

FIRETRAIL AUSTRALIAN HIGH CONVICTION FUND

MONTHLY REPORT | FEBRUARY 2025

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	(5.11%)	(4.81%)	12.88%	5.20%	8.43%	6.13%	-	-
Strategy composite ⁴	(5.11%)	(4.81%)	12.88%	5.20%	8.43%	-	10.06%	9.04%
Benchmark	(3.79%)	(2.56%)	9.94%	9.24%	8.87%	8.76%	8.74%	7.48%
Excess Return	-1.33%	-2.25%	+2.94%	-4.04%	-0.44%	-2.63%	+1.32%	+1.56%

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 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 – 28 FEB 2025

Top 3 Overweight Holdings (Alphabetical)

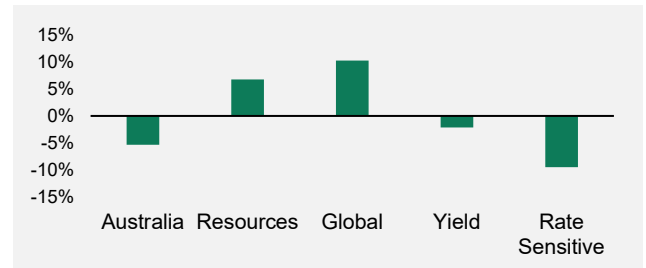
Insurance Australia Group Ltd
ResMed Inc
Santos Ltd

FUND DETAILS

Unit Prices	28 February 2025
Application price	\$1.2541
Redemption Price	\$1.2503
NAV Price	\$1.2522
Fund Details	
APIR Code	WHT3810AU
Benchmark	S&P/ASX 200 Accumulation Index
Inception date	14 March 2018
Risk/Return Profile	Very High
Number of Holdings	30
Fund size	\$451 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

THEMATIC POSITIONING – 28 FEB 2025



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 -5.11% (after fees) for the month ending 28 February 2025, underperforming the ASX 200 Accumulation Index by 1.33%.

CONTRIBUTORS TO RETURNS

Positive contributors included Light and Wonder, Greatland Gold and BlueScope Steel. Detractors included Block, Wisetech and Nexgen Energy

POSITIVE CONTRIBUTORS

Light and Wonder

Light and Wonder shares outperformed following a strong FY24 result. While the litigation related to the “Dragon Train” game title caused some disruption in the quarter, Light and Wonder impressively still managed to grow its installed base of slot machines in the US. FY25 guidance for \$1.4bn of EBITDA was reaffirmed, supporting 20%+ earnings growth.

Greatland Gold

Greatland Gold rose after announcing they have had significant drilling success nearby Telfer. The strong drilling results for both copper and gold mean higher cashflows and longer mine life for the business. The Australian listing remains on track for the middle of the year.

BlueScope Steel

BlueScope shares outperformed after delivering a 1H25 result near the top of its guidance range. While 2H25 earnings guidance was below consensus estimates, BlueScope’s underlying assumptions on US steel prices appear conservative. Importantly, BlueScope observed 9% half-on-half growth in its high value COLORBOND product in Australia and guided for further growth in 2025.

NEGATIVE CONTRIBUTORS

Block

Block delivered an inline 2025 outlook of greater than 15% gross profit growth but guided to a lower first quarter at 11%, impacted by foreign exchange movements, leap year effects and an expected acceleration into the end of the year. The stock fell sharply as the investors weren’t willing to look beyond the March quarter result and was also impacted by a general consumer sell off after weak US data. We believe there are reasons for optimism including an acceleration in Cash App earnings (60% of group) driven by roll out of Afterpay in the US that has started after significant beta testing. To highlight the value on offer, using guidance for CY25, Block is set to deliver 34% EBIT growth and trades on a low 20x PE including the expensing of stock-based compensation.

WiseTech

WiseTech shares underperformed after it was announced four board members had resigned and Richard White was installed as Executive Chairman. The company also revised its FY25 revenue guidance to be at the lower end of the range because of delays to the release of new products. We remain highly attuned to the corporate governance situation at WiseTech as it continues to evolve, and we will continue to evaluate our position through the lens of what is in shareholders’ best interests. We believe the long-term value that will be created from WTC’s new Container Transport Optimisation product is substantial and we are not concerned by the delay in launch timing.

NexGen Energy

Canadian Uranium project developer NexGen underperformed due to ongoing weakness in the spot uranium price and speculation of a peace deal in Ukraine that would potentially see Russian supply return to market unimpeded by sanctions.

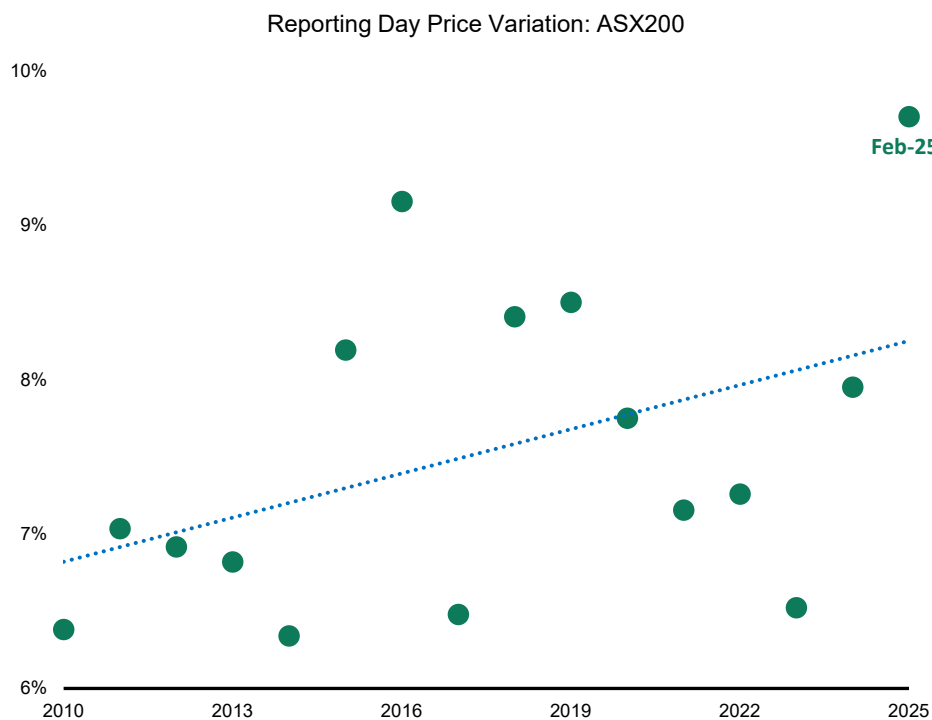
PORTFOLIO POSITIONING & CHANGES

- Highly concentrated with 66% active share.
- Overweight:
 - Cyclical companies exposed to commodities where supply is constrained in the medium term, such as Santos
 - Healthcare companies with strong market positions and defensive underlying demand drivers, such as ResMed and Fisher & Paykel Healthcare.
 - Market leaders including Seek and Block who are well placed to strengthen their competitive position through the cycle.
 - Financials with leverage to interest rate rises including QBE Insurance.
 - Undervalued companies with defensive attributes including Newmont.
- Underweight Australian banks and iron ore where we don't see compelling opportunities.

ONE INTERESTING THING THAT HAPPENED THIS MONTH...

The February 2025 reporting season was characterized by an unprecedented level of volatility. As illustrated in **Figure 1**, the single-day price variation on reporting day reached its highest level since 2016. The chart also highlights a noticeable upward trend in reporting season volatility since 2010. We believe this heightened volatility is primarily driven by the increasing influence of quantitative funds and short-term traders, who are more reactive to short-term earnings results. Moreover, we see this shift towards a short-term earnings focus, at the expense of valuation considerations, a key factor that plays to our advantage, as we continue to prioritise identifying undervalued companies that we believe will meet or beat expectations over a three-year horizon.

Figure 1: Results days are getting increasingly volatile



Source: Firetrail, FactSet, February 2025.

Get vital insights direct from the Firetrail investment team – Introducing the Firetrail Equity Edge Podcast.

We interview Firetrail's Portfolio Managers and Equity Analysts about a stock we have invested in to provide you with the **Firetrail Equity Edge**.

The questions are always the same:

- What is the company and what does it do to make money?
- What is the stock market missing regarding the company's outlook?
- What is the bear- and bull-case for the company?

All in under 10 minutes.

The podcast has proven to be a hit, with recent episodes covering Telstra, Fisher & Paykel Healthcare, WiseTech, Santos, Life 360, Flight Centre, and Ampol.

Simply scan the QR code below or listen via your favourite podcast platform. Simply search for "Firetrail Equity Edge".



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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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