

Firetrail Australian High Conviction Fund | Key Holdings | 31 December 2023

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'.



CSL
(CSL)

CSL was established by the government in 1916 and is now one of Australia's largest companies. CSL has three divisions. 1) CSL Behring uses plasma to produce lifesaving treatments for rare diseases, 2) CSL Seqirus produces flu vaccines, and 3) CSL Vifor produces therapies for iron deficiency and kidney disease.

What Matters

1. **CSL Behring revenues** - CSL Behring makes up 70% of CSL's revenue. its key Immunoglobulin products are used to treat a number of immune deficiency diseases. We estimate this division can grow revenues at a double-digit pace for the next three years, supported by the return of immunoglobulin supply and the launch of a number of new products.
2. **Gross margin improvement** - Margins were negatively impacted through COVID due to the high fees required to attract plasma donors. As consumer balance sheets have tightened, the fee to attract donors has fallen. We estimate gross margins can return to pre-COVID levels over the next four years, driven by lower donor fees and other internal initiatives.



Incitec Pivot
(IPL)

Incitec Pivot is a leading Explosives and Fertilisers manufacturer. Its Explosives are used by mining companies around the world to unlock resources like gold, iron ore and copper. Incitec's Fertilisers are used by farmers across the east coast of Australia.

What Matters

1. **European gas prices** - Fertiliser and explosives prices are driven by the price of gas, a major manufacturing input. Geopolitical conflict and underinvestment in supply are resulting in higher gas prices and higher fertiliser/explosives prices. Incitec Pivot accesses low-cost Australian gas. It benefits from higher prices without seeing higher gas costs.
2. **Explosives market undersupplied** - Demand for explosives continues to grow, but Australian supply hasn't kept pace. The undersupply will force buyers into a volatile import market. Incitec Pivot will benefit from increasing demand for domestic supplies given its manufacturing base is in QLD.



QBE Insurance Group
(QBE)

QBE is a top 20 global insurer and reinsurer by gross written premium. QBE primarily sells its insurance policies to businesses through the broker channel, across Australia, Europe, the US and Asia.

What Matters

1. **Rising insurance pricing** - Global insurance prices have risen for over three years now. In most cases, price increases are outstripping cost inflation. We expect steady improvement in QBE's key operating metric, the Combined Operating Ratio.
2. **Simplification** - QBE has reduced exposure to US property, exited unprofitable segments and reinsured some uncertain long-dated liabilities. QBE is now set up to be a more predictable business with more stable earnings in future years.



Santos
(STO)

Santos is a leading, low-cost oil and gas producer. It is Australia's largest supplier of natural gas.

What Matters

1. **Oil demand/supply** - Firetrail forecasts oil demand to be robust until 2030 despite rising electric vehicle adoption. An underinvestment in supply over the last 9 years will result in higher energy prices over the medium to long term.
2. **Materially undervalued** - Since 2019, Santos has doubled in size through the acquisition of Oil Search and has grown revenues materially. Despite the company's growth, strong management team, high-quality assets and growth projects, Santos' share price still sits below pre-COVID levels.



SEEK
(SEK)

SEEK is a market leading online employment marketplace provider. The company operates employment marketplaces in Australia and New Zealand (ANZ), Hong Kong, South East Asia, Brazil and Mexico. SEEK also has minority investments in employment marketplaces in China, Korea, and other countries.

What Matters

1. **SEEK ANZ earnings in a downturn** - We believe SEEK's earnings are less cyclical than the market thinks. In a downturn, job ad volumes on the platform will decline. However, SEEK will also be able to increase prices. Hirers get more value from SEEK the more applicants they receive. Applicants per job ad will be higher with higher unemployment.
2. **SEEK Asia growth potential** - SEEK Asia is being unified onto the optimised SEEK ANZ tech platform. Unification will provide the business a number of benefits. Large-scale marketing campaigns are also starting to build momentum for the business.

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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

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