

The Bottom Line

Solaris Investment Management

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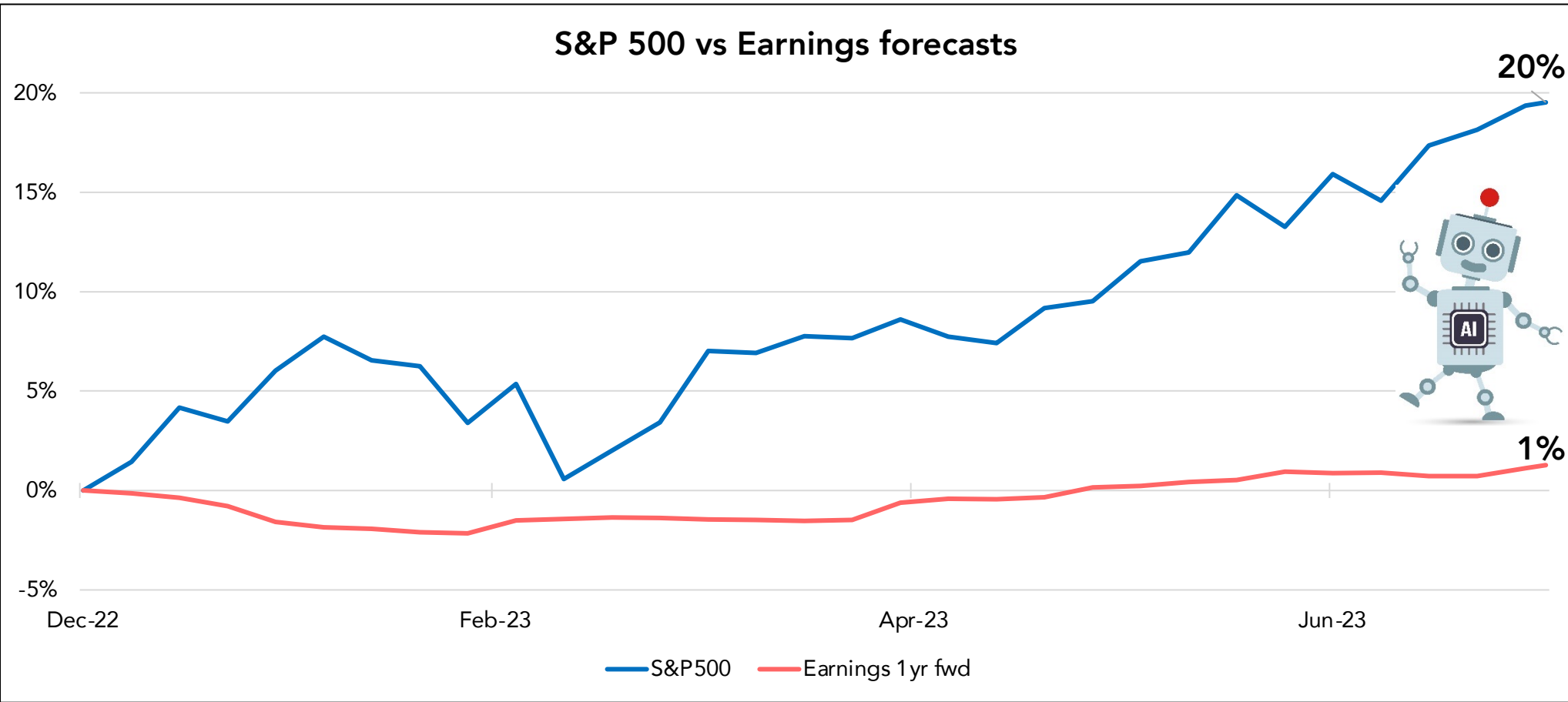
Overview of equity markets

Market continues to climb the wall of worry



What drives share prices? – SHORT TERM

S&P 500 vs Earnings forecasts



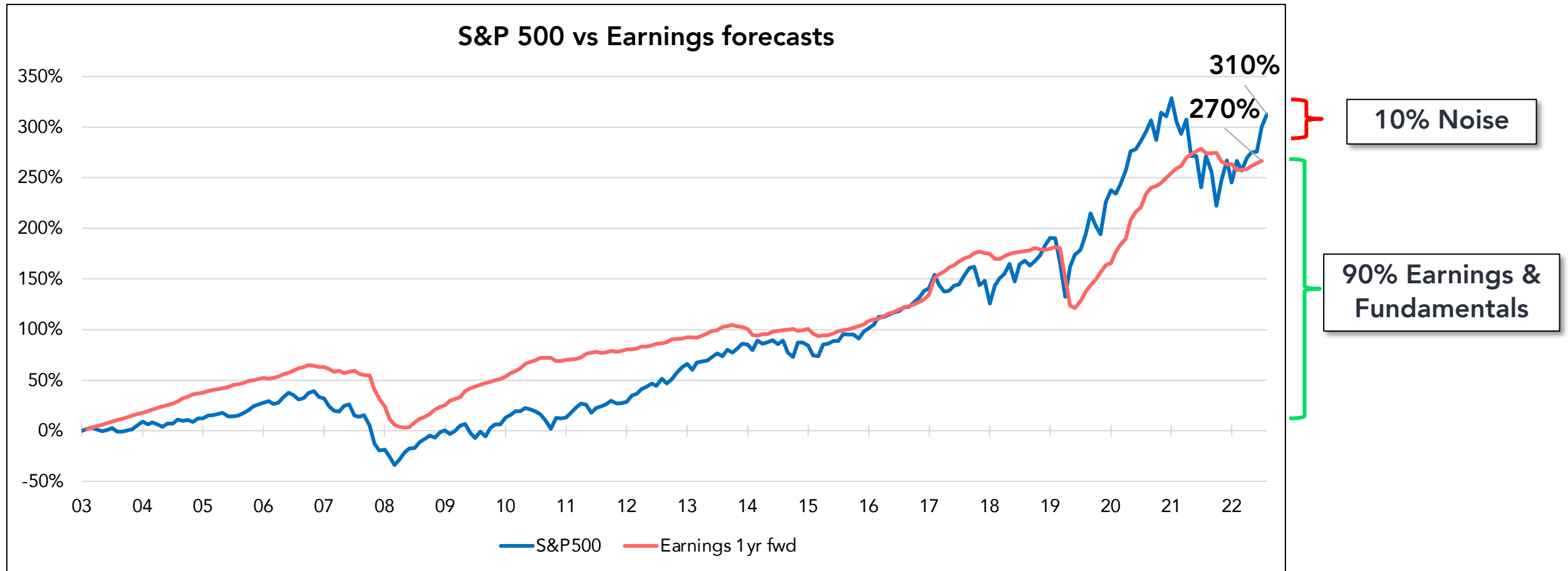
95% Noise



Short term is extremely noisy and subject to many influences

What drives share prices? – LONG TERM

S&P 500 vs Earnings forecasts



Fundamental analysis wins in the long term

The Bottom Line



Long term earnings AND earnings quality drive share prices



Key to investing and making money



SOLARIS

- A bottom-up, fundamental active Australian Equity manager
- Outperformed in 17 out of the past 23 years

Solaris Core
Fund

Solaris Long
Short

Solaris
Income Fund

What really matters over the medium and long term?

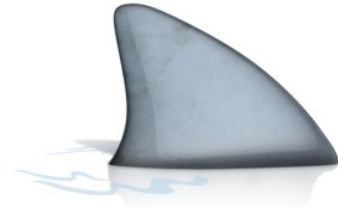
QUALITY EARNINGS

HOW TO AVOID GETTING CAUGHT OUT

OPPORTUNITIES

Quality Earnings

Quality Earnings – are earnings backed up by real cash flows



Accounting earnings are NOT the bottom line... be careful what lurks below

INTEREST

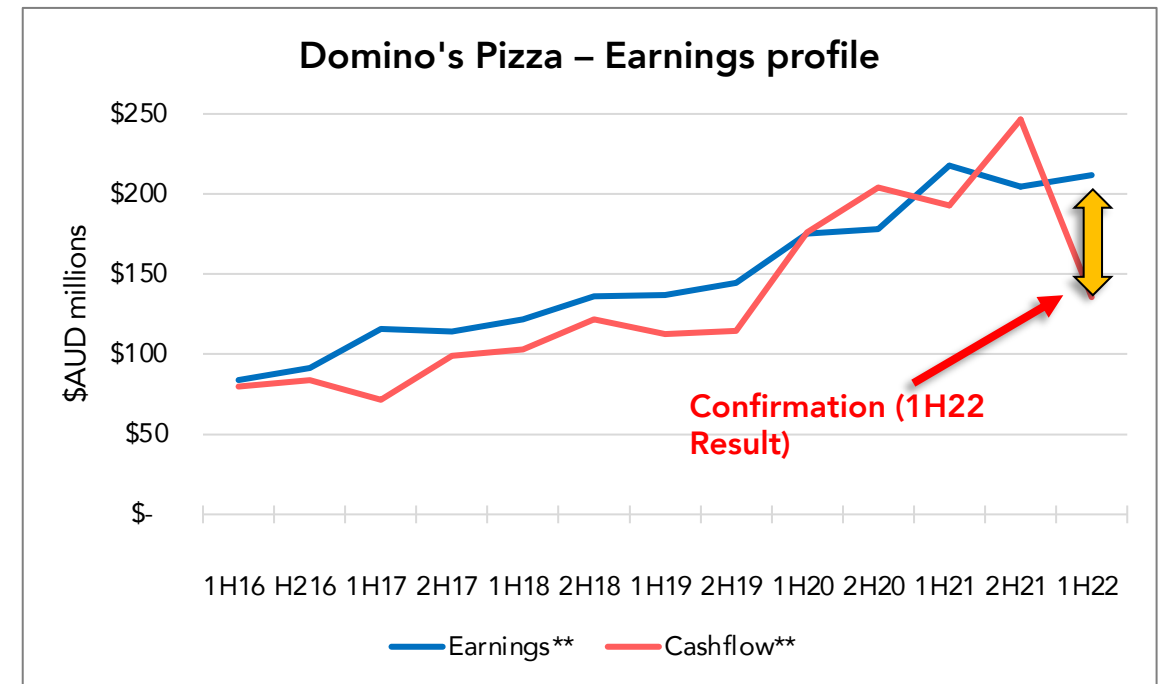
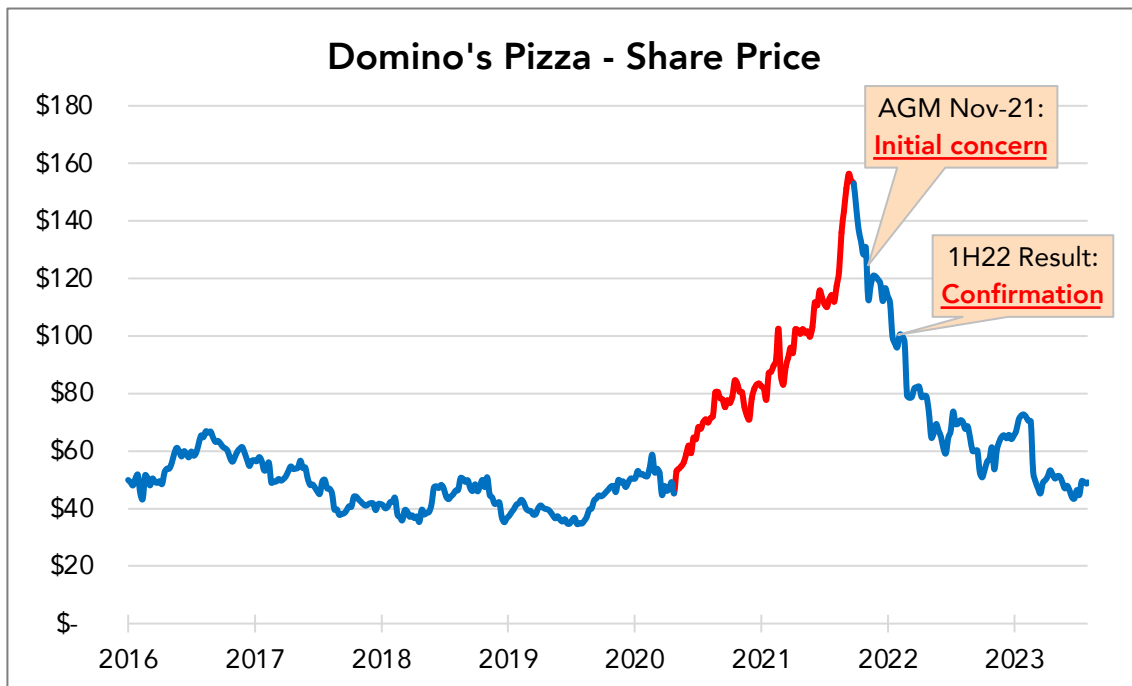
CAPEX

DEPRECIATION

ACCOUNTING TRICKERY

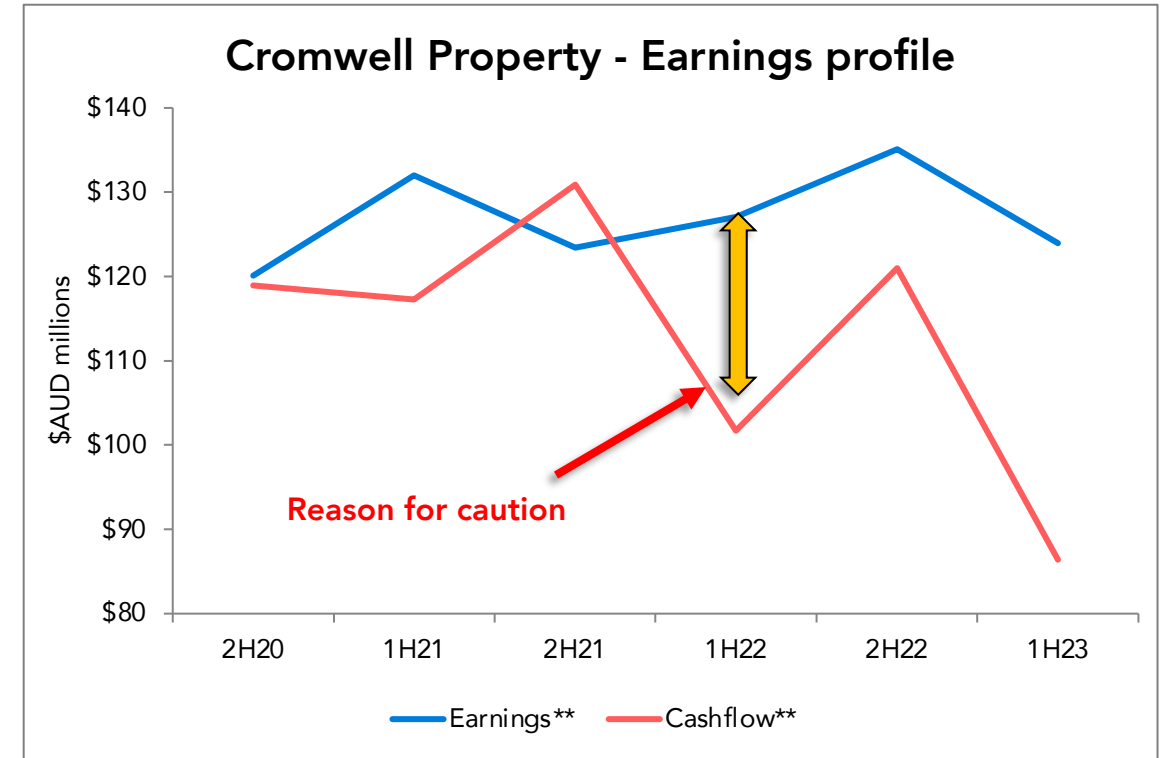
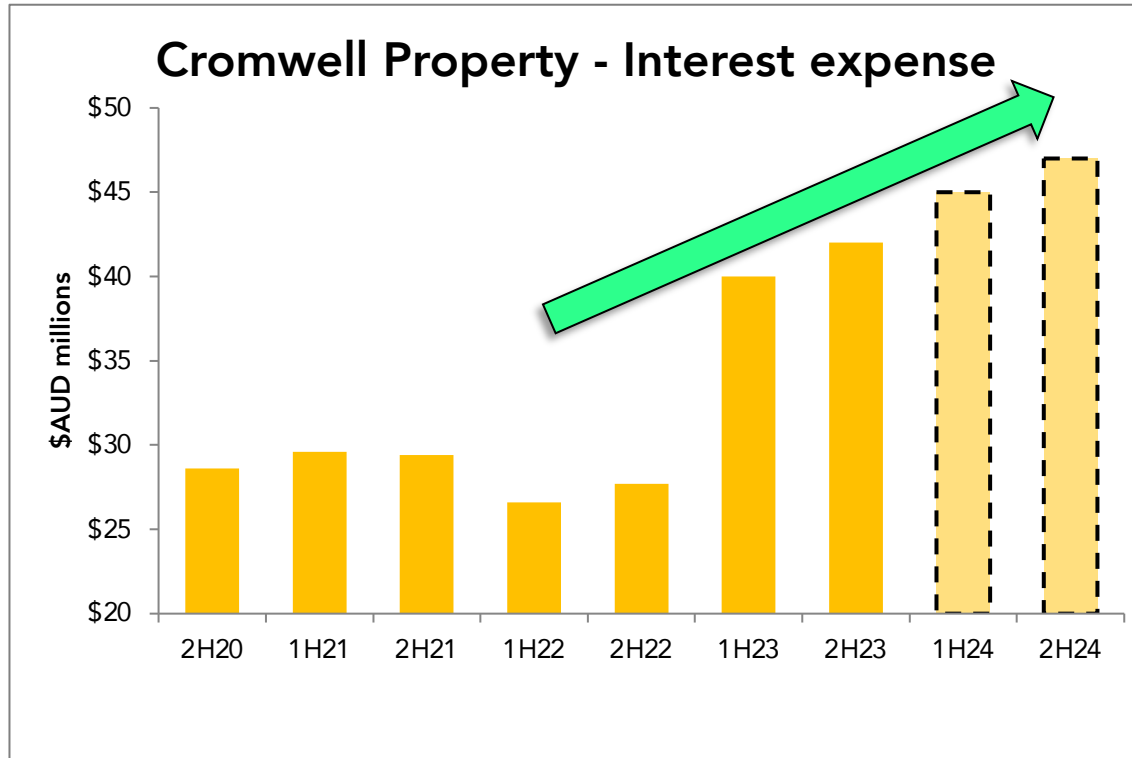
Quote: "People who use EBITDA are either trying to con you or they're conning themselves... Interest and taxes are real costs" – Warren Buffet

- Huge COVID winner
- Share price ran well ahead of fundamentals
- Earnings quality red flags emerged



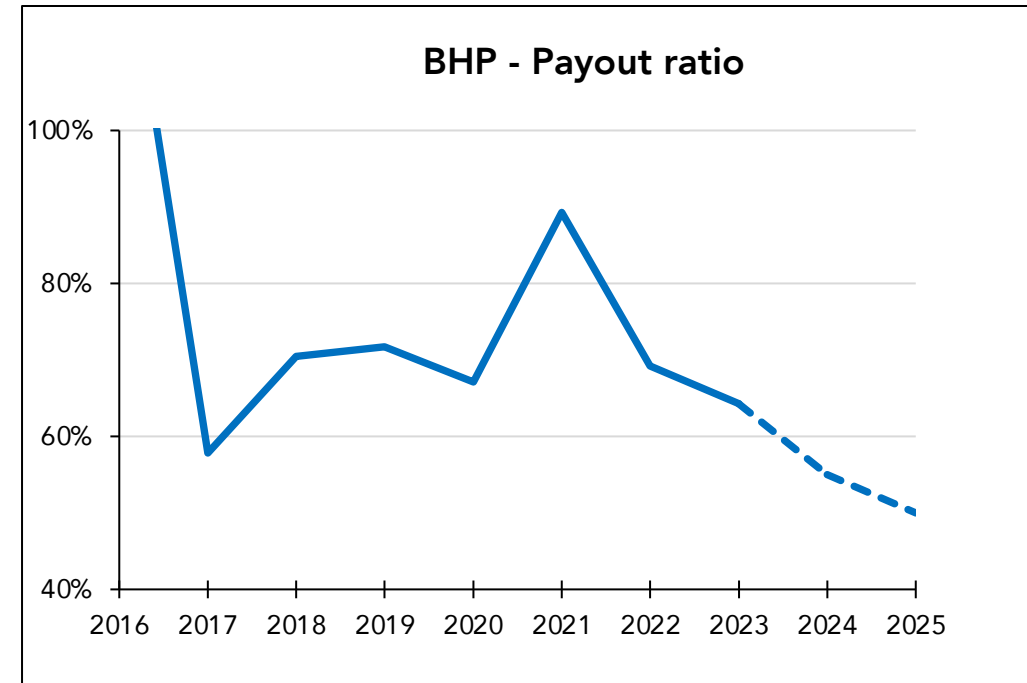
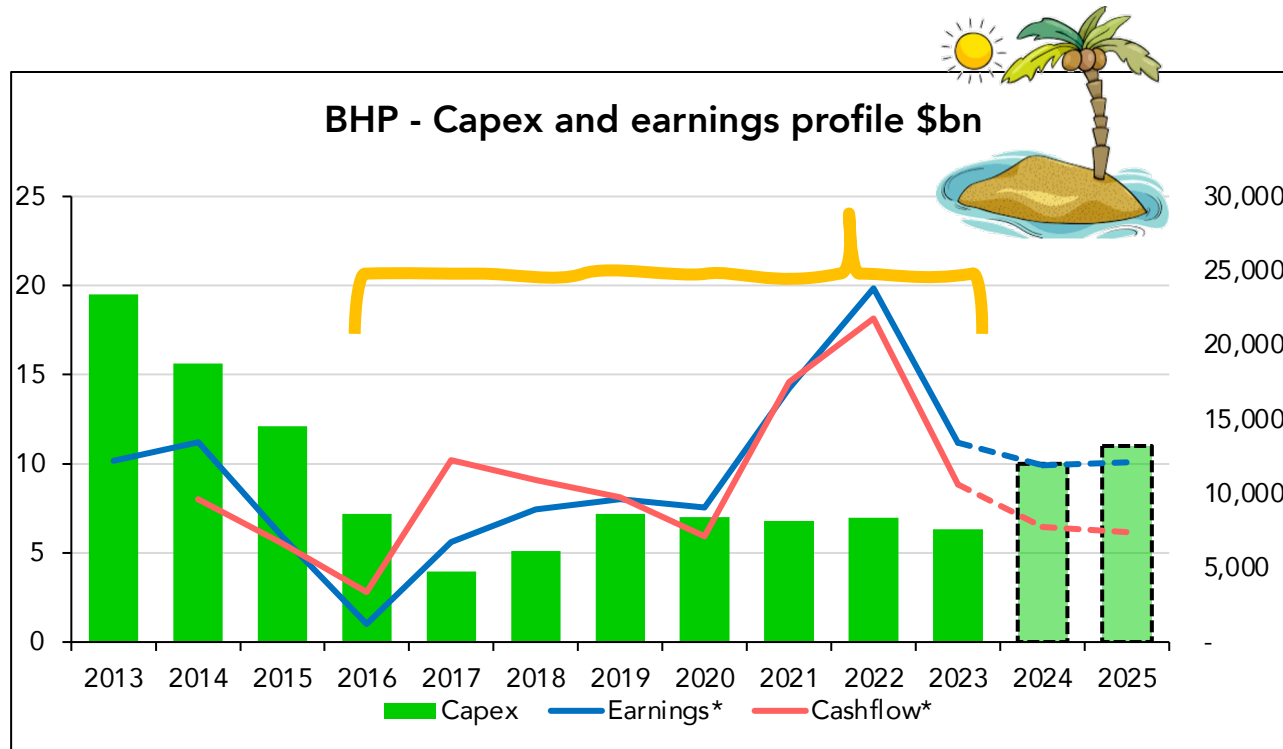
Don't get caught out on Interest Expense!

- Property trust with a significant amount of debt
- Looks cheap, juicy forecast dividend
- Company faces significant headwinds not fully appreciated

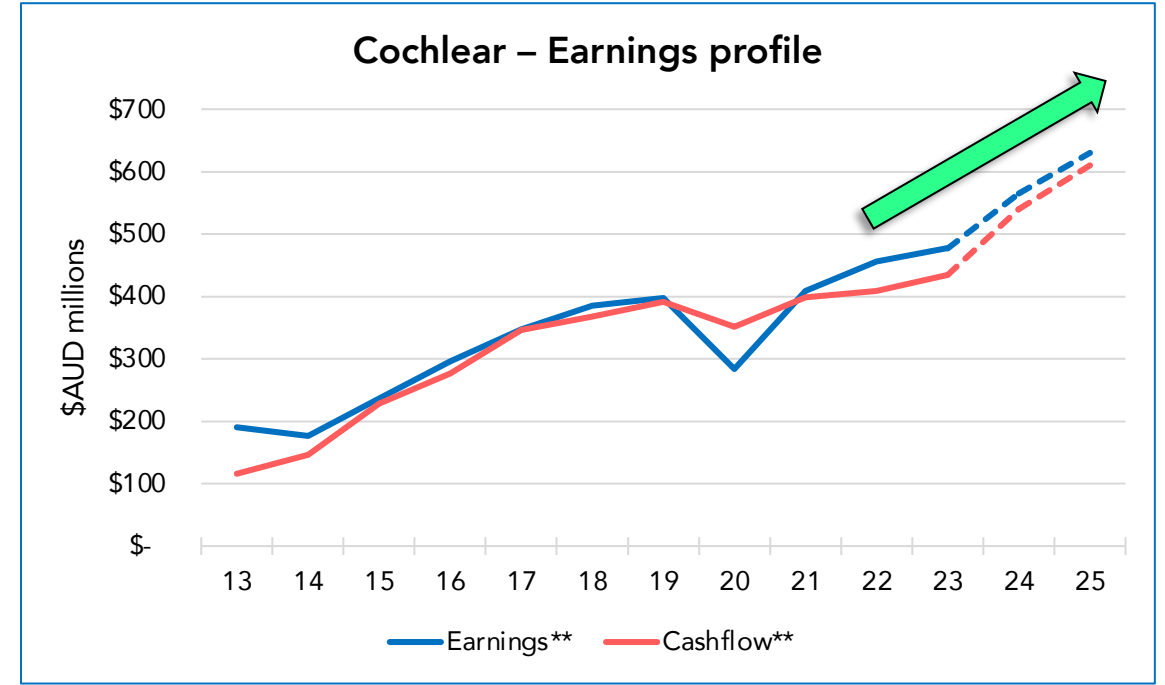
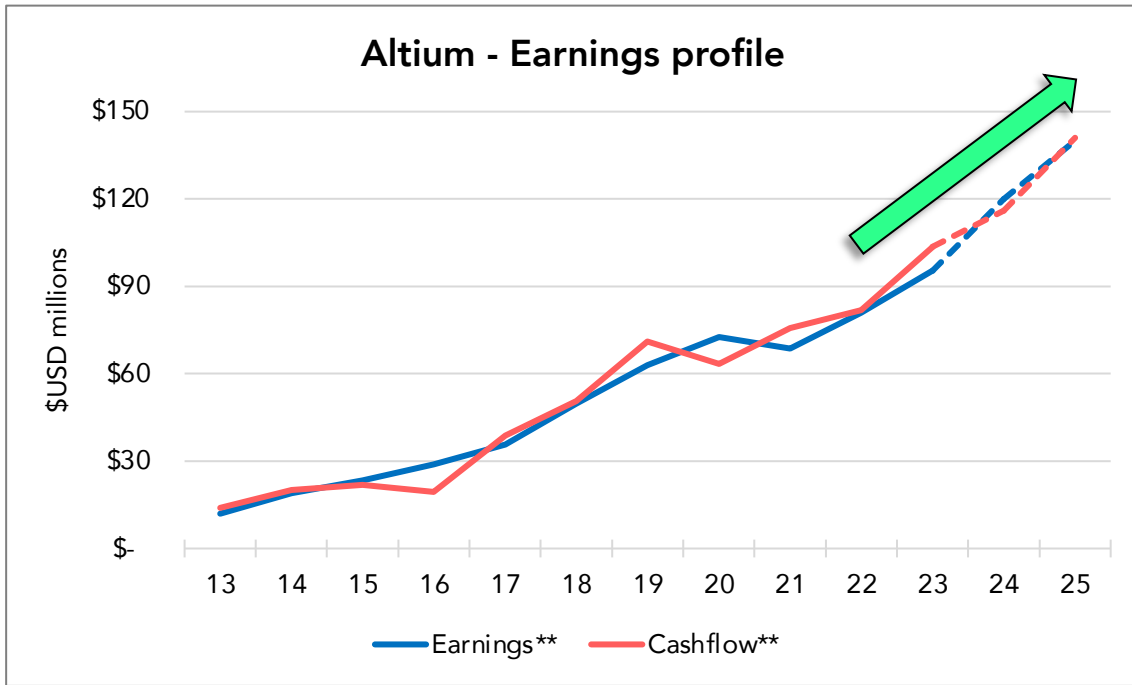


Don't get caught out on Capex!

- Resource companies have been on a capex holiday...Holiday is now over
- Capex: M&A hangover, COVID catch-up, decarbonisation
- Lower cashflow = lower shareholder returns



- Both Altium and Cochlear have dominant market positions
- Strong history Revenue and Earnings growth
- Cheap money gone... Quality earnings matter

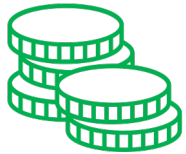


Summary – what matters?



EARNING DRIVE SHARE PRICES IN THE LONG TERM

- Fundamental, bottom-up investing is the key to returns



QUALITY EARNINGS

- Don't get caught out on reported earnings. Go below the line to examine the true health of companies



SOLARIS

- A bottom-up, fundamental active Australian Equity manager
- Earnings quality key consideration in portfolio construction

Solaris Core
Fund

Solaris Long
Short

Solaris Income
Fund

17 / 23 years outperformance