

# Firetrail Australian High Conviction Fund

Monthly Report | May 2026

**Firetrail**  
Invest with Conviction

Performance (After Fees)<sup>1</sup> as at 31 May 2026

	Month	Quarter	1 Year	3 Years (pa)	5 Years (pa)	Fund Inception (pa)	10 Years (pa)	Strategy Inception (pa) <sup>2</sup>
<b>Fund</b>	(0.32%)	(6.54%)	8.71%	9.29%	6.84%	7.05%	-	-
<b>Strategy Composite<sup>3</sup></b>	(0.32%)	(6.54%)	8.71%	9.29%	6.84%	7.05%	9.50%	9.25%
<b>Benchmark<sup>4</sup></b>	1.15%	(4.03%)	6.89%	11.02%	8.10%	8.81%	10.25%	7.58%
<b>Excess Return</b>	<b>(1.46%)</b>	<b>(2.51%)</b>	<b>1.82%</b>	<b>(1.72%)</b>	<b>(1.26%)</b>	<b>(1.75%)</b>	<b>(0.74%)</b>	<b>1.67%</b>

## About Firetrail

Firetrail is an investment management boutique which is majority owned by the Firetrail team. The team is invested alongside clients in the investment strategies.

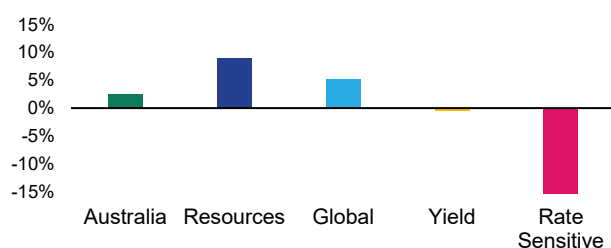
## Australian High Conviction Fund

The Australian High Conviction Fund is a concentrated portfolio 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.

## Thematic Positioning – May 2026



Source: Firetrail. Relative to the Benchmark

## Contact Us



For further information, contact the Pinnacle Investment Distribution team

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E: [distribution@pinnacleinvestment.com](mailto:distribution@pinnacleinvestment.com)  
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## Fund Details

Unit Prices	May 2026
Application Price	\$1.2041
Redemption Price	\$1.2005
NAV Price	\$1.2023

Fund Details	
APIR Code	WHT3810AU
Inception Date	14 March 2018
Number of Holdings	30
Fund Size	\$372 mil
Management fee*	0.90% p.a.
Performance fee*	15% of outperformance above an annual hurdle

\*Please read the Product Disclosure Statement for more details

## Your Portfolio Managers



**Blake Henricks**  
Blake is Co-Founder and Deputy Managing Director at Firetrail. He has over 23 years' experience investing in equity markets.



**Scott Olsson**  
Scott is Co-Founder at Firetrail and has over 21 years' experience investing in equity markets.



**Patrick Hodgens**  
Patrick is Co-Founder and Managing Director at Firetrail. He brings over 41 years' experience investing in equity markets.

## Three Key Holdings



BHP Group



Ramsay Healthcare



Newmont

Past performance is not a reliable indicator of future performance.

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. Strategy inception 29 November 2005.

3. To provide a longer-term view of our performance in 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 is calculated using monthly returns (before fees) from 14 March 2018 onward with the Macquarie High Conviction Fund's monthly returns (after fees) from 29 November 2017 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 maintains records that document and support the performance achieved during this period. 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. Accordingly, annualised performance periods reflect only the available composite monthly returns, excluding this gap (e.g., 3-year returns are based on 36 monthly periods). For more information regarding the performance, please contact us via our website. Gross Fund returns are in AUD, based on exit price with distributions reinvested, before ongoing fees and expenses but excluding taxation.

4. The benchmark is the ASX 200 Accumulation Index

## Portfolio Commentary

The Fund returned -0.32% (after fees) for the month ending 31 May 2026, underperforming the ASX 200 Accumulation Index by 1.46%.

### Month in Review

The ASX200 was up 1.1% in May and is now up 1.7% year to date.

Resources outperformed Industrials, with ASX200 Resources up 7.8% for the month and 60% for the past 12 months, while ASX200 industrials were down 1.5% for the month and 6.5% for the past 12 months. Resource gains were led by miners including South32, BHP and Mineral Resources.

Breaking down the industrials underperformance, the weakest sector was Healthcare yet again. CSL, down 22%, was the main drag here and Telix was also down 13%. Utilities also lagged, down 7.6% and we saw energy fall 5.9% as the market began to price in a US-Iran resolution.

#### Over the month, the key events were as follows:

**US-Iran Conflict:** hopes of a Middle East Peace deal buoyed global markets in May. Despite an extended ceasefire, peace talks were volatile, with both nations trading airstrikes and drone attacks as negotiations over nuclear capabilities and the Strait of Hormuz continued.

**RBA:** The RBA raised the cash rate by 25bps to 4.35% on 5 May, its third consecutive hike of 2026. The global oil shock has landed in an economy where inflation pressures were already building, and higher fuel prices are likely to have second-round effects on other goods and services. April's headline CPI came in softer than expected at 4.2% (consensus 4.4%). The market now expects a hold in June, with a ~50% chance of another hike in August.

**The Federal Budget:** Chalmers' fifth budget was one of redistribution – heavy on reform but light on near term fiscal impact. Changes to capital gains tax and negative gearing took the spotlight, however most of the key changes were already leaked beforehand and largely priced in. In our view, the key industries winning, losing and with mixed results are as below:

- **Winners:**
  - Annuities and investment bonds
  - Investment platforms
  - Aged care
  - Defence and energy security companies
  - Dividend paying stocks
- **Mixed**
  - Property developers - changes are likely negative for property sentiment but should improve demand for new developments given exemptions to negative gearing changes
  - EV Car dealers – phase out of EV fringe benefit tax exemption is negative, but short-term we could see a pull forward of demand to get ahead of changes
- **Losers**
  - Banks
  - Housing turnover/ discretionary names – we expect negative gearing grandfathering to lead to lower housing turnover
  - Healthcare – removal of additional private health insurance rebate for over 65s

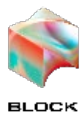
## Contributors to Returns

### Positive Contributors



#### BHP Group

BHP rose on the back of supportive copper and iron prices. Copper prices were supported by continued talk of an end to the Iran conflict. Iron ore prices continue to defy bearish expectations and the price remains stubbornly above \$100 vs the long term consensus around \$85/t. BHP has two events in the coming year, one will be an updated Jansen Phase 2 capex. Phase 2 has yet to be greenlit, but the capex is expected to move materially higher. Phase 1 has been a poor investment with both capex blow outs and delays and remains around 75% complete. Investors will be watching for signs of capital discipline from new CEO Brendan Craig.



#### Block

Block delivered their Q1 result which featured a beat to earnings while delivering guidance ahead of consensus in both Q2 and for the CY2026. Block is projecting 19% gross profit growth and 60% earnings growth in 2026 while the valuation remains compelling at <15x PE (stock compensation adjusted!). The company remains exposed to the US consumer and US SMEs and we believe that is the key reason for the material valuation discount. The company continues to show conviction in how AI will transform the business. While most AI products today are "human asks, AI answers", Block is focused on proactive AI that watches for patterns and identifies risks and opportunities. These products are being rolled out faster than at anytime in the companies history and it's resonating with customers.



#### Virgin Australia

Virgin rallied off lows as oil prices softened from their highs, due to numerous indications a peace deal between the US and Iran could be reached. While elevated oil prices are painful for Virgin and airlines as a whole, we think Virgin has some key offsets. Qantas and Virgin have moved in lockstep in terms of price rises and capacity cuts throughout the war which we see as a continued indicator of just how rational the Australian market is. Virgin also remains far more hedged versus Qantas, and as a result we expect to see less earnings impact in their domestic business versus Qantas.

### Negative Contributors



#### A2 Milk

A2 Milk underperformed in May after announcing a voluntary recall of three batches of infant formula sold into the US. While the recall covered an immaterial volume of an already-discontinued product in a non-core market, it raised investor concern about the risk of further recalls, compounded by the supply challenges the company flagged in April. Following discussions with management, we are confident the recall was isolated and has been contained.



#### Brambles







Brambles released a disappointing trading update in May. Brambles disclosed the sudden exit of three key subcontractors, which has left the company capacity constrained in their ability to service both new and existing clients. The Firetrail team met with management given the surprise update and size of the share price movement. While the stock has fallen significantly, we made the decision to exit the position as we still see downside risk to FY27 earnings and believe that many of the issues disclosed in the update could be more persistent than the market currently expects.

# Tabcorp

## Tabcorp

Tabcorp shares materially underperformed following the announcement of an AUSTRAC enforcement investigation into Tabcorp's compliance with anti-money laundering obligations. AUSTRAC scrutiny introduces a wide range of scenarios, along with a multi-year timeframe of uncertainty as the investigation is conducted. While we acknowledge the potential risk of fines and cost uplift, we believe the share price is currently factoring in outcomes far more extreme than is likely. We met with the CEO and gained comfort that Tabcorp is cooperating fully with AUSTRAC while continuing to progress key elements of its strategy. Our core thesis remains that Tabcorp can successfully reinvigorate its position in the Australian wagering market.

## Style Segment

Segment	Position	Outline	Example
Unloved Value	Overweight	Deep value stocks with little market expectation of earnings improvement. We invest when we see a clear inflection within 12 months, often with material expected upside.	
Compelling Value	Overweight	Companies that are earning below mid cycle but are executing well.	
Major Banks	Underweight	Major banks make up a significant proportion of the index.	
Cyclical Growth	Underweight	Growth companies tied to economic fluctuations. We invest selectively as share prices can be driven by cycles that may overwhelm execution.	
Structural Growth	Overweight	High quality growth companies that have little economic sensitivity. The upside may be more modest but earnings are more durable.	
Big Themes	Overweight	"Game changing" companies that we expect to have fast market share growth often with new ways of doing things. These companies tend to look expensive on short term valuation metrics.	

To learn more about why we've implemented a more detailed Value/Growth framework, check out our latest paper, [Beyond Value and Growth: Why style timing is a trap – and why Australian equities need a more nuanced framework](#). The paper covers:

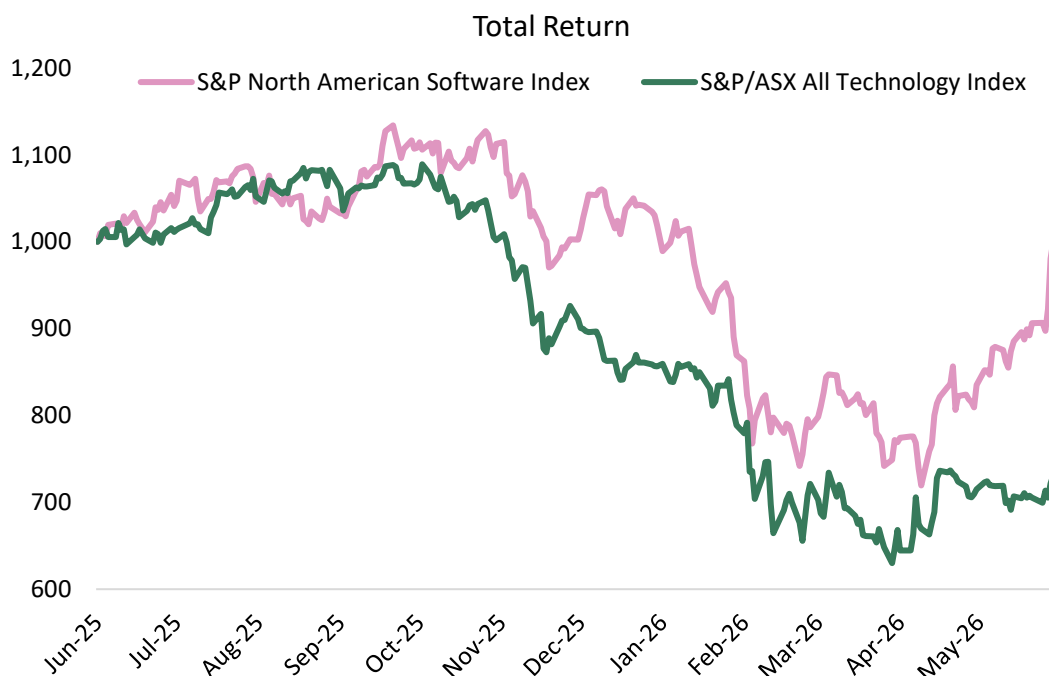
- why style timing is a trap
- why a simple blend of value and growth managers has become less effective in Australia
- why a traditional value/growth split may no longer be enough in Australia, particularly since banks have become such an awkward fit within that framework

One interesting thing that happened this month...

SaaScovery... but not on home soil

May saw US software stage a sharp recovery. However, it was a different story for Aussie tech.

Figure 1: US software stocks bounced back in May while Aussie tech stocks lagged



Source: Bloomberg, Firetrail

The US Software sector has now rallied ~35% off its recent lows. The sector is now within 20% of its all-time high in recorded in September and October 2025, before Claude's potential as a disruptor was fully priced in. The turning point was when investors started to consider that AI will be potentially more beneficial for software companies than a replacement threat.

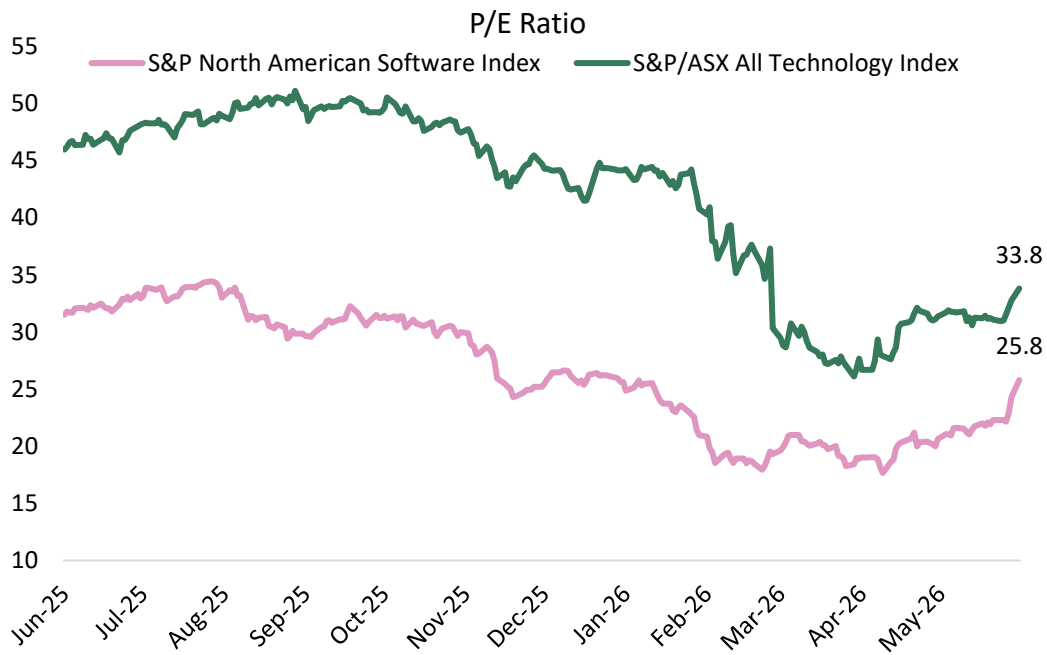
Meanwhile, the ASX tech stocks have not seen the same uplift.

Why the discrepancy?

It comes down to valuation. At the end of 2025, before the “SaaSocalypse”, the S&P North American Software Index was trading on a 25.2x price-to-earnings multiple, while the ASX All Tech Index sat at an eye watering 44.7x. Ultra stretched valuations in Aussie tech were largely driven by too much money chasing too few opportunities in Growth names.

Since the AI driven sell off earlier this year, the valuation gap between US and Aussie tech has narrowed, but not closed. Aussie tech has de-rated to a more reasonable 33.8x, though that remains well above the comparable US index at 25.8x (see figure 2).

**Figure 2: Aussie tech valuations remain well above US tech valuations**



Source: Bloomberg, Firetrail

**Firetrail nominated at the Money Management/Lonsec Fund Manager of the Year Awards**

Both the Firetrail Australian Small Companies Fund and Firetrail Absolute Return Fund have been named finalists in their category, and most excitingly Firetrail is a finalist for Overall Fund Manager of the Year.



Firetrail Investments is also the manager of the following Funds:

Firetrail Small Companies Fund: ARSN 638 792 113. PDS: [WHT3093AU](#). TMD: [WHT3093AU](#).

Firetrail Absolute Return Fund: ARSN 624 135 879. PDS: [WHT5134AU](#). TMD: [WHT5134AU](#).

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PDS: [WHT3810AU](#) Additional information to PDS: [WHT3810AU](#)

TMD: [WHT3810AU](#)

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