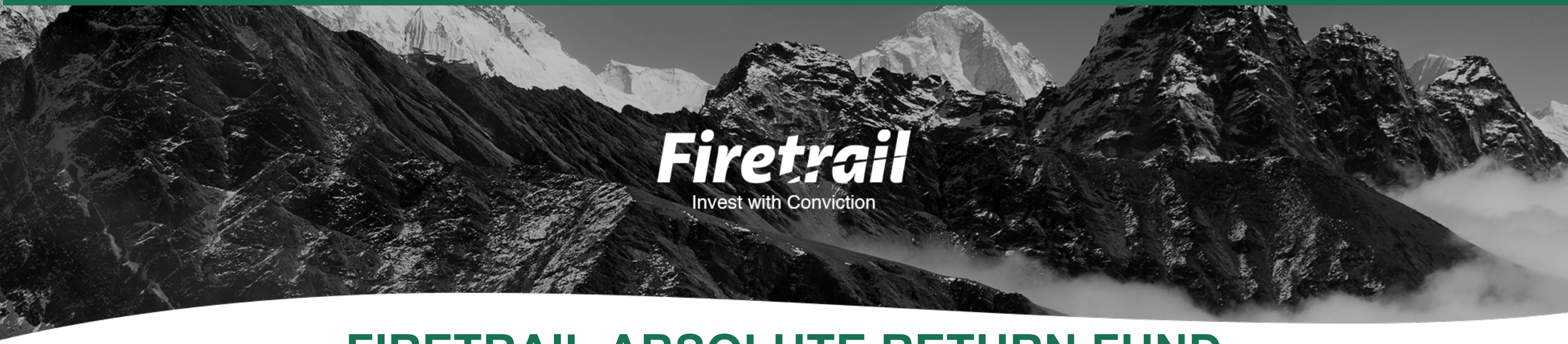


FIRETRAIL ABSOLUTE RETURN FUND

MONTHLY REPORT | DECEMBER 2020

PERFORMANCE (AFTER FEES)

	Month	Quarter	6 Months	1 Year	Fund incept (pa)[2]	3 Years (pa)	5 Years (pa)	Strategy incept (pa)[4]
Fund[1]	3.14%	3.02%	15.26%	19.48%	7.05%	-	-	-
Strategy composite[3]	3.14%	3.02%	15.26%	19.48%	-	5.93%	13.29%	13.48%
Benchmark	0.01%	0.04%	0.10%	0.32%	0.96%	0.97%	1.25%	1.29%
Excess Return	+3.13%	+2.99%	+15.16%	+19.15%	+6.09%	+4.96%	+12.04%	+12.19%

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.

ABSOLUTE RETURN FUND

The Absolute Return Fund ("Fund") is a market neutral strategy with minimal correlation to equity market direction. It aims to generate positive returns in all market environments. 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 RBA Cash Rate over the medium to long term.

PORTFOLIO POSITIONING 31 DECEMBER 2020

Top 3 Overweight Holdings (Alphabetical)
Chorus Ltd
Newcrest Mining Ltd
Serko Ltd

FUND DETAILS

Unit Prices	31 December 2020
Application price	$ 1.2144
Redemption Price	$ 1.2023
NAV Price	$ 1.2083
Fund Details	
$3,5RGH	WHT5134AU
%HQFKPDUN	RBA Cash Rate
,QFHSWLRQGDWH	14 March 2018
)XQGVLH	$277mil
0DQDJHPHQWIHH	1.50% p.a.
3HUIRUPDQFHIHH	20% of outperformance

*Please read the Product Disclosure Statement for more details

FUND EXPOSURE 31 DECEMBER 2020

	Portfolio Exposure
/RQJ(TXLW	178.5%
6KRUW(TXLW	(178.5%)
1HW(TXLW(SRVXUH	0.0%

Past performance is not a reliable indicator of future performance.

1. Firetrail Absolute Return 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 Absolute Return Strategy Composite ('Strategy') which has been operating since 30 June 2015. 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 Pure Alpha Fund (after fees) between 30 June 2015 to 23 November 2017. The Fund employs the same strategy as was used by the same investment team that managed the Macquarie Pure Alpha Fund as at 23 November 2017. Firetrail has records that document and support the performance achieved as the Macquarie Pure Alpha Fund. The composite returns for the Strategy and the RBA Cash Rate (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 30 June 2015.

PORTFOLIO COMMENTARY

The Firetrail Absolute Return fund returned 3.14% during December, outperforming the RBA Cash Rate benchmark by 3.13%.

Positive contributors to performance included long positions in IGO Ltd, Immutep and Nuix. Detractors included long positions in Adore Beauty and Qantas, as well as being short Fortescue Metals.

WHAT'S DRIVING MARKETS?

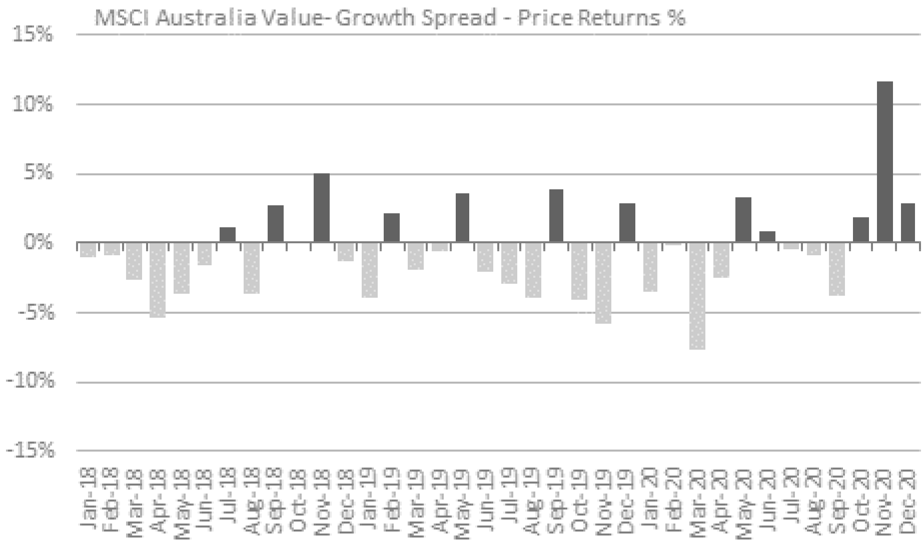
That's a wrap - Equity markets end on a high

The Australian equity market built on the strong gains in November, rising a further 1% through end-December, and finishing 2020 down just 1.5%. Headlines throughout December were more mixed after the euphoria that followed the news of multiple successful Covid-19 vaccines in November. Vaccine approvals through December saw inoculations begin across several regions. Brexit was finalised. Whilst a new US$900 billion fiscal stimulus in the US finally passed Congress and the Senate by a wide margin. However, there were also some offsets. Global Covid-19 cases continued to increase, with the discovery of a more contagious strain of the disease sending the UK into fresh lockdowns. Closer to home, an outbreak of Covid-19 in Sydney's Northern Beaches saw NSW impose new mobility restrictions over the holiday period, with domestic border closures/restrictions also re-imposed, negatively impacting some of the re-openers.

Value records another month of gains

MSCI Australia Value outperformed Growth by +2.8% through December, taking the Q420 run-rate to +17% over growth. Despite the strong finish, Value was unable to cover all the losses through CY20, closing 5% lower, whilst Growth finished 3.7% weaker over the 12-months to Dec-2020.

Monthly returns for the past 36-months



Source: Morgan Stanley

PORTFOLIO CHANGES

The most notable change to the portfolio's positioning was the reduction in the China underweight following disappointing iron ore production guidance from Vale, amid strengthening demand from China, which saw the iron ore price surge to >US$160/t.

After a strong run in the Australian equity market over the last 6 months we also took the opportunity to reduce the portfolio's overall gross exposure. We took profits in a number of reopener and value names after strong gains over the quarter. Most notably, we exited positions in Scentre Group, G8 and Vocus. We also reduced our holding in Immutep after strong share price gains. This followed positive clinical trial data that showed improved survival rates for breast cancer patients using Immutep's immunotherapy treatment.

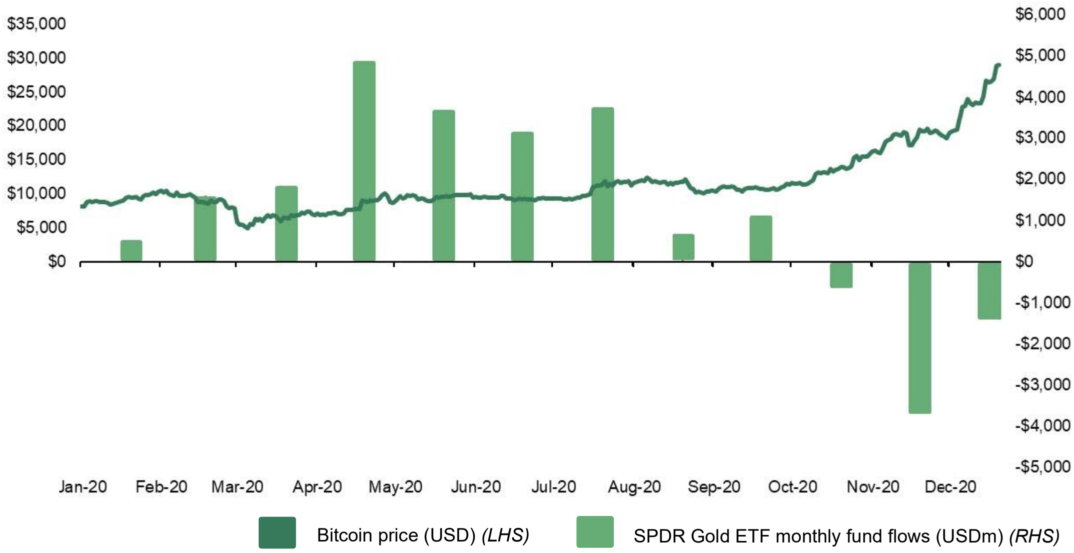
We also added Crown Resorts (CWN) to the portfolio. We recognise there are ongoing challenges around regulatory uncertainty, however, believe this is well reflected in the price. At today's valuation we believe the market is ascribing no value to CWN's new Sydney asset at Barangaroo. Moreover, a realistic pathway exists for CWN to overcome regulatory uncertainty, and come out the other side a better company, with a more credible social and governance profile, which will lead to a re-rating of the stock towards our price target.

More broadly, we believe the Portfolio remains balanced from a style point of view. We continue to hold key positions in growth names such as Xero, Seek, Megaport, and Fineos, which have large applicable market opportunities and secular long-term tailwinds. This is balanced by our cyclically exposed names, such as Qantas, BlueScope Steel, and Incitec Pivot, which should benefit from rising bond yields, as well as our overweight holding in gold.

Time for gold to shine

Gold, and more broadly gold equities, have been a point of disappointment over the last 6 months, despite record Central Bank monetary easing, aka money printing, alongside growing fiscal deficits and a weaker US dollar. Traditionally, these conditions would prove to be an ideal backdrop for investors to flee to gold as a store of value. While the prospect of a vaccine led cyclical recovery appears to have delayed the inevitable, see recent gold ETF outflows below, we believe there may also be another explanation.

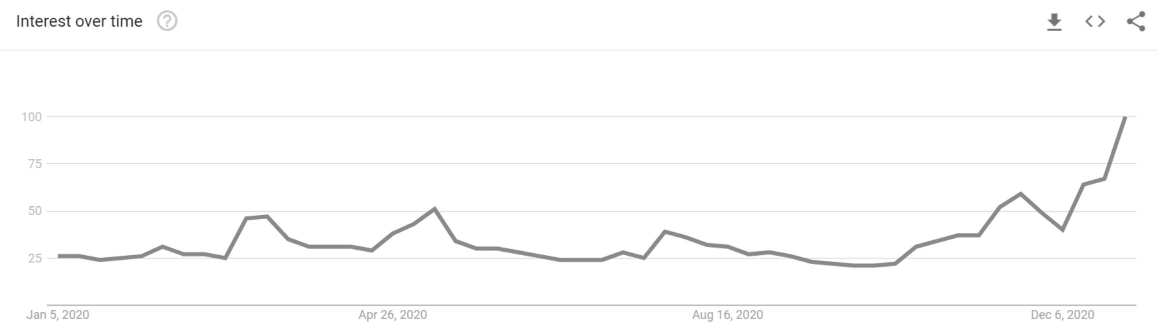
Bitcoin price vs GOLD ETF flows



Source: Bloomberg, Firetrail

To this end Bitcoin appears to have taken some of the shine (pun intended) off gold's traditional role as the go to store of value in trying times. Bitcoin has tripled since October. Recent daily headlines of yet another record Bitcoin price are clearly stirring attention in all digital currencies, especially given the backdrop of ever-expanding central bank balance sheets. These are also finding more traditional support from institutional investors. Bitcoin, for example, has won the backing of notable US hedge fund legends. In December, insurance giant MassMutual unveiled a $100 million investment in bitcoin for its general investment account. PayPal continues to buy up bitcoin to support the launch of the capability to buy, sell and trade digital currency from a PayPal account.

'Bitcoin' interest over time



Source: Google

We will not pretend to proffer an explanation for the daily moves in Bitcoin. However, we believe the relative value of gold at least appears to have been left behind. To this extent, we also believe an eventual return by investors to the traditional store of value should underpin gold equities.

This is reflected in our overweight holding in gold, which provides defensiveness as the 'great experiment' by Central Banks continues to unfold over the medium term.

Newcrest well positioned longer term

Our preferred gold exposure remains **Newcrest,** one of our largest long positions.

We physically visited the Newcrest Cadia mine in Orange, NSW, this month. Cadia is Newcrest's most profitable mine. In FY20, Cadia produced 843,000 ounces of gold at a cost of $160/oz versus the current gold price of around $1,900/oz. It was an impressive operation, and the key takeaway was just how much innovation is going on. It is hard to innovate as a large miner. If you innovate too much, you can begin to make mistakes, reducing production volumes that in turn will cost shareholders cashflow. However, there are significant benefits of innovating, including:

1) Extending mine life and increasing cashflow as the ore gets deeper
2) Seeing opportunities in mining operations that others cannot
    - A prime example for Newcrest was the purchase of the underperforming Red Chris mine in Canada. Today, it is a high-cost open pit operation. In the future, it has the real potential to be a 'Cadia like' block cave. Newcrest has carved out a serious expertise in block caving technology. As we travelled 1.5km below surface, we marvelled at the technology.

Today Newcrest is a '2 trick pony' with Cadia and Lihir making up >90% of cashflow. Over the next few years, we believe there is enough in the Newcrest pipeline to make it a 4 or 5 trick pony, by adding in long-life low-cost operations in Red Chris (Canada), Haverion (Australia) and potentially Wafi Golpu (PNG). At the same time, Newcrest is well positioned in the Fruta del Norte mine (Ecuador) where they own 30% effective interest as well as a number of credit instruments that were purchased early in 2020.

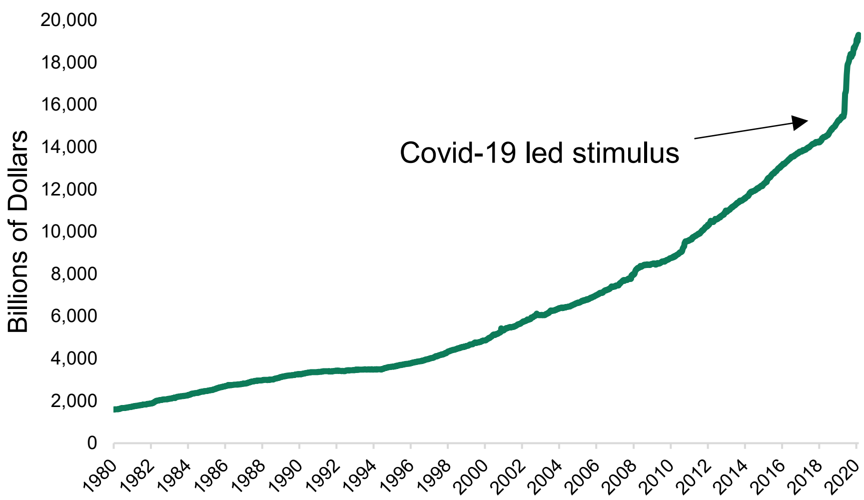
If you are interested, you can see more on the Cadia mine here: watch YouTube video

ONE INTERESTING THING THAT HAPPENED THIS MONTH…

Is the growth in the US money supply, providing a sign that inflation is just around the corner?

Overall, the US M2 (i.e. the supply of cash, savings, liquid assets) continued to expand through December, taking total growth to 25% through CY20!! The Covid-19 pandemic has certainly put a lid on activity, which means the additional liquidity has yet to find its way into the real economy. Meanwhile, prices for goods and services (i.e. inflation) has also remained under control. However, if the surge in money growth is reflective of excess liquidity it should create a boom in spending once activity normalises. That is, stronger demand may eventually force prices and therefore inflation higher. Another reason we think the attractiveness of gold should endure through 2021.

US money supply (M2)



Source: Federal Reserve

MORE INFORMATION

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Firetrail INVESTMENTS