

FIRETRAIL AUSTRALIAN HIGH CONVICTION FUND

MONTHLY REPORT | JANUARY 2024

PERFORMANCE (AFTER FEES)¹

	Month	Quarter	1 Year	3 Years p.a.	5 Years p.a.	Fund inception p.a. ³	10 Years p.a.	Strategy inception p.a. ⁵
Fund ²	(0.37%)	8.59%	2.85%	6.55%	7.70%	5.44%	-	-
Strategy composite ⁴	(0.37%)	8.59%	2.85%	6.55%	7.70%	-	9.30%	8.99%
Benchmark	1.19%	13.99%	7.09%	9.56%	9.71%	8.53%	7.94%	7.33%
Excess Return	-1.56%	-5.40%	-4.24%	-3.01%	-2.00%	-3.10%	+1.36%	+1.66%

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 2024

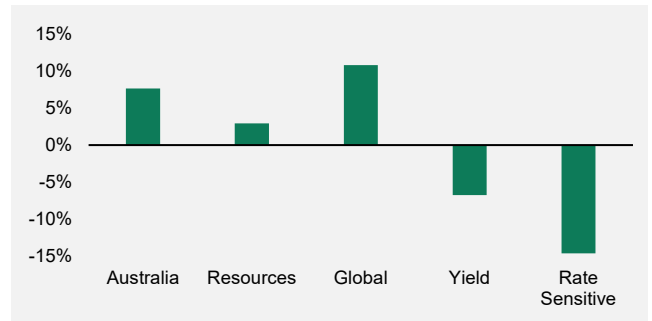
Top 3 Overweight Holdings (Alphabetical)
CSL Ltd
Newmont Corp
Santos Ltd

FUND DETAILS

Unit Prices	31 January 2024
Application price	\$1.1908
Redemption Price	\$1.1872
NAV Price	\$1.1890
Fund Details	
APIR Code	WHT3810AU
Benchmark	S&P/ASX 200 Accumulation Index
Inception date	14 March 2018
Risk/Return Profile	High
Number of Holdings	28
Fund size	\$615mil
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 2024



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 0.37% (after fees) for the month ending 31 January 2024, underperforming the ASX 200 Accumulation Index by 1.56%.

CONTRIBUTORS TO RETURNS

Positive contributors included ResMed, CSL and QBE Insurance. Negative contributors included Domino's Pizza, Newmont and Lynas Rare Earths. We discuss each further in our commentary below.

POSITIVE CONTRIBUTORS

ResMed

ResMed shares outperformed as the company delivered another strong quarter of sales and began to show a more meaningful improvement in gross margins. Current elevated market share in the US is now also looking more sustainable as major competitor Philips confirmed it was exiting certain product lines. Philips will not start selling its continuous positive airway pressure (CPAP) devices to new patients until it has satisfied a roadmap of requirements set out by the FDA. At a broker conference, ResMed also revealed some data that suggested GLP-1s like Ozempic and Wegovy may actually result in increased use of CPAP devices for some patients. We discuss this below in the "One Interesting Thing that Happened this Month" section.

CSL

CSL shares outperformed alongside most other healthcare names in January. There was no company-specific news. The market is expecting the release of trial results for CSL112, CSL's heart attack treatment, within the next couple of months.

QBE Insurance

QBE shares outperformed as US peer results showed positive profitability trends and market expectations for central bank rate cuts were modestly pushed out to later in 2024.

NEGATIVE CONTRIBUTORS

Domino's Pizza

Domino's disappointed the market with an update on H1 FY2024 profitability. While the business has seen promising turnarounds in Australia and Germany, franchisees in France and Japan continue to struggle with minimal sales growth and stubborn inflation. The CEO attributed the majority of the disappointment to management execution. As such, we are looking for a rethought and reinvigorated approach to dealing with problematic markets over the next few months, particularly Japan.

Newmont

Newmont shares underperformed as Barrick Gold reported disappointing production and cost guidance for two assets that are co-owned with Newmont. These two projects, The Nevada Gold Mines and Pueblo Viejo, account for 20% of Newmont production and have not been immune from cost issues that have plagued the gold sector.

Lynas Rare Earths

Lynas shares underperformed as the price of its main rare earth product, NdPr, remained under pressure. While this is negative for Lynas' short-term earnings, it could be positive for longer-term supply/demand dynamics if it results in the delay or cancellation of new projects from competitors Iluka Resources and Arafura Rare Earths due to poor economics.

PORTFOLIO POSITIONING

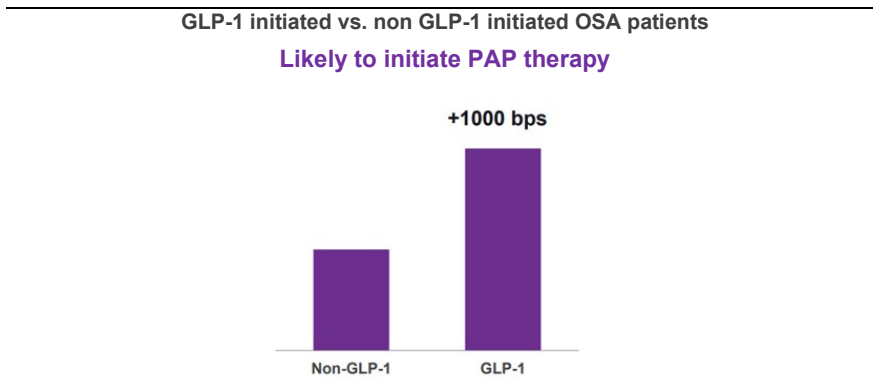
- Highly concentrated portfolio with 77% active share.
- Overweight:
 - Cyclical companies exposed to commodities where supply is constrained in the medium-term, such as Santos and Incitec Pivot.
 - Healthcare companies with strong market positions and defensive underlying demand drivers, such as CSL and ResMed.
 - Market leaders who are well placed to strengthen their competitive position through the cycle, such as SEEK and Domino's Pizza Enterprises.
 - Financials with leverage to interest rate rises, including QBE Insurance and Suncorp.
 - Undervalued companies with defensive attributes including Newmont 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...

While there has been a lot of speculation about the impact of GLP-1s on ResMed in recent months, the ability to test hypotheses with hard data has been limited. At a broker conference in January, ResMed’s CEO presented some new information that suggested sleep apnoea sufferers on a GLP-1 drug could actually be more likely to use a ResMed device (positive airway pressure (PAP) therapy) than those that are not on a GLP-1. We stress that this data is very early stage, has caveats, and does not prove any causation. However, it highlights that the impacts of GLP-1s on different patient populations are complex and not necessarily one-sided.

Figure 1: IQVIA data suggests patients with an Obstructive Sleep Apnoea (OSA) diagnosis and prescribed a GLP-1 drug are 10% more likely to initiate PAP therapy



Source: ResMed, January 2024

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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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