FIRETRAIL AUSTRALIAN HIGH CONVICTION FUND

MONTHLY REPORT | FEBRUARY 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]	(0.59%)	2.26%	1.57%	9.36%	5.76%	-	-	-	-
Strategy composite[4]	(0.59%)	2.26%	1.57%	9.36%	-	5.71%	9.34%	11.58%	9.28%
Benchmark	(2.45%)	0.30%	7.16%	7.93%	8.15%	8.09%	9.32%	9.35%	7.15%
Excess Return	**+1.86%**	**+1.96%**	**-5.59%**	**+1.42%**	**-2.39%**	**-2.37%**	**+0.02%**	**+2.23%**	**+2.13%**

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).

FUND DETAILS

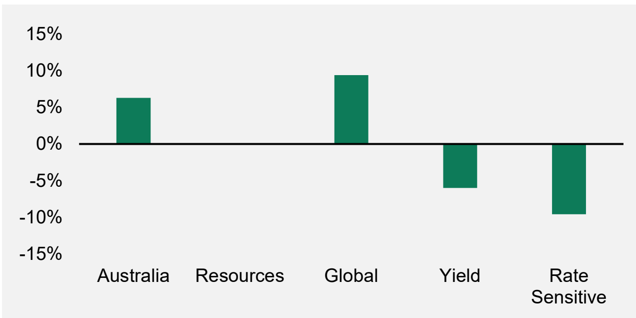
Unit Prices	28 February 2023
Application price	$1.1923
Redemption Price	$1.1887
NAV Price	$1.1905
Fund Details	
APIR Code	WHT3810AU
Benchmark	S&P/ASX 200 Accumulation Index
Inception date	14 March 2018
Risk/Return Profile	High
Number of Holdings	25
Fund size	$696mil
Management fee*	0.90% p.a.
Performance fee*	15% of outperformance above an annual Hurdle

*Please read the Product Disclosure Statement for more details

PORTFOLIO POSITIONING – 28 FEB 2023

Top 3 Overweight Holdings (Alphabetical)
Newcrest Mining Ltd
QBE Insurance Group Ltd
Santos Ltd

THEMATIC POSITIONING – 28 FEB 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 negative 0.59% (after fees) for the month ending 28 February 2023, outperforming the ASX 200 Accumulation Index by 1.86%.

CONTRIBUTORS TO RETURNS

Positive contributors included QBE Insurance, Origin Energy and The Lottery Corporation. Negative contributors included Domino's Pizza Enterprises, Lendlease and Lynas Rare Earths. We discuss each further in our commentary below.

POSITIVE CONTRIBUTORS

QBE Insurance

QBE Insurance outperformed in February after reporting a FY22 result that was slightly better than revised guidance provided in November. While the outlook provided for FY23 was broadly in line with consensus estimates, the stock outperformed as the market gained more confidence in QBE's ability to continue delivering on its targets.

Origin Energy

Origin Energy outperformed during the month. After a number of delays to the due diligence process and a government cap on the gas price, the market had begun to heavily discount the chance that the $9.00 per share non-binding takeover bid from EIG and Brookfield would proceed. However, the EIG/Brookfield consortium returned in late February with only a modestly revised proposal of $8.90 per share, driving significant outperformance in the Origin share price.

The Lottery Corporation

The Lottery Corporation outperformed after reporting a very strong 1H23 result, with 8% revenue growth and 16% EBITDA growth. Outlook comments were also positive, with future revenue growth expected to be boosted by increases to lottery ticket prices and commissions.

NEGATIVE CONTRIBUTORS

Domino's Pizza Enterprises

Domino's Pizza Enterprises underperformed during February after reporting a weak 1H23 result and providing very subdued comments on the outlook. The pricing changes Domino's has made to offset higher costs appear to have had a greater negative impact on volumes than expected, particularly for delivery customers. The withdrawal of FY23 guidance less than three months after reaffirming it with a capital raising also drew management credibility into question.

Lendlease

Lendlease reported a 1H23 result that was below market expectations but importantly reaffirmed FY23 and FY24 guidance. The stock underperformed due to increased gearing levels, with debt-to-equity now sitting above the mid-point of Lendlease's 10-20% target range.

Lynas Rare Earths

Lynas Rare Earths shares underperformed as its renewed Malaysian operating licence confirmed that it would still be required to cease cracking and leaching activities by July 2023. While Lynas confirmed that its Kalgoorlie plant remains on track to start up before this date, the market became more cautious on Lynas' ability to execute this transition without curtailing production.

PORTFOLIO POSITIONING

- Highly concentrated portfolio with 75% active share.
- Overweight:
  - Energy companies exposed to commodities with medium-term undersupply, such as Santos and Incitec Pivot.
  - Healthcare companies with strong market positions and defensive underlying demand drivers, such as ResMed and CSL.
  - Market leaders including SEEK 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.

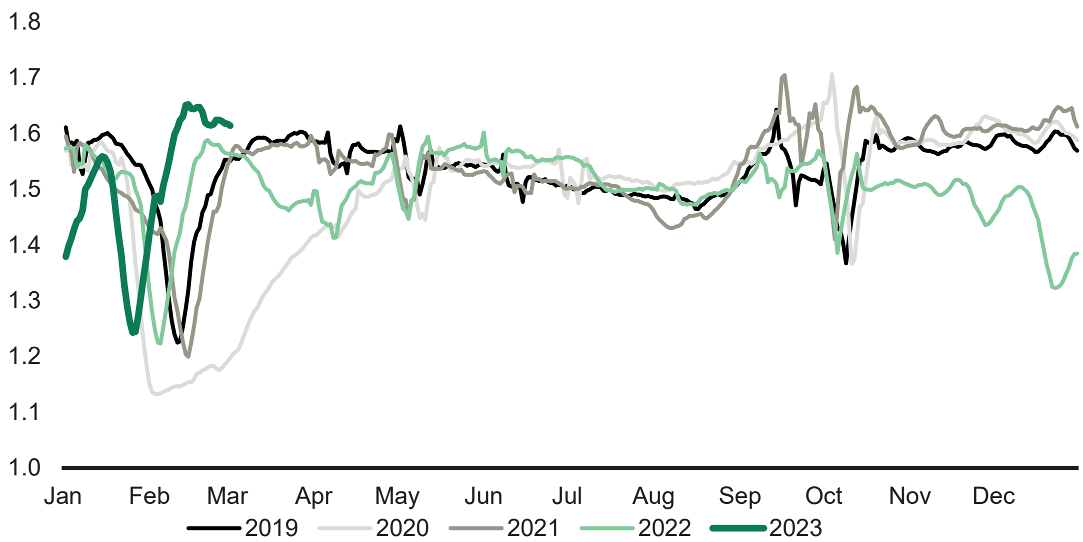
Companies mentioned are illustrative only and not a recommendation to buy or sell any particular security

ONE INTERESTING THING THAT HAPPENED THIS MONTH…

The reopening of China has been one of the most topical equity market themes so far in 2023. While investors appear to have gravitated towards the large cap iron ore miners to capitalise on this dynamic, we have been reluctant to follow this for two main reasons:

1. Given China's preference for a consumer-led recovery, we believe most property stimulus will be aimed at assisting developers to complete existing projects, rather than funding significant development growth.
2. We believe the positive impact on oil markets and stocks is being underestimated. Steelmaking was not as impacted as mobility during the zero-COVID lockdowns, and reopening mobility looks to have now recovered to multi-year highs.

Figure 1: Chinese road congestion has now recovered to higher than 2019 levels (Congestion Delay Index – average across 100 Chinese cities)



Source: Barclays Research, WIND, AMP

MORE INFORMATION

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Firetrail INVESTMENTS