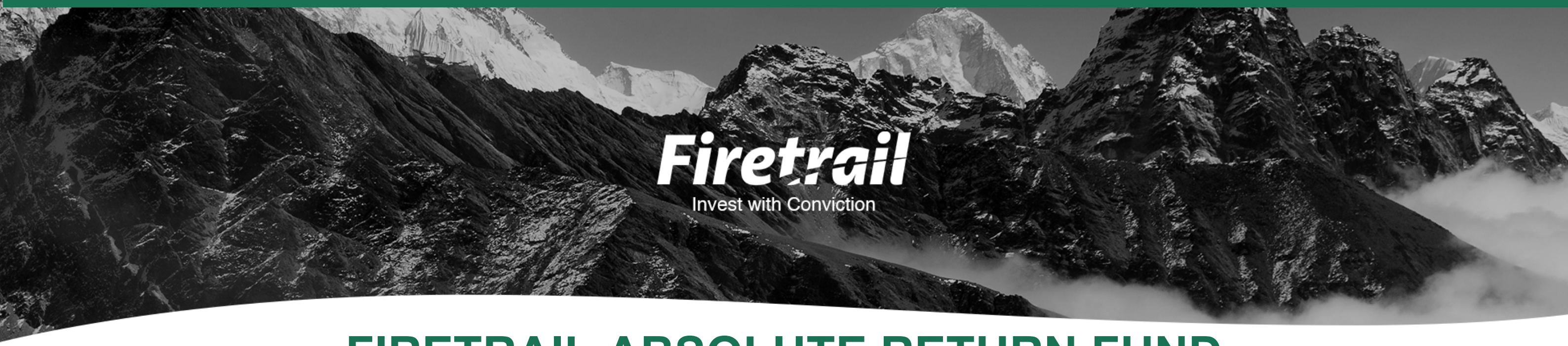

FIRETRAIL ABSOLUTE RETURN FUND

MONTHLY REPORT | AUGUST 2021

PERFORMANCE (AFTER FEES)

	Month	Quarter	6 Months	1 Year	2 Years p.a.	3 Years p.a.	Fund inception p.a.[2]	5 Years p.a.	Strategy inception p.a.[4]
Fund[1]	3.46%	(5.85%)	(5.81%)	9.89%	12.65%	7.66%	6.35%	-	-
Strategy composite[3]	3.46%	(5.85%)	(5.81%)	9.89%	12.65%	7.66%	-	6.41%	12.30%
Benchmark	0.01%	0.03%	0.05%	0.13%	0.33%	0.69%	0.79%	1.00%	1.16%
Excess Return	**+3.45%**	**-5.87%**	**-5.86%**	**+9.77%**	**+12.32%**	**+6.97%**	**+5.55%**	**+5.41%**	**+11.15%**

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.

ABSOLUTE RETURN FUND

The Absolute Return Fund (“Fund”) is a market neutral strategy with minimal correlation to equity market direction. It aims to generate positive returns in all market environments. 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 RBA Cash Rate over the medium to long term.

PORTFOLIO POSITIONING 31 AUGUST 2021

Top 3 Overweight Holdings (Alphabetical)
Crown Resorts Ltd
Newcrest Mining Ltd
OZ Minerals Ltd

FUND DETAILS

Unit Prices	31 August 2021
Application price	$ 1.2383
Redemption Price	$ 1.2297
NAV Price	$ 1.2340
Fund Details	
APIR Code	WHT5134AU
Benchmark	RBA Cash Rate
Inception date	14 March 2018
Fund size	$362mil
Management fee*	1.50% p.a.
Performance fee*	20% of outperformance above an annual Hurdle

*Please read the Product Disclosure Statement for more details.

FUND EXPOSURE AT 31 AUGUST 2021

	Portfolio Exposure
Long Equity	179.7%
Short Equity	(179.7%)
Net Equity Exposure	0.0%

Past performance is not a reliable indicator of future performance.

1. Firetrail Absolute Return Fund (‘Fund’). Net Fund returns are calculated based on exit price with distributions reinvested, after ongoing fees and expenses but excluding taxation. 2. Fund inception is 14 March 2018. 3. 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 Absolute Return Strategy Composite (‘Strategy’) which has been operating since 30 June 2015. 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 Pure Alpha Fund (after fees) between 30 June 2015 to 23 November 2017. The Fund employs the same strategy as was used by the same investment team that managed the Macquarie Pure Alpha Fund as at 23 November 2017. Firetrail has records that document and support the performance achieved as the Macquarie Pure Alpha Fund. The composite returns for the Strategy and the RBA Cash Rate (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. 4. Strategy inception 30 June 2015.

PORTFOLIO COMMENTARY

The Firetrail Absolute Return fund returned a positive 3.46% for the month ending 31 August 2021, outperforming the RBA Cash Rate benchmark by 3.45%.

WHAT'S DRIVING MARKETS?

The S&P200 benchmark closed 2.5% higher through August. The Australian market was buoyed by another solid reporting season, with earnings beats outpacing misses by a factor of 1.2x. This reflected a more normal reporting season skew versus the very strong 1H21 period which saw beats outpace misses by a factor of 4.1x.

A feature of this earnings season was the lack of specific guidance provided for earnings, with only 40% of companies providing an outlook. Three recurring themes in company presentations are contributing to the more cautious earnings backdrop:

1. Cost pressures – led by materials, freight and labour shortages
2. Dislocations in global supply chains
3. Re-emergence of lockdowns in NSW, and VIC and the timing of reopening

FY22 earnings saw modest negative revisions to consensus expectations. Materials, Staples, and Financials upgraded, while IT, Utilities and REITs downgraded. Overall, the earnings backdrop for FY22 looks positive. Consensus earnings growth expectations remain elevated, led by cyclicals and companies leveraged to re-opening.

LONG AND SHORT PORTFOLIO CONTRIBUTORS

Companies held within the long portfolio performed strongly through reporting season, delivering positive returns of +3.8%. Value and cyclical orientated companies led the earnings upgrades. Top long contributors included Crown Resorts, Ardent Leisure, and Australian Clinical Labs. Detractors included Newcrest, Lynas and Santos.

The Fundamental short portfolio also delivered positive returns of +0.3%. Positive Fundamental short contributors included companies within the materials and financials sectors. Risk shorts, which are used to hedge equity exposure risk, detracted -1.1% during the month.

Some of the standout results and outlooks from reporting season include:

Ardent Leisure

Ardent is an operator of entertainment assets across Australia and the US. The FY21 result was well ahead of expectations, with the velocity of second half earnings recovery a major surprise. Positive momentum has continued into the first half of FY22 led by Main Event in the US, which is expected to offset inflationary pressures around food and labour. Another positive is the acceleration of the Main Event centre rollout following strong cash generation, enabling a more aggressive approach. Main Event plans to rollout 20 new centres over the next 2 years, which should underpin the outlook for earnings growth. Ardent remains a key reopening position for the Fund, with the valuation expected to continue to re-rate as the company executes its growth strategy.

Australian Clinical Labs

ACL represents the third largest pathology network in Australia. The company continues to benefit from an elevated demand for COVID testing. The base pathology business result was also solid. Base revenue beat consensus and margins were higher. We believe the market is now more comfortable with the ability to meet management's medium term 26-27% margin targets, which helped fuel the significant FY22 earnings upgrades post result. Valuation looks attractive versus its peers such as Sonic, with execution likely to drive a re-rating of the stock over the next 12-months.

James Hardie

JHX reported a solid result despite heightened expectations. FY22 profit guidance was raised 5% driven by stronger North American sales and margin outcomes. The strong result came despite elevated costs driven by freight and pulp prices. James Hardie upgraded cost guidance but is expecting to offset this by a better revenue backdrop due to solid housing demand and an improved product mix. We believe the valuation continues to screen attractively for a quality business with an above average outlook for earnings growth.

QBE Insurance

QBE delivered a top-line beat of 4%, and an insurance margin above expectations. The Combined Operating Ratio (COR) of 92.5% was a material improvement on the 95% it exited in FY20. Premium rate growth of 10.6% in the 4Q was strong, and while we expect some moderation, the outlook for rate growth to remain above claims inflation remains positive. QBE looks well positioned to continue delivering operating momentum ahead of the new CEO starting in September.

PORTFOLIO POSITIONING

Current portfolio positioning can be summarised as follows:

- A market-neutral portfolio driven by long and short stock selection:
    - Highly active with Gross Exposure of 358% (179% long / 179% short)
    - Overweight Cyclicals vs Defensives
    - Overweight Global Growth
    - Overweight Value vs Growth
- Designed to deliver returns that are uncorrelated to traditional assets such as equities and bonds.

ONE INTERESTING THING THAT HAPPENED THIS MONTH

China moved to drastically limit the amount of time minors under the age of 18 spend playing online games. Starting September, minors will be allowed only one hour of play on Fridays, weekends, and public holidays. Playing on weekdays will be prohibited. The new rules represent further moves to control the impact of gaming addiction on younger people. It follows recent crackdowns on the tech, education, and property sectors.

MORE INFORMATION

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Existing client enquiries 1300 360 306

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Firetrail INVESTMENTS