

Firetrail Absolute Return Fund | Key Long Positions | 30 June 2023

The Firetrail Absolute Return Fund is a market neutral strategy with minimal correlation to equity market direction. The strategy is built on fundamental, deep dive research guided by the philosophy that 'every company has a price'.



Estia Health
(EHE)

Estia Health operates 70 aged care facilities across Australia, 62 of which it owns the underlying land. Around 20% of Australians over 80 years old live in aged care homes. This number is increasing quickly as a result of the ageing population. Estia has attracted takeover interest from private equity firm Bain Capital.

What Matters

1. **Changing funding environment** - The government has outlined a new aged care funding model. Providers who can prove residents are receiving quality care will receive funding and be allowed to operate. Estia is already delivering best-in-class care. It will benefit from increased funding and decreased competition as low-quality providers lose patients.
2. **Value of property and operating assets** - After applying a variety of valuation methodologies, Firetrail believes that Estia's assets (property, aged care beds etc) are significantly undervalued.



QBE Insurance Group
(QBE)

QBE is a top 20 global insurer and reinsurer (by gross written premium). QBE offers a diversified range of insurance policies across property, motor, agriculture, and professional indemnity.

What Matters

1. **Rising insurance premiums** – Global insurance premiums are rising faster than increasing costs and insurance claims.
2. **Rising investment returns** – Global interest rate increases are now translating into higher returns for QBE's investment assets.



ResMed
(RMD)

ResMed is a leading medical devices company which manufactures devices and masks to treat sleep apnoea. Sleep apnoea causes poor sleep quality and elevates the risk of serious health problems. The disorder impacts 1 in 3 people worldwide. Most remain undiagnosed.

What Matters

1. **Increasing penetration in the US sleep apnoea market** - Addressable market is circa 400 million people with growth driven by increasing population, obesity rates and penetration (<20% penetrated).
2. **Increasing market share** - Major competitor Phillips has had to recall its devices due to a safety issue. The recall has created a substantial market share opportunity for ResMed in both devices and masks.



Santos
(STO)

Santos is a leading, low-cost oil and gas producer. It is Australia's largest supplier of natural gas.

What Matters

1. **Oil demand/supply** - Firetrail forecasts oil demand to be robust until 2030 despite rising electric vehicle adoption. An underinvestment in supply over the last 9 years will result in higher energy prices over the medium to long term.
2. **Materially undervalued** - Since 2019, Santos has doubled in size through the acquisition of Oil Search has grown revenues materially. Despite the company's growth, strong management team, high-quality assets and growth projects, Santos' share price currently sits below pre-COVID levels.



Worley
(WOR)

Worley is a contracting firm that provides engineering expertise to clients around the world. Worley generates \$10 billion in annual revenue, predominantly in the US and EMEA. Its revenue is tied to capex investments made by key customers in the oil & gas, chemicals, and mining sectors. Worley is also playing a significant role in developing decarbonisation infrastructure.

What Matters

1. **All markets firing** - There is now significant demand for engineering services and Worley is able to be selective in the projects it takes on. Demand is being driven by accelerating sustainability capex, such as carbon capture and battery materials projects. Traditional capex is also rising as the world plays catch up following a decade of underinvestment.
2. **Competitive environment is improving** - Worley is one of three truly global engineering firms. Both of Worley's peers have been struggling with minimal or negative cash flows due to problem projects. Worley has fared better due to lower risk tolerance in selecting projects.

Invest online

<https://firetrail.com/invest/>

Get in touch

P 1300 010 311

E distribution@pinnacleinvestment.com

Connect with us on:



Invest via platforms

- AMP North
- Asgard
- BT Panorama
- CFS FirstWrap
- HUB24
- IOOF eXpand
- Macquarie Wrap
- Mason Stevens
- MLC Wrap
- mFund
- Netwealth
- Praemium
- Xplore Wealth

Research Ratings



This document is prepared by Firetrail Investments Pty Limited ('Firetrail') ABN 98 622 377 913 AFSL 516821 as the investment manager of the Firetrail Absolute Return Fund ARSN 624 135 879 ('the Fund'). This communication is for general information only. It is not intended as a securities recommendation or statement of opinion intended to influence a person or persons in making a decision in relation to investment. It has been prepared without taking account of any person's objectives, financial situation or needs. Any persons relying on this information should obtain professional advice before doing so. Past performance is for illustrative purposes only and is not indicative of future performance.

Pinnacle Fund Services Limited ABN 29 082 494 362 AFSL 238371 ('PFSL') is the product issuer of the Fund. PFSL is not licensed to provide financial product advice. PFSL is a wholly-owned subsidiary of the Pinnacle Investment Management Group Limited ('Pinnacle') ABN 22 100 325 184. The Product Disclosure Statement ('PDS') and Target Market Determination ('TMD') of the Fund are available via the links below. Any potential investor should consider the PDS and TMD before deciding whether to acquire, or continue to hold units in, the Fund.

Link to the Product Disclosure Statement: [WHT5134AU](#)

Link to the Target Market Determination: [WHT5134AU](#)

For historic TMD's please contact Pinnacle client service Phone 1300 010 311 or Email service@pinnacleinvestment.com

Whilst Firetrail, PFSL and Pinnacle believe the information contained in this communication is reliable, no warranty is given as to its accuracy, reliability or completeness and persons relying on this information do so at their own risk. Subject to any liability which cannot be excluded under the relevant laws, Firetrail, PFSL and Pinnacle disclaim all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage), however caused, which may be suffered or arise directly or indirectly in respect of such information. This disclaimer extends to any entity that may distribute this communication.

The information is not intended for general distribution or publication and must be retained in a confidential manner. Information contained herein consists of confidential proprietary information constituting the sole property of Firetrail and its investment activities; its use is restricted accordingly. All such information should be maintained in a strictly confidential manner.

Any opinions and forecasts reflect the judgment and assumptions of Firetrail and its representatives on the basis of information available as at the date of publication and may later change without notice. Any projections contained in this presentation are estimates only and may not be realised in the future.

Unauthorised use, copying, distribution, replication, posting, transmitting, publication, display, or reproduction in whole or in part of the information contained in this communication is prohibited without obtaining prior written permission from Firetrail. Pinnacle and its associates may have interests in financial products and may receive fees from companies referred to during this communication.

This may contain the trade names or trademarks of various third parties, and if so, any such use is solely for illustrative purposes only. All product and company names are trademarks™ or registered® trademarks of their respective holders. Use of them does not imply any affiliation with, endorsement by, or association of any kind between them and Firetrail.

MORE INFORMATION

General enquiries 1300 010 311

Existing client enquiries 1300 360 306

www.firetrail.com