

FIRETRAIL AUSTRALIAN HIGH CONVICTION FUND

MONTHLY REPORT | OCTOBER 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.	7 Years p.a.	10 Years p.a.	Strategy inception p.a. ⁴
Fund ¹	0.62%	3.12%	6.63%	35.68%	11.95%	10.94%	7.73%	-	-	-	-
Strategy composite ³	0.62%	3.12%	6.63%	35.68%	11.95%	10.94%	-	9.98%	11.82%	11.38%	10.05%
Benchmark	-0.10%	0.51%	6.34%	27.96%	8.41%	11.92%	9.88%	10.04%	8.28%	9.82%	7.46%
Excess Return	+0.72%	+2.62%	+0.29%	+7.73%	+3.54%	-0.98%	-2.15%	-0.06%	+3.54%	+1.55%	+2.59%

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 ASX200 Accumulation Index over the medium to long term.

PORTFOLIO POSITIONING

31 OCTOBER 2021

Top 3 Overweight Holdings (Alphabetical)

Newcrest Mining
Oil Search
ResMed

FUND DETAILS

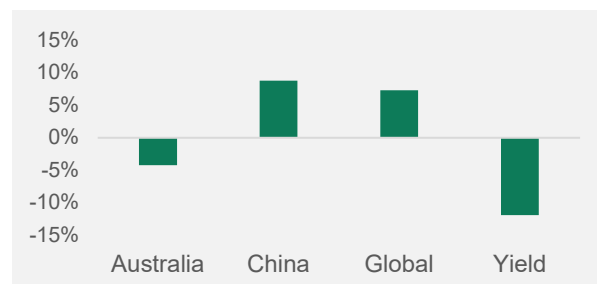
Unit Prices	31 October 2021
Application price	\$ 1.2515
Redemption Price	\$ 1.2477
NAV Price	\$ 1.2496
Fund Details	
APIR Code	WHT3810AU
Benchmark	S&P/ASX 200 Accumulation Index
Inception date	14 March 2018
Number of Holdings	27
Fund size	\$624mil
Management fee*	0.90% p.a.
Performance fee*	15% of outperformance above an annual Hurdle

*Please read the Product Disclosure Statement for more details

THEMATIC POSITIONING

31 OCTOBER 2021

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.

1. 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. 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 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. 4. Strategy inception 29 November 2005.

PORTFOLIO COMMENTARY

The Fund returned 0.62% for the month ending 31 October 2021, outperforming the ASX200 Accumulation index by 0.72%.

CONTRIBUTORS TO RETURNS

Contributors to returns included Oz Minerals, Newcrest and Ampol. Detractors included Virgin Money UK, Qantas and Nufarm. We discuss each further in our commentary below.

CONTRIBUTORS

Oz Minerals

Global copper inventories hit a low point during the month, driving an ~8% rally in the copper price. With the release of its third quarter report, Oz Minerals FY22 production guidance was reiterated for copper and upgraded for gold. Cost guidance was also lowered due to the accounting of gold revenues as an offset against expenses.

Newcrest

The release of three pre-feasibility studies provided new information on Newcrest's Red Chris and Havieron growth projects, and its Lihir operations in PNG. All three projects are expected to contribute materially to group production at attractive IRRs of 16% or higher. Newcrest highlighted an indicative expectation of flat gold production and a 30-40% increase in copper production over the next eight years, with potential upside as further studies are completed.

Ampol

After a period of exclusivity, Ampol confirmed that terms had been agreed to acquire Z Energy in New Zealand. The deal will be funded out of debt and existing cash (no equity raising) and is expected to deliver NZ\$60-80m of earnings synergies. Ampol also reported its Q3 result which was soft as expected given NSW and Victoria were in lockdown for most of the quarter.

DETRACTORS

Virgin Money UK

Virgin Money UK provided an update on its digital strategy, flagging more flexible working arrangements, store closures and greater automation. The market reacted negatively to the company's stated intention to reinvest cost savings back into the business. Virgin Money UK will provide a more comprehensive cost outlook at its FY21 result in November, which we believe will target continued absolute cost reductions over the next few years. The macro environment remains supportive for UK banks, with UK 10-year Government bond yields moving above 1% for the first time since May 2019.

Qantas

After almost 40% outperformance through August and September, Qantas' share price underperformed the ASX200 in October. While reopening remains a positive thematic, the oil price could pressure profitability if sustained at current levels. US airlines have also called out a slower return of business travel and difficulty finding staff as capacity ramps back up.

Nufarm

Despite continued strong prices for soft commodities and reasonable crop conditions, Nufarm underperformed during the month. There was a lack of company-specific news, however intensifying global supply chain disruptions would logically be a challenge that Nufarm needs to navigate.

PORTFOLIO POSITIONING

- Highly concentrated with an 80% active share
- Overweight
 - Re-opening trades like Qantas, Aristocrat and the energy sector, where competitive dynamics have improved post COVID.
 - Base metal and EV materials where supply won't be able to keep up with demand in the medium-term.
 - Housing plays like Bluescope and James Hardie who are benefitting from strong demand while taking market share in their categories.
 - Non-bank financials including QBE and Medibank.
 - Undervalued defensive companies including Newcrest, Telstra and Crown.
- No holding in Australian banks and underweight iron ore where we don't see compelling opportunities.

ONE INTERESTING THING THAT HAPPENED THIS MONTH

Lendlease held a virtual tour of their Elephant Park development in London. While there is nothing like being there in person, the virtual tour was a great way to understand the project.

The \$4.5bn project was secured in 2010 with expected completion in 2026. Currently, the project is 56% complete. See more [here](#).

In positive news, consumer rental demand has been strong for the >600 apartments recently completed. As at 30 June 2021, only 6 were leased which led Lendlease to remove some previously booked profits, disappointing investors. Pleasingly, by the end of October over 200 apartments were leased and progress was running ahead of recent projections. As London and other cities reopen, demand for urban living is bouncing back. Evidence is mounting that the 'death of urbanisation' is a cyclical rather than structural event.

Figure 1.



Source: Lendlease Investor Relations

Figure 2.



Source: Lendlease Investor Relations

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