

FIRETRAIL AUSTRALIAN SMALL COMPANIES FUND

MONTHLY REPORT | JANUARY 2024

PERFORMANCE (AFTER FEES)¹

	Month	Quarter	6 Months	1 Year	3 Years p.a.	Fund inception p.a. ³
Fund ²	(0.86%)	14.34%	9.05%	13.80%	4.63%	12.61%
Benchmark	0.90%	15.80%	3.70%	2.10%	1.33%	1.57%
Excess Return	-1.76%	-1.47%	+5.35%	+11.71%	+3.30%	+11.03%

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 SMALL COMPANIES FUND

The Australian Small Companies Fund ("Fund") is a concentrated portfolio of our most compelling Australian Small Company 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 Small Ordinaries Accumulation Index over the medium to long term (after fees).

PORTFOLIO POSITIONING – 31 JAN 2024

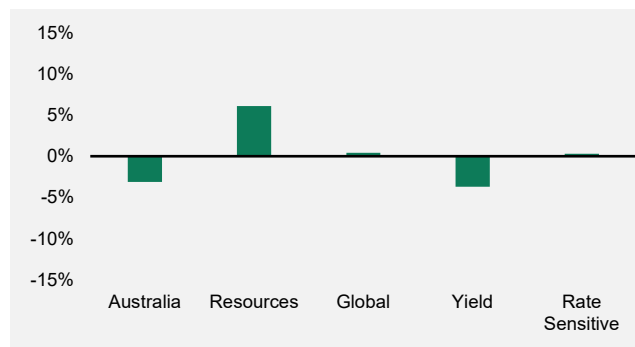
Top 3 Overweight Holdings (Alphabetical)
Genesis Minerals Ltd
Regis Healthcare Ltd
Viva Energy Group Ltd

FUND DETAILS

Unit Prices	31 January 2024
Application price	\$1.3463
Redemption Price	\$1.3383
NAV Price	\$1.3423
Fund Details	
APIR Code	WHT3093AU
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Inception date	20 February 2020
Risk/Return Profile	High
Number of Holdings	44
Fund size	\$94mil
Management fee*	0.85% p.a.
Performance fee*	20% of outperformance above an annual Hurdle of 2% above Benchmark

*Please read the Product Disclosure Statement for more details

THEMATIC POSITIONING – 31 JAN 2024



Source: Firetrail. Relative to the Benchmark

Past performance is not a reliable indicator of future performance.

2. Firetrail Australian Small Companies 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 20 February 2020.

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.

PORTFOLIO COMMENTARY

The Fund returned negative 0.86% (after fees) for the month ending 31 January 2024, underperforming the ASX Small Ordinaries Accumulation Index by 1.76%.

CONTRIBUTORS TO RETURNS

Positive contributors to returns included pharmacy network provider Sigma Healthcare, and uranium project developers Boss Energy and NextGen Energy. Detractors included holdings in biotech company Aroa Biosurgery, rare earths producer Lynas Rare Earths, and gold producer Genesis Minerals. We discuss each further in our commentary below:

POSITIVE CONTRIBUTORS

Sigma Healthcare

Pharmacy network provider Sigma Healthcare outperformed in January. No stock specific news was released during the month. In December last year, Sigma announced its plans to merge with Chemist Warehouse Group to create a leading healthcare wholesaler, distributor, and retail pharmacy franchisor. The Chemist Warehouse group currently has 549 stores across Australia and holds 25% market share of the national retail pharmacy market. Concurrent with the proposed merger, the company announced a \$400 million equity raise to fund increased working capital requirements and progress other business initiatives. Contingent on ACCC approval, the transaction is expected to close in the second half of 2024.

Boss Energy

Uranium project developer Boss Energy's shares rose in January as the uranium price reached the highest level since 2007 at US\$105 per pound. We expect the uranium price to stay elevated over the next few years. The demand outlook is strong, with increasing recognition that nuclear power is essential to meet the world's decarbonisation ambitions. At the same time, supply is constrained with few large uranium deposits currently in development. We discuss this further below in the "Small Things that Matter this Month" section.

NextGen Energy

Canadian focused Uranium project developer NexGen Energy also performed strongly in January following uranium market developments. NexGen Energy is currently developing what we consider to be one of the most valuable resources assets in the world, out of any commodity.

NEGATIVE CONTRIBUTORS

Aroa Biosurgery

Aroa Biosurgery underperformed following their Q3 result which saw an 8% revenue downgrade for FY2024. The downgrade was driven by lower-than-expected sales to key US distributor Tela Bio resulting from a new product launch pushed into FY2025. Aroa's direct product Myriad is still growing strongly at 70-80% year-on-year, albeit below original expectations. The stock has been punished due to poor communication and expectation setting. The outlook for the business in FY2025 remains strong as the company continues to build out its direct sales team, expand its product portfolio, and support key distribution partner Tela Bio. Whilst a disappointing result, expectations for FY2025 have been rebased. We believe the stock offers attractive value; trading cheaply on a 2x enterprise value/sales multiple versus peers on 7x despite comparable growth.

Lynas Rare Earths

Lynas shares underperformed as the price of its main rare earth product, NdPr, remained under pressure. While this is negative for Lynas' short-term earnings, it could be positive for longer-term supply/demand dynamics if it results in the delay or cancellation of new projects from competitors Iluka Resources and Arafura Rare Earths due to poor economics.

Genesis Minerals

Genesis Minerals underperformed in January as the USD gold price retraced from record highs reached in December. Genesis Minerals released quarterly results during the month, highlighting continued strong progress at the Gwalia gold asset in WA. In the 6 months since taking ownership, we estimate that mining and processing costs have been reduced by 40%, resulting in significantly increased free cash flow. We see further operating leverage as Genesis ramps up production at the Admiral asset over the next 3 months. Genesis plans to release a 5-year plan at the end of March that we expect will outline a strong growth outlook underpinned by long reserve life, both extremely rare attributes in the Australian gold sector.

PORTFOLIO POSITIONING

Positioning can be summarised as follows:

- A concentrated portfolio with an active share of 83%.
- Overweight:
 - Globally exposed growth companies such as Life360 and Neuren Pharmaceuticals.
 - Compelling cyclicals such as Premier Investments and Nufarm.
 - Energy-exposed and decarbonisation minerals companies such as Karoon Energy and NexGen Energy.
- Underweight property and bond proxies, offset by select defensive exposures in gold and social infrastructure.
- Underweight Australian cyclicals, with overweight positions in select consumer and housing exposed names.

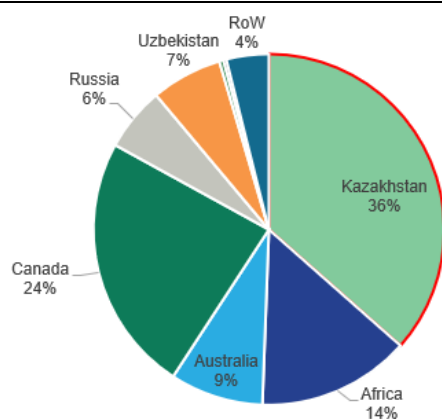
SMALL THINGS THAT MATTER THIS MONTH...

The uranium price skyrocketed in January, eclipsing \$US105 per pound for the first time in 16 years. The catalyst was an announcement from the world's largest producer of uranium, Kazatomprom, warning that issues sourcing sulphuric acid (a key operating material in uranium mining) may result in lower production in 2024/2025 compared to market expectations. For context, Kazakhstan makes up 36% of uranium supply. Changes to its production levels can have a big impact on the uranium price. Given the country is landlocked between Russia, China, and the Middle East, you can imagine why it is difficult to source supplies and export uranium at the moment.

World demand for uranium from nuclear power generation is 172 million pounds per annum and growing. The amount of uranium being mined is only 140 million pounds per annum. Clearly this is not a sustainable situation and additional mines must be developed. At current prices of over U\$100 per pound, there are adequate financial returns to justify investment. We expect that eventually, supply will increase to rebalance the market. However, the industry is poorly positioned to meaningfully increase supply in the medium-term following a 14-year strike in exploration and project development post the Fukushima disaster.

Adding enough supply to balance the market is likely to take several years and many current producers need to invest significantly just to maintain current production levels. As a result, we expect the uranium price to remain elevated over the medium-term.

Figure 1: 2023 primary mine uranium supply



Source: Firetrail, January 2024

Figure 2: Kazakhstan is landlocked between Russia, China, and the Middle East



This document is prepared by Firetrail Investments Pty Limited ('Firetrail') ABN 98 622 377 913 AFSL 516821 as the investment manager of the Firetrail Australian Small Companies Fund ARSN 638 792 113 ('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 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: [WHT3093AU](#)

Link to the Target Market Determination: [WHT3093AU](#)

For historic TMD's please contact Pinnacle client service Phone 1300 010 311 or Email 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