

## Firetrail Australian High Conviction Fund | Key Holdings | 30 June 2022

The Firetrail Australian High Conviction 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'.



Origin Energy  
(ORG)

**Origin Energy** is a vertically integrated energy provider. Its business lines include natural gas exploration and production, electricity generation out of 13 power stations across Australia, and energy retailing. Origin is Australia's largest energy retailer, supplying energy to 4.2 million customers across the country.

### What Matters

- Energy Markets** - Firetrail forecasts higher electricity prices than the market is pricing in over the medium term. Origin generates its own electricity, so higher prices should mean higher profits over time. Competing energy retailers must buy electricity on market before reselling it to customers, leaving them vulnerable to rising wholesale power prices.
- Asia-Pacific LNG (APLNG)** - Origin owns 27.5% of APLNG, a joint venture which produces liquified natural gas (LNG). The LNG price is linked to the price of oil, which Firetrail believe will be higher than the market expects over the medium term.
- Octopus Energy** - Origin has acquired a 20% stake in innovative renewable energy company Octopus. Octopus has amassed 3 million customers since launching in 2015. Its technology platform, Kraken, is used by energy providers around the world.



Lendlease  
Lendlease Corporation  
(LLC)

**Lendlease** is a leading multinational property developer and investment manager. It has developed Tier 1 projects across the globe including Sydney's Barangaroo precinct, Melbourne's Rod Laver Arena and New York's September 11 Memorial. In 2019, Lendlease's global credentials were endorsed by winning a US\$15bn deal to develop Google's main campus in San Francisco.

### What Matters

- Large development pipeline** - Lendlease has a large development pipeline of more than \$100bn in projects across key gateway cities such as San Francisco, London, New York and Sydney.
- Growth in Assets Under Management** - Current AUM c\$40bn is expected to more than double over the medium term as the development pipeline is completed. This will see the company shift towards a high value recurring earnings model.



QBE  
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

- Rising insurance premiums** - Global insurance premiums are rising faster than increasing costs and insurance claims.
- 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

- 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).
- 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

- Oil demand/supply** - Firetrail forecasts oil demand to be robust until 2030 despite rising electric vehicle adoption. An underinvestment in supply over the last 8 years will result in higher energy prices over the medium to long term.
- Oil-exposed equities have underperformed oil prices** - Despite oil prices rallying to over \$100/bbl in 2022, the Santos share price reflects medium term prices of just \$60/bbl. Based on our work on supply and demand, we expect oil prices to remain higher than the market expects, resulting in higher returns to Santos shareholders.

### Invest online

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- mFund
- Netwealth
- Praemium
- Xplore Wealth

### Research Ratings



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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](mailto:service@pinnacleinvestment.com)

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