

FIRETRAIL AUSTRALIAN HIGH CONVICTION FUND

MONTHLY REPORT | AUGUST 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	(1.01%)	5.01%	6.25%	3.05%	6.94%	5.88%	-	-
Strategy composite ⁴	(1.01%)	5.01%	6.25%	3.05%	6.94%	-	9.38%	9.03%
Benchmark	0.47%	5.74%	14.90%	6.73%	8.14%	9.00%	8.33%	7.53%
Excess Return	-1.48%	-0.73%	-8.66%	-3.68%	-1.20%	-3.12%	+1.06%	+1.51%

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).

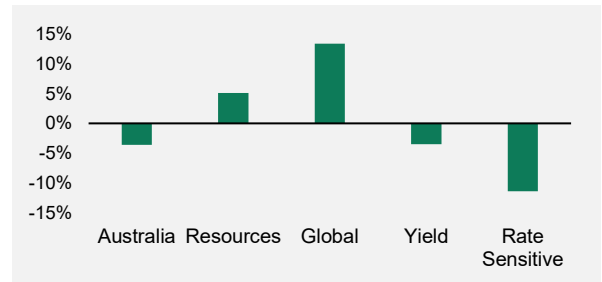
PORTFOLIO POSITIONING – 31 AUG 2024

Top 3 Overweight Holdings (Alphabetical)
Newmont Corp
ResMed Inc
Santos Ltd

FUND DETAILS

Unit Prices	31 August 2024
Application price	\$1.2133
Redemption Price	\$1.2097
NAV Price	\$1.2115
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	33
Fund size	\$489mil
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 AUG 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 -1.01% (after fees) for the month ending 31 August 2024, underperforming the ASX 200 Accumulation Index by 1.48%.

CONTRIBUTORS TO RETURNS

Positive contributors included Guzman y Gomez, WiseTech and ResMed. Negative contributors included Santos, Tabcorp and QBE Insurance. We discuss each further in our commentary below.

POSITIVE CONTRIBUTORS

Guzman y Gomez

Guzman y Gomez shares outperformed following a strong FY 2024 result and reiteration of FY 2025 Prospectus forecasts. In a tough market for fast food, GYG impressively continues to grow same store sales at ~7% and plans to rollout 31 new stores this financial year.

WiseTech

WiseTech shares outperformed after reporting a strong FY 2024 result and providing FY 2025 guidance ahead of consensus expectations. During FY 2025, WiseTech will launch three new products which will add to the suite of value-adding software solutions that it provides to the freight forwarding industry.

ResMed

ResMed shares outperformed after reporting Q4 results. Despite all the noise around GLP-1 drugs, ResMed continues to deliver ~10% revenue growth and expand operating margins. Over the past 12 months the share price has recovered to a level above where it was before the first GLP-1 driven selloff in August last year.

NEGATIVE CONTRIBUTORS

Santos

Santos shares underperformed due to a lower oil price and a modest disappointment on costs reported with its 1H 2024 result. Importantly for Santos, its key growth projects Barossa and Pikka, are now ~80% and ~60% complete respectively. The commencement of both projects will materially improve free cash flows and returns to shareholders, beginning in 2025.

Tabcorp

Tabcorp shares underperformed following a disappointing cost outcome communicated with its FY 2024 result. While Tabcorp is showing positive early signs it can stabilise and grow share in the key digital channel, its FY 2025 cost base is now expected to be well above the level previously guided to the market. We expect a more comprehensive strategic plan to be outlined by the new CEO in the coming months.

QBE Insurance

QBE shares underperformed despite a solid 1H 2024 result. Consensus earnings were downgraded but this was largely due to non-operational items (tax and amortisation). We are now observing the rate of price increases in QBE's key markets beginning to slow, however pricing continues to outstrip the rate of claims inflation which should support further margin expansion in 2H 2024 and FY 2025.

PORTFOLIO POSITIONING & CHANGES

The Portfolio remains highly concentrated with 70% active share.

Our positioning across each category can be summarised as follows:

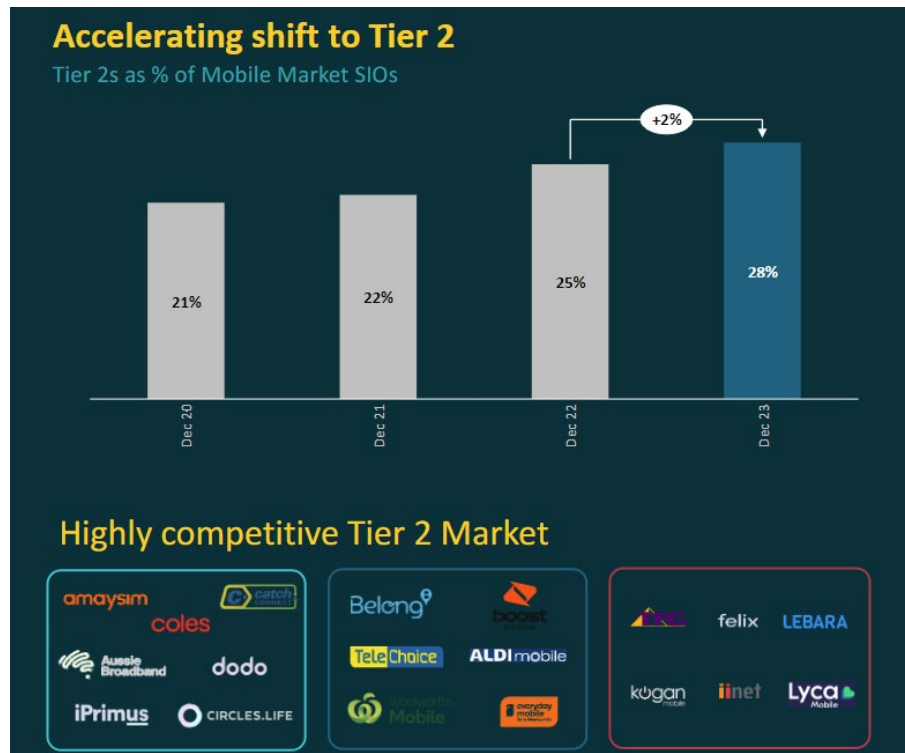
- Overweight:
 - Cyclical companies exposed to commodities where supply is constrained in the medium term, such as Santos.
 - Healthcare companies with strong market positions and defensive underlying demand drivers, such as CSL and ResMed.
 - Market leaders including Seek who are well placed to strengthen 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...

A chart that caught our eye was one featured in Optus' investor day presentation. With all the focus on the battles between the head brands of Telstra, Optus and Vodafone, what can sometimes be forgotten is the consistent rise of the "Tier 2" providers listed below. All of the Tier 2 brands make use of the networks of Telstra, Optus and Vodafone, but often with more of a "no frills" offering at much cheaper price points. Tier 2 operators have grown from 22% of the market to 28% in the past two years and look set to continue this trajectory, providing an ongoing headwind to telco's average revenue per user (ARPU).

Figure 1: Tier 2 telecoms companies have grown market share and continue to expand



Source: Singtel Investor Day presentation, August 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 WiseTech, Santos, James Hardie, Flight Centre, 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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