

FIRETRAIL AUSTRALIAN HIGH CONVICTION FUND

MONTHLY REPORT | MAY 2024

PERFORMANCE (AFTER FEES)¹

| | Month | Quarter | 1 Year | 3 Years p.a. | 5 Years p.a. | Fund inception p.a. ³ | 10 Years p.a. | Strategy inception p.a. ⁵ |
|---------------------------------|---------------|---------------|----------------|---------------|---------------|----------------------------------|---------------|--------------------------------------|
| Fund ² | (1.10%) | 2.78% | 2.73% | 3.09% | 6.50% | 5.29% | - | - |
| Strategy composite ⁴ | (1.10%) | 2.78% | 2.73% | 3.09% | 6.50% | - | 9.11% | 8.87% |
| Benchmark | 0.92% | 1.16% | 12.93% | 6.80% | 7.83% | 8.40% | 8.02% | 7.31% |
| Excess Return | -2.02% | +1.62% | -10.20% | -3.72% | -1.33% | -3.11% | +1.09% | +1.56% |

1. Past performance is not indicative of future performance

ABOUT FIRETRAIL

Firetrail is an investment management boutique which is majority owned by the Firetrail investment team. Additionally, the investment team is invested alongside clients in the investment strategies.

AUSTRALIAN HIGH CONVICTION FUND

The Australian High Conviction Fund ("Fund") is a concentrated portfolio of our most compelling equity ideas. The strategy is built on fundamental, deep dive research guided by the philosophy that 'every company has a price'.

INVESTMENT OBJECTIVE

The Fund aims to outperform the ASX 200 Accumulation Index over the medium to long term (after fees).

PORTFOLIO POSITIONING - 31 MAY 2024

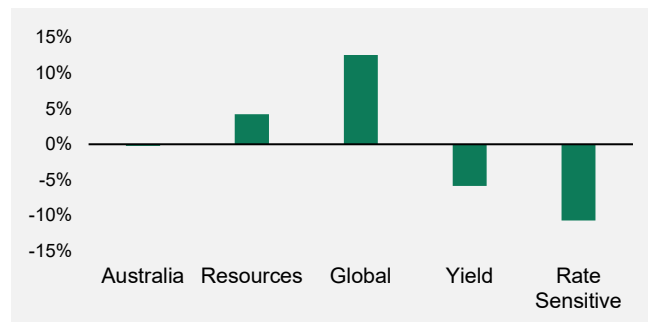
| Top 3 Overweight Holdings (Alphabetical) |
|--|
| CSL Ltd |
| Newmont Corp |
| Santos Ltd |

FUND DETAILS

| Unit Prices | 31 May 2024 |
|---------------------|--|
| Application price | \$1.2013 |
| Redemption Price | \$1.1977 |
| NAV Price | \$1.1995 |
| Fund Details | |
| APIR Code | WHT3810AU |
| Benchmark | S&P/ASX 200 Accumulation Index |
| Inception date | 14 March 2018 |
| Risk/Return Profile | Very High |
| Number of Holdings | 30 |
| Fund size | \$514mil |
| Management fee* | 0.90% p.a. |
| Performance fee* | 15% of outperformance above an annual Hurdle |

*Please read the Product Disclosure Statement for more details

THEMATIC POSITIONING – 31 MAY 2024



Source: Firetrail. Relative to the Benchmark

Past performance is not a reliable indicator of future performance.

The Product Disclosure Statement ('PDS') and the Target Market Determination ('TMD') of the Fund is available at www.firetrail.com. Any potential investor should consider the PDS and TMD before deciding whether to acquire, or continue to hold units in, the Fund.

2. Firetrail Australian High Conviction Fund ('Fund'). Net Fund returns are calculated based on exit price with distributions reinvested, after ongoing fees and expenses but excluding taxation. 3. Fund inception is 14 March 2018. 4. The Fund has been operating since 14 March 2018. To give a longer-term view of our performance for this asset class, we have also shown returns for the Firetrail Australian High Conviction Strategy Composite ('Strategy') which has been operating since 29 November 2005. Strategy performance has been calculated using the monthly returns (after fees) of the Fund from 14 March 2018 to current date, as well as the monthly returns of the Macquarie High Conviction Fund (after fees) between 29 November 2005 to 23 November 2017. The Fund employs the same strategy as was used by the same investment team that managed the Macquarie High Conviction Fund as at 23 November 2017. Firetrail has records that document and support the performance achieved as the Macquarie High Conviction Fund. The composite returns for the Strategy and the S&P/ASX 200 Accumulation Index (Benchmark) exclude returns between 24 November 2017 and 13 March 2018. During this period the investment team did not manage the Strategy. As such, the annualised performance periods stated are inclusive of the combined composite monthly returns, and do not include the period when the team were not managing the Strategy. For example, the annualised return over 3 years for the Strategy and benchmark are inclusive of 36 monthly performance periods available in the composite return period, excluding the period between 23 November 2017 and 13 March 2018. For additional information regarding the performance please contact us through the link on our website. Net Fund returns are in AUD terms. Net Fund returns are calculated based on exit price with distributions reinvested, after ongoing fees and expenses but excluding taxation. Past performance is for illustrative purposes only and is not indicative of future performance. 5. Strategy inception 29 November 2005.

PORTFOLIO COMMENTARY

The Fund returned negative 1.10% (after fees) for the month ending 31 May 2024, underperforming the ASX 200 Accumulation Index by 2.02%.

CONTRIBUTORS TO RETURNS

Positive contributors included South32, Incitec Pivot and a nil holding in James Hardie. Negative contributors included Nufarm, Seek and Suncorp. We discuss each further in our commentary below.

POSITIVE CONTRIBUTORS

South32

South32 shares followed up a strong April with another strong month in May on the back of further commodity price increases. Most notably, the alumina price rose 20% after Rio Tinto declared force majeure on its Queensland alumina refineries. South32 also provided a Strategy Update in May which highlighted the continued shift of the business towards commodities that will be critical for a low-carbon future.

Incitec Pivot

Incitec Pivot shares outperformed following the release of a strong H1 2024 result. Earnings in Incitec Pivot's Asia-Pacific Explosives division are now growing strongly on the back of positive pricing negotiations with customers. Incitec also confirmed it is in "advanced negotiations" with Indonesian industrial company, PT Pupuk Kalimantan Timur, for the sale of its Fertiliser division.

James Hardie (nil holding)

James Hardie shares underperformed following the release of the company's FY 2024 result and initiation of FY 2025 guidance which was 13% below consensus estimates. Management is forecasting fibre cement siding volumes to remain broadly flat in FY 2025 due to a tougher repair and remodel market, but still expect to gain market share.

NEGATIVE CONTRIBUTORS

Nufarm

Nufarm shares underperformed following the release of its H1 2024 result. The Crop Protection business disappointed compared to expectations, but we believe it will improve from here as it works through the tail end of higher cost inventory. The Seeds business continues to deliver on expectations and remains on track to grow revenue by 60-70% over FY 2023-2026 driven by Omega-3 Canola.

SEEK

SEEK shares underperformed following the release of data which showed that new job ads in April were 5% lower than March, or 19% lower than April 2023. SEEK also announced that Kendra Banks, the previous head of SEEK Australia and New Zealand, will fill the vacant CFO role while Peter Bithos will lead a broadened SEEK Asia-Pacific division as the Asia CEO.

Suncorp

Suncorp shares underperformed on no company specific news. Despite some retracement in May, Suncorp has been a strong performer year-to-date in 2024, outpacing the ASX 200 by 13%.

PORTFOLIO POSITIONING

- Highly concentrated with 69% active share.
- Overweight:
 - Cyclical companies exposed to commodities where supply is constrained in the medium term, such as Santos
 - Healthcare companies with strong market positions and defensive underlying demand drivers, such as CSL and Resmed.
 - Market leaders including Domino's Pizza who are well placed to strengthen their competitive position through the cycle.
 - Financials with leverage to interest rate rises including Suncorp.
 - Undervalued companies with defensive attributes including Newmont.
- Underweight Australian banks and iron ore where we don't see compelling opportunities.

Companies mentioned are illustrative only and not a recommendation to buy or sell any particular security

ONE INTERESTING THING THAT HAPPENED THIS MONTH...

One of the portfolio managers of the High Conviction Fund, Scott Olsson, spent a week in China speaking to a number of contacts in the wine industry. Feedback confirmed that the return of Penfolds post the removal of tariffs on Australian wine is highly anticipated and the brand remains incredibly strong. This is good news for Treasury Wine Estates, the owner of the Penfolds label and key holding in the Fund.

A potential near-term challenge is an increase in parallel imports to China from other South-East Asian countries. However given Penfolds' policy of consistent global pricing and limited supply, we believe the medium-term outlook remains very positive.

Figure 1: Prominent Penfolds brand positioning in a Shanghai retail mall



Source: Firetrail, May 2024.

Get vital insights direct from the Firetrail investment team – Introducing the Firetrail Equity Edge Podcast.

We interview Firetrail's Portfolio Managers and Equity Analysts about a stock we have invested in to provide you with the **Firetrail Equity Edge**.

The questions are always the same:

- What is the company and what does it do to make money?
- What is the stock market missing regarding the company's outlook?
- What is the bear- and bull-case for the company?

All in under 10 minutes.

The podcast has proven to be a hit, with recent episodes covering Flight Centre, Life360 and Ampol.

Simply scan the QR code below or listen via your favourite podcast platform. Simply search for "Firetrail Equity Edge".



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Link to the Product Disclosure Statement: [WHT3810AU](#)

Link to the Target Market Determination: [WHT3810AU](#)

For historic TMD's please contact Pinnacle client service Phone 1300 010 311 or Email service@pinnacleinvestment.com

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General enquiries 1300 010 311

Existing client enquiries 1300 360 306

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