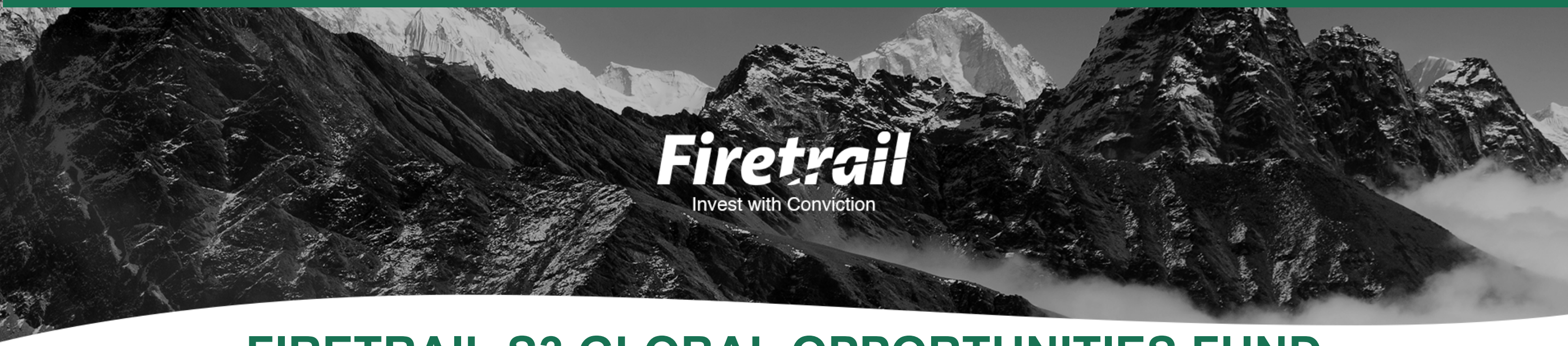


FIRETRAIL S3 GLOBAL OPPORTUNITIES FUND

MONTHLY REPORT | DECEMBER 2021

PERFORMANCE (AFTER FEES)

	Month	Since inception[2] (effective)
Fund[1]	0.96%	7.02%
Benchmark	1.69%	3.01%
Excess Return	**-0.73%**	**+4.01%**

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

The S3 Global Opportunities Fund ("Fund") is a concentrated portfolio of 20 to 40 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.

INVESTMENT OBJECTIVE

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

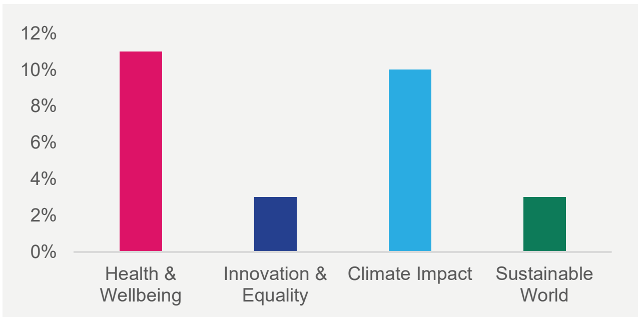
PORTFOLIO POSITIONING 31 DECEMBER 2021

Top 5 Overweight Holdings (Alphabetical)
Alstom
Antofagasta
Micron
Schneider Electric
V.F. Corporation

FUND DETAILS

Unit Prices	31 December 2021
Application price	$ 1.0718
Redemption Price	$ 1.0686
NAV Price	$ 1.0702
Fund Details	
APIR Code	WHT7794AU
Benchmark	MSCI World Net Total Return Index
Inception date[2]	3 November 2021
Number of Holdings	30
Fund size	$22mil
Management fee*	0.95% p.a.
Performance fee*	15% of outperformance above an annual Hurdle
*Please read the Product Disclosure Statement for more details	

THEMATIC POSITIONING 31 DECEMBER 2021



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

1 Firetrail S3 Global Opportunities Fund ('Fund'). Net Fund returns are calculated based on exit price with distributions reinvested, after ongoing fees and expenses but excluding taxation. Past performance is not a reliable indicator of future performance. 2. Fund inception is 3 November 2021.

AN INTRODUCTION TO THE FIRETRAIL S3 GLOBAL OPPORTUNITIES FUND

We are excited to introduce the Firetrail S3 Global Opportunities fund. This fund brings you a unique 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 to ensure that stocks drive returns rather than macro drivers

We look forward to engaging with you in the future on the opportunities we are finding in global markets.

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 0.96% for the month ending 31 December 2021, underperforming the MSCI World Net Total Return Index by 0.73%.

WHAT DID WE SEE IN GLOBAL MARKETS?

December was yet another choppy month in markets with the MSCI World Index rising 3.9% (measured in USD), bringing calendar year 2021's return to 19.1%.

During December:

- **Value outperformed Growth**: The value-oriented Dow Jones Industrial Average was up 5.4% versus the tech heavy NASDAQ up 0.7%
- **Europe outperformed the US**: The Eurostoxx 600 Index rose 4.9%, versus the S&P500's 4.6% increase.
- **Large Caps outperformed Small Caps**: The Russell 2000 index underperformed the S&P500 by 2.3%

As we head into 2022, it will likely be a year where earnings growth for most companies is harder to come by. Earnings growth for the MSCI World Index was a massive 47% in 2021 off the low base of 2020. Current forecasts have 2022 more in line with the long-term average at 7% growth. Thus, despite the potential easing of COVID impacts, monetary policy is tightening and earnings growth is slowing. We continue to look for companies that are able to thrive and adapt in these conditions.

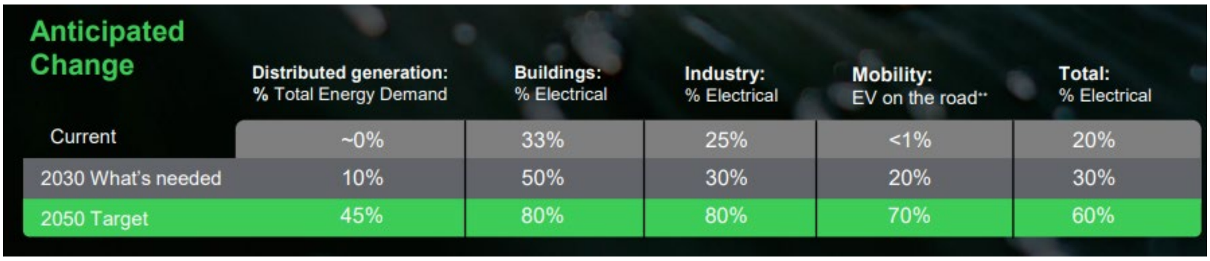
CONTRIBUTORS

Schneider Electric – French listed global electric solutions provider

Schneider Electric rose in December as earnings forecasts were upgraded for the company. Schneider provides electric components and systems for buildings, data centres and industrial customers. Whilst that may sound bland, there is a very strong growth outlook for the company. Schneider is well positioned in a market where energy efficiency and the demand for electrification is increasing. At an investor day in late November the company shifted its revenue guidance up from 5% to 8% p.a., and further increased its margin target.

Schneider has a business model with both a global and local presence. Schneider provides both simple (i.e. wall sockets) and complex (whole of building digital automation) solutions. Whilst global scale is needed to develop these products, local presence is required to understand the rules and regulations in each market. This reduces the chance of low cost, offshore alternative products entering markets.

The scale of the electrification required is large. In the figure from their capital markets day below Schneider shows current levels of electricity for energy usage, and what they believe will happen as the world electrifies. Summary – lots of growth!



Anticipated Change	Distributed generation: % Total Energy Demand	Buildings: % Electrical	Industry: % Electrical	Mobility: EV on the road**	Total: % Electrical
Current	~0%	33%	25%	<1%	20%
2030 What's needed	10%	50%	30%	20%	30%
2050 Target	45%	80%	80%	70%	60%

Whilst Schneider is currently well recognised as being a leader in its field, and a current sustainable leader, we continue to see upside for the company primarily through accelerating earnings growth.

Waters Corporation – US listed life sciences manufacturer

Waters Corporation provides specialised lab equipment to analyse the composition of materials – a niche but very necessary part of pharma, materials and food production. Waters' machines can tell you whether the product you are producing has any impurities.

Waters makes an attractive investment as it has numerous opportunities to increase its growth prospects. Until ~2 years ago, Waters had failed to innovate at the same speed as the industry. However new CEO Udit Batra has changed that, and it is now growing at ~5-7% revenue per annum. It has an additional opportunity to increase the servicing and attachment revenue it gets from each machine, which is below the industry average.

Waters is a defensive company that will grow regardless of industry conditions.

Micron Technology – US listed memory chip manufacturer

After a strong November, the share price rally in memory chip manufacturer Micron continued in December. Analysts upgraded earnings after the company reported its Q1 results on the 20th December.

Memory chips are increasingly complex to produce, and their pricing is driven by supply and demand. Demand is strong – driven by data centres, increasing 5G penetration and other memory uses. But more importantly all 3 large players in the industry are remaining very rational with their supply additions. It continues to be a tight market – good for pricing.

After the rally, Micron is trading on a 10x 1 year forward Price to Earnings multiple, and remains a key holding.

DETRACTORS

Hellofresh – German listed global food delivery

Hellofresh fell following an investor update in December. We used this as an opportunity to increase the Fund's holding.

Hellofresh's management has made the decision to increase its investment at the cost of short-term earnings. 2022 earnings estimates fell 15% after the company decided to invest another EUR140m in new brands, new markets and new technology systems. But to quote the CEO: "If we wanted to beat that EBITDA consensus without investing in new business areas...we would have done so comfortably." In other words – we believe this business is focussed on the long term opportunity, and the spending is discretionary.

Many of you may know - or will have even used - Hellofresh meal preparation kits. If you stopped using it then you are not alone – 3 out of 4 people are no longer users after 2 years! But 1 in 4 people do keep coming back, and that is the sticky, valuable user base that we believe the market is underestimating.

Antofagasta – UK listed, Chilean copper miner

The Chilean Presidential election outcome weighed on copper miner Antofagasta in December. 35 year old leftist candidate Gabriel Boric won, a result which incrementally increases the geopolitical risk of Chile. There is the risk of increased mining taxes for copper miners operating in Chile – something that we already model into our forecasts.

Copper is one of the essential metals for decarbonisation. It is needed for upgrading the grid, for electricity generation, for motors and more. And in most cases there is no substitute.

Compared to global copper mining peers, Antofagasta has long mine lives, excellent local relationships, and is forward looking in its sustainability approach. Most impressively, Antofagasta has nearly completed the USD$1.7 billion build of a desalination plant and pipeline in order to sustainably use water at its largest mine - Los Pelambres. This is needed as average rainfall at the mine is only about 50mm per year!

PORTFOLIO POSITIONING

Portfolio positioning can be summarised as:

- High active share of 95%
    - Currently only two holdings in the Top 100 global stocks.
- Overweight Europe
    - Consisting of global companies with green leadership – e.g. Alstom, Schneider Electric, Volkswagen
- Overweight Positive Change themes and underweight Laggards

ONE INTERESTING THING THAT HAPPENED THIS MONTH

An interesting thing that happened this month was the debate in Europe about how to treat natural gas and nuclear power in the decarbonisation shift. Are they clean enough?

The European Commission is consulting on whether gas and nuclear investment should be allowed as transitional activities, and at this stage it looks likely that this will go through. What this means is that investments in new capacity will be allowed in order to maintain a secure power supply in Europe – something that is very relevant during this current winter of high prices.

Nuclear power currently accounts for around half of Europe's zero emission electricity production. It does have low emissions…but can the radioactive waste be handled correctly? Countries such as France and Poland are 'pro' further investment, whilst Germany and Austria are 'against.' Things are getting political very quickly!!

Further investment in natural gas power capacity does have one significant benefit – most new gas plants are compatible with easily shifting to hydrogen as a fuel source.

In any case, we will know within 6 months what the new rules will be.

MORE INFORMATION

General enquiries 1300 010 311

Existing client enquiries 1300 360 306

www.firetrail.com