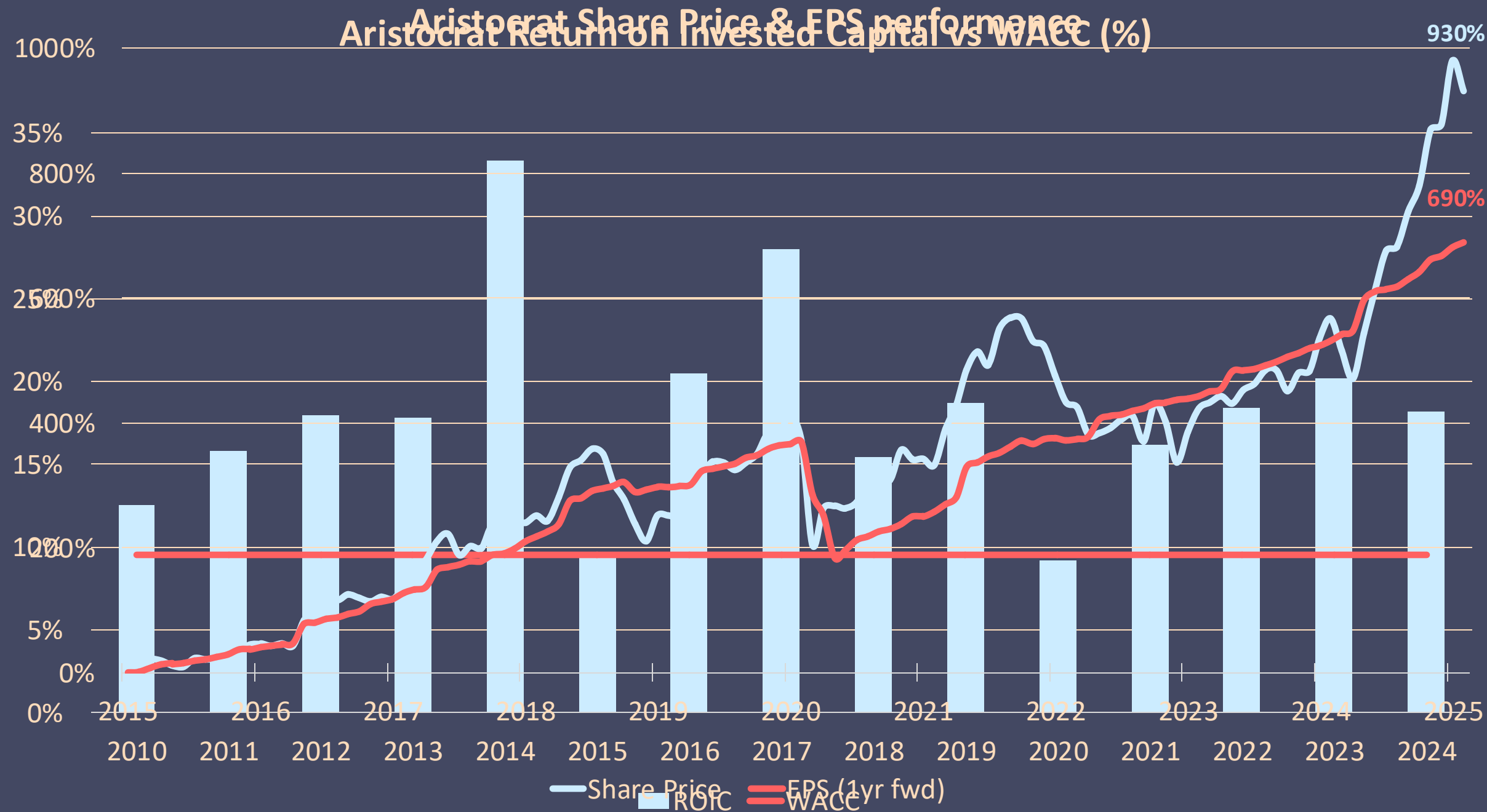
Competitive Advantage



Innovative & Scalable



CASE STUDY:



CHECKLIST

- ✓ ROIC > WACC
- ✓ Growth runway
- ✓ Pricing power
- ✓ Cycle resistant
- ✓ Comp. advantage

Fallen Angels



*Warning signs for
dwindling
compounders*

1. Reducing ROIC



2. Large M&A



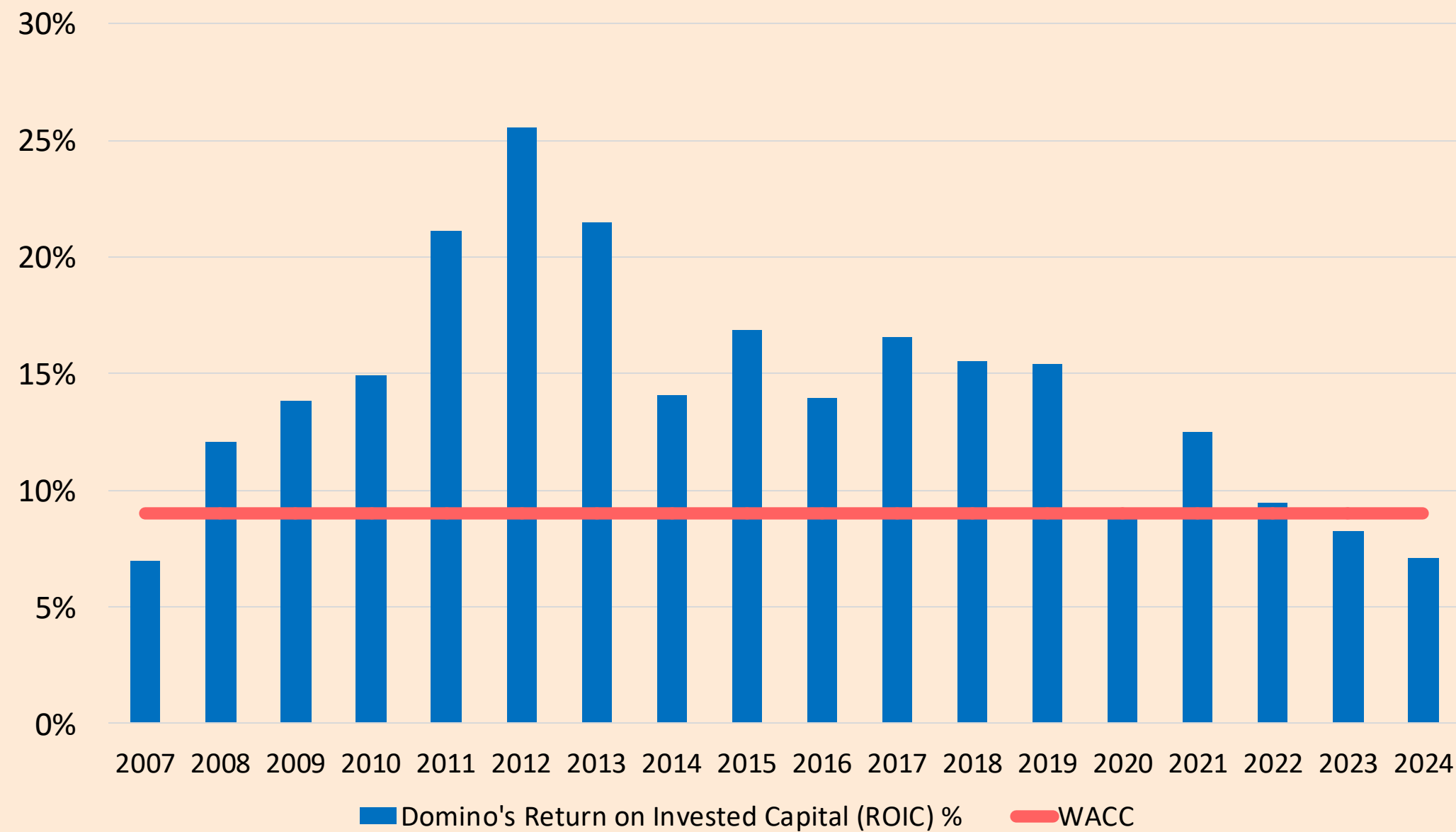
3. Fading competitive advantage/innovation





CASE STUDY: Fallen Angel

Domino's Return on Invested Capital



- Aggressive overseas expansion
- 2013 Domino's enters Japan
- 2015 Domino's enters France
- Eroding competitive advantage and increased competition

CASE STUDY: Fallen Angel



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Lower profitability



Increased competition



Growth slowed



Distraction



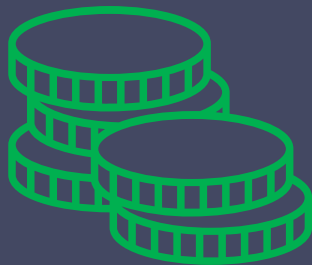
Summary



Investing in compounding businesses leads to strong alpha generation














At Solaris – we also view ourselves as a compound investment with a long term track record of investment success



OUTPERFORMANCE

The team has outperformed in 18 of the past 24 years

Solaris Core Fund (PA)	Solaris Long Short	Solaris Income Fund
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Solaris Performance

Portfolio Returns *	1 Year	3 Years p.a.	5 Years p.a.	7 Years p.a.	Inception p.a.
Solaris Core Australian Equity Fund - Performance Alignment (APIR: SOL0001AU)					(31/08/2012)
Portfolio Return (net)	11.73%	10.25%	8.66%	8.50%	10.50%
Benchmark Return[#]	9.94%	9.24%	8.87%	8.57%	9.64%
Active Return (net)	1.79%	1.01%	-0.21%	-0.07%	0.86%

Solaris Australian Equity Long Short Fund (APIR: WHT3859AU)					(1/03/2017)
Portfolio Return (net)	12.88%	9.95%	7.69%	8.21%	9.69%
Benchmark Return[#]	9.94%	9.24%	8.87%	8.57%	8.76%
Active Return (net)	2.94%	0.71%	-1.18%	-0.36%	0.93%

As at 28 February 2025. # Benchmark refers to the S&P/ASX200 Accumulation Index

Net performance is calculated after management fees and operating costs, excluding 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. Figures may not add up due to rounding.

Solaris Australian Equity Income Fund (APIR: WHT2589AU)					(12/12/2016)
FUND TOTAL NET RETURN[#]	12.86%	11.59%	10.38%	10.03%	10.48%
Income (Including Franking)	7.53%	8.68%	7.94%	8.77%	8.44%
<i>Franking+</i>	1.82%	2.30%	2.34%	2.63%	2.55%
Capital	5.34%	2.92%	2.44%	1.27%	2.04%
BENCHMARK TOTAL RETURN[^]	11.19%	10.69%	10.27%	10.03%	10.46%
Excess Total Return	1.67%	0.90%	0.11%	0.00%	0.02%
Excess Income (Including Franking)	2.48%	3.04%	2.55%	3.20%	2.78%

*As at 28 February 2025. 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. Figures may not add up due to rounding.

Fund Total Net Return refers to the Portfolio Return grossed up for franking credits after management fees and operating costs, excluding taxation.

+ Franking Return is the performance attributable to the benefit of Franking credits generated within the Fund. Franking credits are included on the dividend ex-date, which is in line with the calculation methodology of the benchmark. Where the Fund does not subsequently satisfy the relevant holding period rules, which may be up to 45 days after the dividend ex-date, any associated franking credits will be reversed on the date the relevant holding period rules are not satisfied. This may result in the Franking Return being negatively impacted.

[^] Benchmark Return refers to the S&P/ASX 200 Franking Credit Adjusted Daily Total Return Index (Tax-Exempt).

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