

FIRETRAIL AUSTRALIAN HIGH CONVICTION FUND

MONTHLY REPORT | APRIL 2023

PERFORMANCE (AFTER FEES)¹

	Month	Quarter	1 Year	3 Years p.a.	5 Years p.a.	Fund inception p.a. ³	7 Years p.a.	10 Years p.a.	Strategy inception p.a. ⁵
Fund ²	2.92%	1.75%	1.31%	14.84%	5.91%	6.04%	-	-	-
Strategy composite ⁴	2.92%	1.75%	1.31%	14.84%	5.91%	-	9.73%	10.56%	9.33%
Benchmark	1.85%	(0.80%)	2.83%	13.99%	8.26%	8.23%	10.04%	8.64%	7.18%
Excess Return	+1.07%	+2.55%	-1.52%	+0.85%	-2.35%	-2.18%	-0.31%	+1.92%	+2.15%

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 – 30 APR 2023

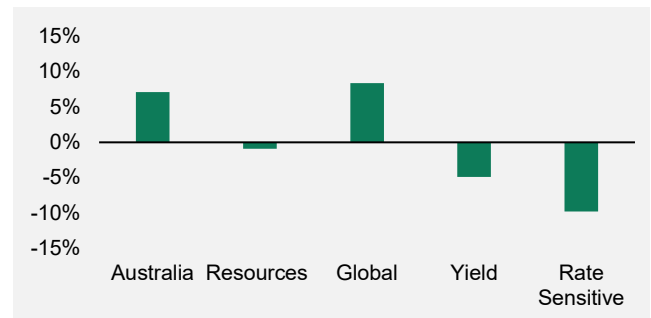
Top 3 Overweight Holdings (Alphabetical)
Newcrest Mining Ltd
ResMed Inc
Santos Ltd

FUND DETAILS

Unit Prices	30 April 2023
Application price	\$1.2202
Redemption Price	\$1.2166
NAV Price	\$1.2184
Fund Details	
APIR Code	WHT3810AU
Benchmark	S&P/ASX 200 Accumulation Index
Inception date	14 March 2018
Risk/Return Profile	High
Number of Holdings	27
Fund size	\$674mil
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 – 30 APRIL 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 2.92% (after fees) for the month ending 30 April 2023, outperforming the ASX 200 Accumulation Index by 1.07%.

CONTRIBUTORS TO RETURNS

Positive contributors included BHP (underweight), Newcrest Mining, and Virgin Money UK. Negative contributors included The Lottery Corporation, BlueScope Steel, and Ampol. We discuss each further in our commentary below.

POSITIVE CONTRIBUTORS

BHP (underweight)

BHP shares underperformed in April due to a 16% fall in the iron ore price. Iron ore price weakness was driven by negative Chinese steelmaking margins and mounting speculation that China will cap 2023 steel production at 2022 levels. BHP's acquisition of Oz Minerals also became effective during April.

Newcrest Mining

Newcrest Mining outperformed during the month as it received a revised non-binding proposal from Newmont. The revised offer represented a total value ~11% above the previous offer. Subsequently, Newcrest granted Newmont exclusive due diligence until 11th May 2023.

Virgin Money UK

Virgin Money UK's share price recovered in April after underperforming in March in the wake of the Silicon Valley Bank collapse. UK Banks that have reported 1Q 2023 results recently have stated that they have not seen the same flight of deposits from small to large banks that has been observed in the US.

NEGATIVE CONTRIBUTORS

The Lottery Corporation

The Lottery Corporation modestly underperformed in April after a strong run through the first quarter of the year. The number of Powerball jackpots so far in 2023 has tracked below consensus expectations. We note that a ~10% increase in the Powerball ticket price is due to take effect in May, which will assist earnings for the remainder of FY23.

BlueScope Steel

BlueScope Steel upgraded 2H FY23 EBIT guidance by 43% in April. However, the company still modestly underperformed the ASX 200. North Star, BlueScope's US mini-mill, is currently benefitting from higher hot rolled coil prices and spreads above input costs. The market, however, remains cautious on the impact a potential US recession could have on earnings.

Ampol

Ampol underperformed in April due to a decline in Asia Pacific refining margins. Ampol's 1Q 2023 earnings update was positive. Strong performances across all operating divisions drove EBIT of \$345 million, its second highest quarter ever.

PORTFOLIO POSITIONING

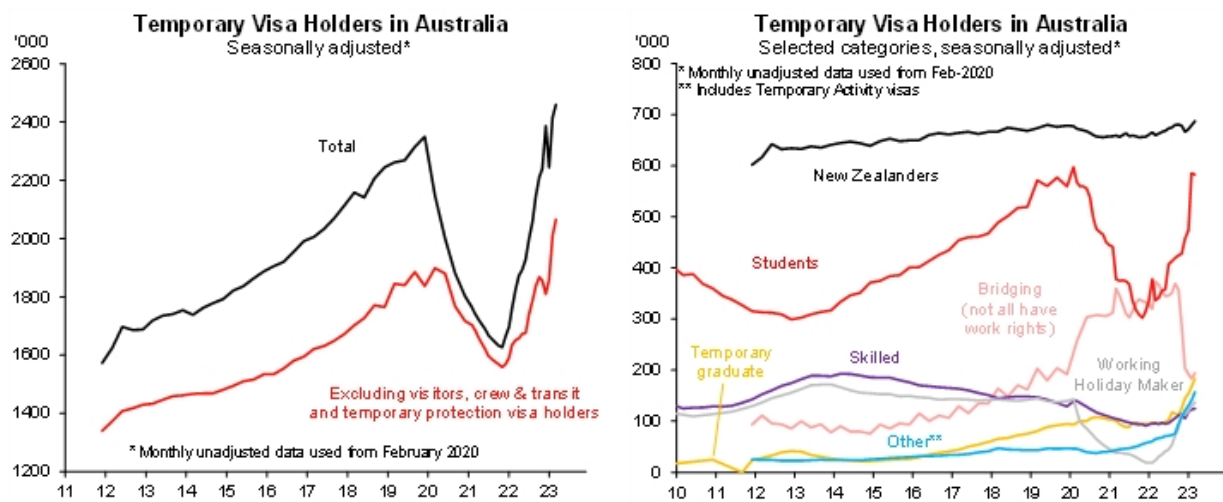
- Highly concentrated portfolio with 75% active share.
- Overweight:
 - Energy companies exposed to commodities where supply is constrained in the medium-term, such as Santos and Incitec Pivot.
 - Healthcare companies with strong market positions and defensive underlying demand drivers, such as ResMed 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.

ONE INTERESTING THING THAT HAPPENED THIS MONTH...

Immigration to Australia has accelerated in the early months of 2023. The number of temporary visa holders reached new highs in March, with most visa categories surpassing pre-COVID levels. However, the skilled visa holder category continues to be weak. There has been a persistent decline in skilled workers coming to Australia for close to a decade.

On 27th April, the Labor government proposed significant reforms to Australia’s migration system following a comprehensive review by an expert panel. The new reforms look to simplify and enhance Australia’s migration system to attract more skilled migrants. One of the key changes will be a pathway to permanent residency for all temporary skilled visa holders, targeted to be in place by the end of 2023.

Figure 1: The number of temporary visa holders in Australia has spiked above pre-COVID levels. However, temporary skilled visa holders remain well below their peak in 2014.



Source: Department of Home Affairs, Macquarie Macro Strategy, April 2023

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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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