

# FIRETRAIL S3 GLOBAL OPPORTUNITIES FUND (HEDGED)

MONTHLY REPORT | AUGUST 2022

## PERFORMANCE (AFTER FEES)

	Month	Quarter	Since inception <sup>2</sup> (effective)
Fund <sup>1</sup>	(5.02%)	(9.76%)	(5.39%)
Benchmark	(3.48%)	(4.30%)	0.63%
Excess Return	<b>-1.54%</b>	<b>-5.46%</b>	<b>-6.02%</b>

## 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.

## S3 GLOBAL OPPORTUNITIES FUND (HEDGED)

The S3 Global Opportunities Fund (Hedged) ("Fund") is a concentrated portfolio of approximately 30 stocks from both developed and emerging markets. The strategy is built on fundamental, deep dive research with a focus on finding unappreciated positive change attributes.

Currency exposure is substantially hedged back to Australian dollars.

## INVESTMENT OBJECTIVE

The Fund aims to outperform the MSCI World 100% Hedged Net Total Return Index over the long term.

## PORTFOLIO POSITIONING 31 AUGUST 2022

### Top 5 Overweight Holdings (Alphabetical)

Darling Ingredients

Micron Technology, Inc.

Microsoft Corporation

Royal KPN NV

Weyerhaeuser Company

Signatory of:

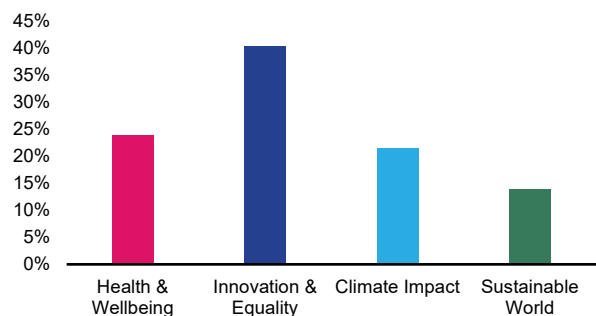


## FUND DETAILS

Unit Prices	31 AUGUST 2022
Application price	\$ 0.9333
Redemption Price	\$ 0.9305
NAV Price	\$ 0.9319
Fund Details	
APIR Code	WHT4609AU
Benchmark	MSCI World 100% Hedged Net Total Return Index
Inception date <sup>2</sup>	19 May 2022
Number of Holdings	26
Fund size	\$2mil
Management fee*	0.72% p.a.
Performance fee*	15% of net outperformance above the Fund's Benchmark

\*Please read the Product Disclosure Statement for more details

## THEMATIC POSITIONING 31 AUGUST 2022



### FIRETRAIL OPPORTUNITY THEMES:

- Health and Wellbeing – Enabling better lives
- Innovation and Equality – Opportunities for everyone
- Climate Impact – Adjusting to a lower carbon world
- Sustainable world – Efficient use of resources

## THE FIRETRAIL S3 GLOBAL OPPORTUNITIES FUND (HEDGED)

This Fund brings you a differentiated, hedged exposure to global equity markets through:

- A high conviction, concentrated portfolio of approximately 30 stocks from both developed and emerging markets.
- Stock specific opportunities focused on finding unappreciated positive change attributes.
- Unique risk management approach to ensure that stocks drive returns rather than macro drivers.

S3 refers to the three attributes of the ideal stocks for the portfolio - Sustainable business models, Sustainable earnings, and Sustainable positive change. We assess a company against these attributes not today, but on our forecasting 5 years into the future.

## PORTFOLIO COMMENTARY

The Fund returned negative 5.02% for the month ending 31 August 2022, underperforming the MSCI World Index by 1.54%.

## CONTRIBUTORS TO RETURNS

Positive contributors included Archer Daniels Midland, Volkswagen, and NVIDIA. Negative contributors included Waters Corporation, Alstom, and Corbion.

### POSITIVE CONTRIBUTORS

#### Archer Daniels Midland

Prices for many soft commodities have fallen below where they were before the start of the war in Ukraine. However, key holding Archer Daniel Midland's (ADM) key commodity – soybean - is holding up better than most due to demand from biofuel producers. ADM is the second-largest ethanol producer in the US and among the largest soybean crushers. Crushing is the process for extracting soybean oil and soybean meal from soybeans.

#### Volkswagen

Whilst there are growing concerns around the impact of high European gas prices, the customers and manufacturing of Volkswagen vehicles is spread around the world. This is providing some insulation against rising European recession fears. Speculation around a Porsche IPO increased, with the market suggesting a valuation range of EUR 60-85bn, which would unlock value for VW investors.

#### NVIDIA (no holding)

NVIDIA underperformed during August. NVIDIA is a global leader in computer graphics processing units (GPUs) which are used for gaming, data centres and much more. Earlier this year, we researched the company and decided not to invest based upon short-term earnings risk. The company has been impacted by falling cryptocurrency prices. NVIDIA's GPUs are used to do the number crunching necessary to mine cryptocurrencies like Bitcoin. New rules on computer chip exports to China from the US also sparked concerns over the earnings outlook.

### NEGATIVE CONTRIBUTORS

#### Waters Corporation

Waters is a leading provider of lab equipment, supplies and software. The Life Sciences sector came under pressure in August over macro concerns. Fears over the outlook for China and additional lockdowns affected investor sentiment. Waters released earnings results in August which came in ahead of expectations. The solid result reflects underlying strength in the business units of pharmaceuticals and industrial.

#### Alstom

Alstom, the train manufacturer, underperformed due to concerns around the growth outlook for Europe. Alstom's order book remains very strong, and new orders are robust, reflecting the importance of trains in efficient, clean mobility.

#### Corbion

Shares in Corbion – the Dutch food and chemical company - fell after results showed weaker polylactic acid (PLA) volumes. Polylactic acid is a biodegradable, non-fossil fuel derived, alternative to oil-based plastic. We exited the position in August due to our concerns of an oversupply of PLA in the market.

## PORTFOLIO POSITIONING AND OUTLOOK

The current portfolio is:

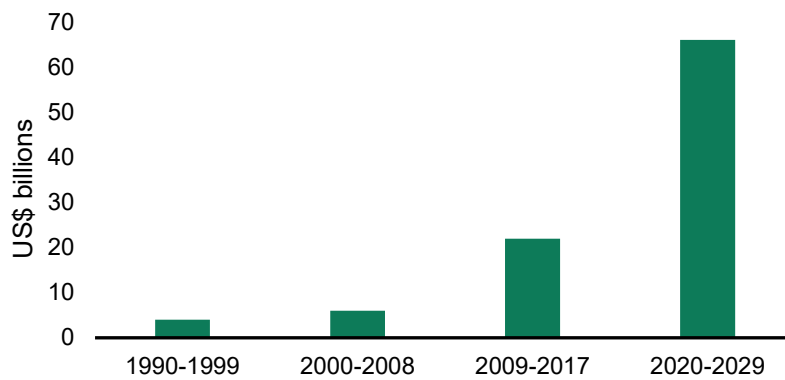
- A concentrated portfolio of 26 value and growth companies
- Highly differentiated positioning compared with the index and peers
- Overweight Firetrail’s positive change themes
- Overweight Europe, underweight Americas
- Returns driven mainly by stock specific risk, rather than macro risk
- Significantly lower carbon intensity than the index

## ONE INTERESTING THING THAT HAPPENED THIS MONTH...

In August, US President Joe Biden officially signed into law the Inflation Reduction Act (IRA). The IRA includes a historic investment of around \$400 billion on energy security and climate change. The IRA, in conjunction with last year’s Infrastructure Investment and Jobs Act and CHIPS Act, implies the US federal government is set to triple its average annual spending on climate and clean energy this decade to \$66 billion. Experts have estimated that the new policy will lead to a 40% reduction in US greenhouse gas emissions by 2030, relative to 2005 levels.

Several holdings in the Firetrail S3 Global Opportunities Fund stand to benefit from the passing of the IRA. These include Air Liquide (green hydrogen), Archer Daniels Midland and Darling Ingredients (low-emission fuels), Carrier (energy efficiency and residential clean energy), and Volkswagen (electric vehicles),

**Figure 1: US federal government's average annual climate spending**



Source: RMI, Credit Suisse, Firetrail, August 2022

This document is prepared by Firetrail Investments Pty Limited ('Firetrail') ABN 98 622 377 913 AFSL 516821 as the investment manager of the Firetrail S3 Global Opportunities Fund (Hedged) ARSN 657 902 880 ('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: [WHT4609AU](#)

Link to the Target Market Determination: [WHT4609AU](#)

For historic TMD's please contact Pinnacle client service Phone 1300 010 311 or Email [service@pinnacleinvestment.com](mailto: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](http://www.firetrail.com)