

FIRETRAIL AUSTRALIAN HIGH CONVICTION FUND

MONTHLY REPORT | JANUARY 2023

PERFORMANCE (AFTER FEES)¹

	Month	Quarter	1 Year	3 Years p.a.	Fund inception p.a. ³	5 Years p.a.	7 Years p.a.	10 Years p.a.	Strategy inception p.a. ⁵
Fund ²	4.90%	9.28%	4.83%	6.35%	5.98%	-	-	-	-
Strategy composite ⁴	4.90%	9.28%	4.83%	6.35%	-	6.53%	9.28%	11.74%	9.36%
Benchmark	6.23%	9.59%	12.21%	5.96%	8.83%	9.04%	9.60%	9.67%	7.34%
Excess Return	-1.32%	-0.31%	-7.37%	+0.39%	-2.86%	-2.51%	-0.32%	+2.07%	+2.02%

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 (approx. 25 companies) 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 JAN 2023

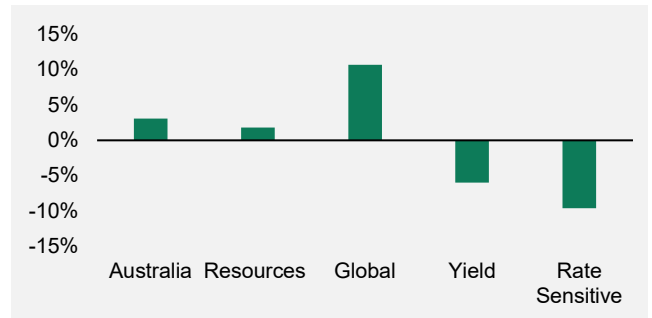
Top 3 Overweight Holdings (Alphabetical)
Newcrest Mining Ltd
Santos Ltd
Virgin Money UK PLC

FUND DETAILS

Unit Prices	31 January 2023
Application price	\$1.1993
Redemption Price	\$1.1957
NAV Price	\$1.1975
Fund Details	
APIR Code	WHT3810AU
Benchmark	S&P/ASX 200 Accumulation Index
Inception date	14 March 2018
Risk/Return Profile	High
Number of Holdings	23
Fund size	\$700mil
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 JAN 2023



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 4.90% (after fees) for the month ending 31 January 2023, underperforming the ASX 200 Accumulation Index by 1.32%.

CONTRIBUTORS TO RETURNS

Positive contributors included SEEK, Lynas Rare Earths and Domino's Pizza Enterprises. Negative contributors included Origin Energy, Santos, and Incitec Pivot. We discuss each further in our commentary below.

POSITIVE CONTRIBUTORS

SEEK

SEEK outperformed along with other consumer names during January, as expectations of a soft landing for the global economy gained momentum. The volume of new job ads on the SEEK platform continues to hold up reasonably well, tracking just 5% lower than the same time last year.

Lynas Rare Earths

Lynas Rare Earths outperformed during the month. Outperformance was driven by the reopening of the Chinese economy and a strong quarterly update. December quarter production of Lynas' main rare earth product, NdPr, improved 44% on the September quarter as water outages in Malaysia were successfully rectified.

Domino's Pizza Enterprises

Domino's Pizza outperformed during the month. The stock was another beneficiary of the global rally in consumer stocks in January.

NEGATIVE CONTRIBUTORS

Origin Energy

Origin Energy shares underperformed in January. The expiry date of exclusive due diligence granted to EIG/Brookfield was extended for a second time before ultimately expiring on 24 January. All parties appear to be working towards agreement on a binding bid. However, ongoing delays have impacted the market's perception of the likelihood and/or price.

Santos

Both the Santos share price and the USD oil price were flat in January, trailing the 6.2% performance of the ASX 200. Santos reported a largely in-line quarterly production report. Another quarter of strong cash flow reduced gearing to 18.7% as at 31 December, below the mid-point of Santos' 15-25% target range.

Incitec Pivot

Incitec Pivot underperformed in January due to a falling European gas price and rising Australian dollar. An unusually warm European winter resulted in lower gas demand than expected. With the price of ammonia largely driven by the cost of marginal European production, the warm winter has been negative for global fertiliser companies. However, we view these moves as temporary. The medium-term outlook for Incitec Pivot's fertiliser business remains strong.

PORTFOLIO POSITIONING

- Highly concentrated portfolio with 75% active share.
- Overweight:
 - Resource and energy companies exposed to commodities where we foresee short and medium-term undersupply, such as Santos and Lynas Rare Earths.
 - Healthcare companies with strong market positions and defensive underlying demand drivers, such as ResMed and CSL.
 - Market leaders including Qantas Airways and James Hardie Industries who are well placed to strengthen their competitive position through the cycle.
 - Financials with leverage to interest rate rises including QBE Insurance, ANZ and Virgin Money UK.
 - Undervalued companies with defensive attributes including Newcrest Mining and The Lottery Corporation.
- 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

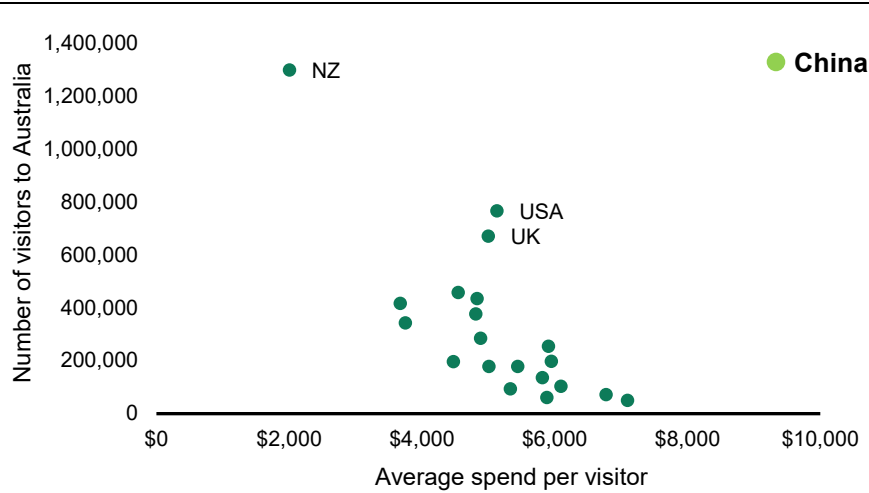
ONE INTERESTING THING THAT HAPPENED THIS MONTH...

Developments in China have been very topical during the start of 2023. Alongside easing COVID restrictions, there have been a number of significant policy announcements that could have positive implications for Australia, namely:

- China will no longer recognise academic degrees and diplomas achieved through online study, which could increase the flow of students to Australian universities;
- President Xi wants the population “to consume based on a stable income, dare to consume without worries, and have a good consumption environment with a strong sense of gain and strong willingness to consume”, which could benefit Australian companies selling product into China; and
- A thawing of trade relations, with the first shipments of Australian coal to China in two and a half years and increased speculation that bans on other products such as lobsters and wine could be lifted over time.

During their stay, Chinese visitors to Australia spend twice as much as visitors from other countries on average. A return of tourism and education demand from China would provide a welcome offset to other growth pressures emerging in the domestic economy.

Figure 1: Australia receives more visitors from China than from any other country. Chinese visitors also spend more money in Australia than other internationals.



Source: TRA, Morgan Stanley

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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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