Firetrail Absolute Return Fund

Monthly Report | October 2025

Firetrail
Invest with Conviction

Performance (After Fees)[1] as at 31 October 2025

	Month	Quarter	1 Year	3 Years (pa)	5 Years (pa)	Fund Inception (pa)	Strategy Inception (pa)[2]
Fund	0.84%	9.36%	24.77%	12.55%	5.21%	5.31%	-
Strategy Composite[3]	0.84%	9.36%	24.77%	12.55%	5.21%	5.31%	8.99%
Benchmark[4]	0.30%	0.90%	4.01%	4.00%	2.57%	2.03%	1.94%
Excess Return	**+0.54%**	**+8.45%**	**+20.76%**	**+8.55%**	**+2.65%**	**+3.28%**	**+7.05%**

About Firetrail

Firetrail is an investment management boutique which is majority owned by the Firetrail investment team. 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 (after fees).

Your Portfolio Managers

Patrick Hodgens

Patrick is Co-Founder and Managing Director at Firetrail. He brings over 39 years' experience investing in equity markets.

John Zhu

John brings over 18 years of quantitative investment experience and leads Risk and Analytics at Firetrail.

Contact Us

Pinnacle

For further information, contact the Pinnacle Investment Distribution team

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Zenith HIGHLY RECOMMENDED

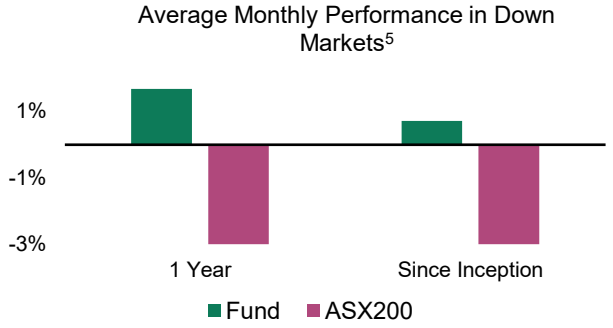
Recommended Lonsec Research

Fund Details

Unit Prices	October 2025
Application Price	$1.0979
Redemption Price	$1.0903
NAV Price	$1.0941
Fund Details	
APIR Code	WHT5134AU
Inception Date	14 March 2018
Risk/Return Profile	Very High
Fund Size	$101 mil
Management fee*	1.28% p.a.
Performance fee*	20% of outperformance above an annual Hurdle

*Please read the Product Disclosure Statement for more details

Downside Protection: the Fund rises when the ASX 200 falls



Awards

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. Strategy inception 30 June 2015.
3. To provide a longer-term view of our performance in 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 is calculated using monthly returns (before fees) from 14 March 2018 onward with the Macquarie Pure Alpha Fund's monthly returns (after fees) from 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 maintains records that document and support the performance achieved during this period. 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. 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 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 RBA Cash Rate
5 Average monthly performance in down markets, calculated in months where the ASX200's total return is negative

Portfolio Commentary

The Fund returned 0.84% for the month ending 31 October, outperforming the RBA cash rate by 0.54%.

October was a historic month for the Absolute Return Fund, taking home not one but two industry awards. We were awarded **Best Liquid Alternative Strategy** at the Zenith Awards, and **Best Absolute Long & Short Fund** at the Australian Fund Managers Association (AFMA) Australian Fund Manager Awards. We'd like to thank our investors for their ongoing support, Zenith Investment Partners and AFMA for the recognition, and the entire Firetrail team for their hard work.

Month in Review

The Australian share market rose modestly in October, resetting record highs after a brief dip in September. The ASX 200 gained 0.4%, leaving the market up 2.7% over the past three months.

Resources and energy led the gains in October. Resource stocks rallied on a recovery in iron ore and lithium prices, driving strong performances across the miners. Energy names also rose despite a decline in oil prices, supported by ongoing concerns over global energy supply and continued positive sentiment toward uranium, as the U.S. entered a strategic partnership to deploy at least US$80 billion of new nuclear reactors. In contrast, technology and consumer discretionary were the two largest detractors, while healthcare also fell meaningfully. IT stocks weakened for a number of reasons: hotter-than-expected inflation data, company-specific news, and profit-taking after a strong run. Consumer discretionary stocks declined as household spending softened through Q3 and macro headwinds persisted across the sector.
Over the month, the key events were as follows:

- **U.S.–China Trade Talks:** The world watched closely this month as U.S.–China trade negotiations intensified. After weeks of back-and-forth, including China restricting rare earth exports and Trump threatening an additional 100% tariff on Chinese goods, the month ended on a more positive note, with both leaders reaching a truce. A factsheet released by the U.S. government outlined a number of actions to be taken by both sides, with the major commitments including China lifting its automotive chip export ban and pausing its rare earth export controls, while the U.S. agreed to lower tariffs on Chinese imports that were originally imposed to curb fentanyl flows.

- **Inflation Data:** Quarter-on-quarter trimmed mean inflation rose by 1.0%, surprising markets. This core inflation measure, closely watched by the RBA, prompted investors to abandon expectations of a rate cut this calendar year. The RBA Governor had earlier noted that a 0.9% core inflation print would constitute a "material miss," underscoring the significance of this result. Market pricing now implies a ~50% chance of a cut in February and 70% in May next year.

- **U.S.–Australia Critical Minerals deal:** Following Prime Minister Anthony Albanese's first in-person meeting with Donald Trump, the two leaders announced that the U.S. and Australian Governments have signed an agreement focused on the mining and processing critical minerals and rare earths. The deal aims to reduce China's dominance in the sector, with direct U.S. investment to support Australian rare-earth mines and new domestic processing projects. Currently, Australia has only two active rare-earth mines, with most of the processing still occurring in Asia.

- **Commodities:** A number of commodity prices rose during the month, including iron ore, copper, and gold. Iron ore gained around 3% in October, extending its three-month rise to 8%. Copper climbed 6% as demand for the base metal remained strong. Gold finished the month up 4%, although there was a notable mid-month correction, prices peaked near US$4,400 before easing to around US$4,000 after the U.S. China trade talks signalled a potential easing in geopolitical tensions.

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Contributors to Returns

In October, we held positions across a range of sectors. Below are some of our contributors and detractors for the month:

Positive Contributors

A2 Milk Company
The A2 Milk Company rose during the on the back of positive commentary from peers on demand strength within the Chinese infant formula market. The company also announced the sale of the loss-making Matura Valley business had turned unconditional and subsequently settled early November 2025.

CSL (Short)
CSL shares underperformed after the company downgraded profit expectations at its AGM. CSL now expects only 4-7% profit growth in FY26 due to lower flu vaccination rates than expected, and has revised down “double-digit” growth expectations for FY27-28 to “high single-digits”. CSL screens as cheap as it has for a long time, but continued earnings uncertainty keeps us on the sidelines for now.

Regis Healthcare
Aged care provider Regis Healthcare rebounded sharply from oversold levels as the market digested the negative funding announcement from the week prior. Several of our own conversations with industry participants over the month gave us confidence that this event was a one-off and that the government is acutely aware of the challenges facing the sector. Regis also announced the acquisition of two high quality Victorian aged care homes for A$352k per bed. We estimate this is around 60% of replacement value and highlights the fundamental issue facing the sector – it is currently far cheaper to buy existing homes than add new to market supply – hence only 802 net new beds were added in FY25.

Negative Contributors

Life360
Life360 underperformed the broader market in October. High frequency data from SensorTower indicated that Life360’s app downloads and active user growth had slowed relative to previous months. As a growth stock this can create uncertainty in the market. We are cautious however in extrapolating this data as back testing of the data versus 360’s actual results has shown the data is imperfect. 360 during the month released their highly anticipated Pet Tracker which we believe is a catalyst for users switching into higher-paying tiers going forward

Virgin Australia
Virgin underperformed the broader market in October. While no material announcements were made, we think the market may have shifted to a more benign view of the outlook for the Australian economy. As an airline, Virgin is significantly leveraged to the macro environment. High frequency data indicates the company is performing in line with guidance.

WiseTech Global
WiseTech shares underperformed following the news that ASIC executed a search warrant at WiseTech’s Sydney office in relation to insider trading allegations against Richard White and three other WiseTech employees. We are concerned about the impact any negative findings could have on the tenure of the employees in question but remain confident in WiseTech’s ability to deliver material new product releases in coming months.

Style Segment

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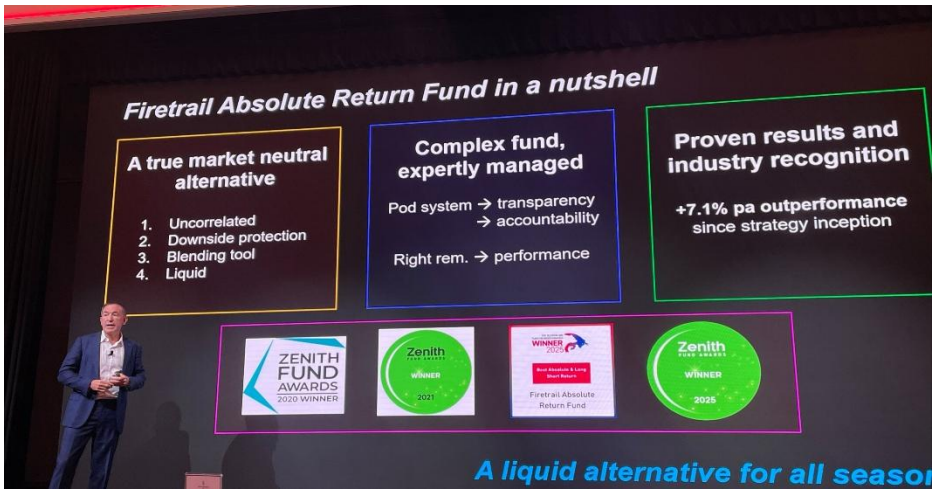
Segment	Position	Outline	Example of Long Position
Unloved Value	Short	Deep value stocks with little market expectation of earnings improvement. We invest when we see a clear inflection within 12 months, often with material expected upside.	AMPOL
Compelling Value	Long	Companies that are earning below mid cycle but are executing well.	Newmont
Major Banks	Short	Major banks make up a significant proportion of the index.	ANZ
Cyclical Growth	Short	Growth companies tied to economic fluctuations. We invest selectively as share prices can be driven by cycles that may overwhelm execution.	a2
Structural Growth	Long	High quality growth companies that have little economic sensitivity. The upside may be more modest but earnings are more durable.	ResMed
Big Themes	Long	"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.	Life360

Interesting Thing That Happened This Month

In October, Firetrail Managing Director Patrick Hodgens presented at the Pinnacle Alternatives and Private Markets Summit in Sydney, Melbourne and Brisbane to make the case for a liquid alternative for all seasons: the Firetrail Absolute Return Fund.



There are countless alternative strategies out there, but our top pick remains equity market neutral. Patrick outlined four key features that make for a strong market neutral fund:

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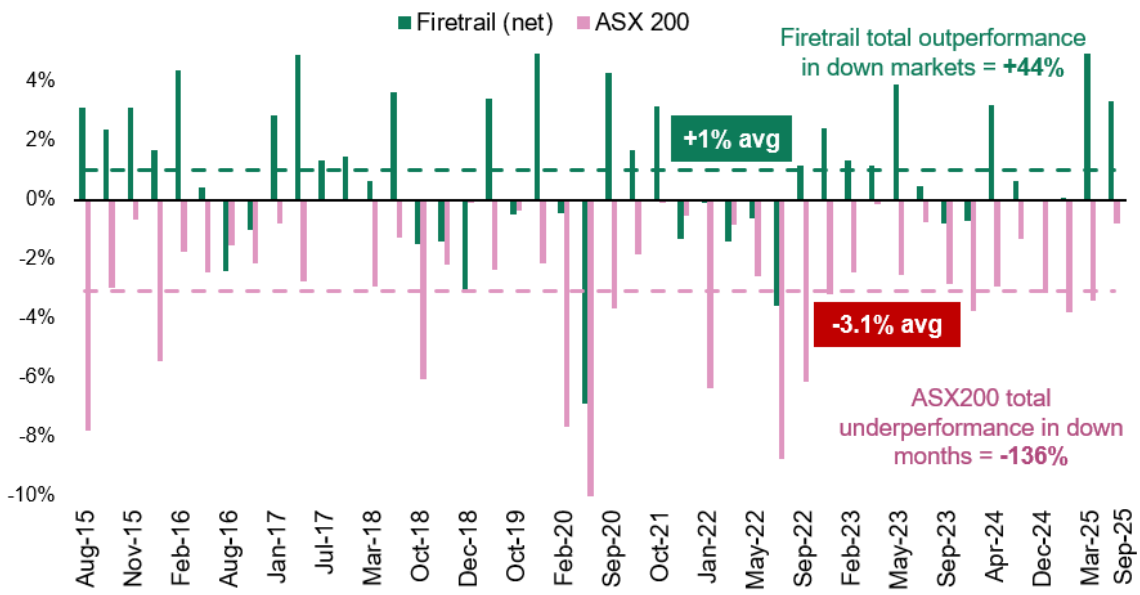
1. Uncorrelated to traditional asset classes

Why do people invest in alternatives in the first place? The key reason is that they're uncorrelated to stocks and bonds, providing much needed diversification for investors. The Firetrail Absolute Return Fund delivers here – offering very close to 0 correlation to Aussie and Global Equities as well as Aussie and Global Bonds.

2. Protection in down markets

With zero market beta, performance is driven purely by stock selection — meaning the Fund doesn't follow the market down in weak months. Since strategy inception, the Fund has been up in 64% of months when the ASX200 was down, delivering an average +1% return versus the ASX200's –3.1%.

Figure 1: Firetrail Absolute Return Fund Returns (after fees) versus ASX200 returns in ASX200 down months*



*Since strategy inception until September 2025. Past performance is not a reliable indicator of future performance.

Source: FactSet, Firetrail.

3. Blending tool to reduce risk while preserving alpha

Blending the Firetrail Absolute Return Fund with traditional equity strategies significantly reduces portfolio volatility while preserving returns. In a 50/50 blend with the Firetrail Absolute Return Fund you see:

- Blended with ASX200: ~30% lower volatility, minimal impact on return
- Blended with a popular value manager: ~40% lower volatility, minimal impact on return
- Blended with a popular growth manager: >40% lower volatility, minimal impact on return

4. A liquid alternative

Equity market neutral strategies combine the risk management of alternatives while offering listed equity liquidity. The Absolute Return Fund is built from highly liquid Australian equities on both the long and short side. This means there's daily liquidity and there are no lock ups or gates (unlike many other alternative asset classes).

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The Investment Case for Macquarie Group

Don't miss the discussion. Listen to it **here**.

This Month's Equity Edge Podcast:

Macquarie Group (MQG) is a global financial services group based in Sydney. They provide the full spectrum of financial services across banking, funds management, advisory, and also hold significant investments on their own balance sheet.

Firetrail High Conviction Fund Portfolio Manager Scott Olsson joins Product Specialist Ben West to break down:

- What really matters for MQG earnings outlook
- What the market might be missing
- The bull case—and the bear case

MACQUARIE

MQG is a key holding in the Firetrail Australian High Conviction Fund.

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