

FIRETRAIL AUSTRALIAN SMALL COMPANIES FUND

MONTHLY REPORT | APRIL 2024

PERFORMANCE (AFTER FEES)¹

	Month	Quarter	6 Months	1 Year	3 Years p.a.	Fund inception p.a. ³
Fund ²	(2.33%)	7.68%	23.12%	24.67%	2.41%	13.81%
Benchmark	(3.06%)	3.33%	19.66%	7.36%	0.02%	2.28%
Excess Return	+0.73%	+4.35%	+3.46%	+17.31%	+2.38%	+11.54%

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 – 30 APR 2024

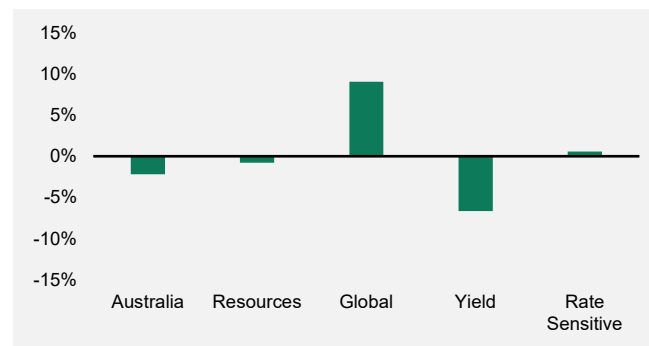
Top 3 Overweight Holdings (Alphabetical)
Genesis Minerals Ltd
Life360 Inc
Regis Healthcare Ltd

FUND DETAILS

Unit Prices	30 April 2024
Application price	\$1.4497
Redemption Price	\$1.4411
NAV Price	\$1.4454
Fund Details	
APIR Code	WHT3093AU
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Inception date	20 February 2020
Risk/Return Profile	Very High
Number of Holdings	45
Fund size	\$189mil
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 – 30 APR 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 2.33% (after fees) for the month ending 31 March 2024, outperforming the ASX Small Ordinaries Accumulation Index by 0.73%.

CONTRIBUTORS TO RETURNS

Positive contributors to returns for the month included holdings in medical imaging company Integral Diagnostics, copper miner AIC Mines, and uranium project developer NexGen Energy. Detractors included holdings in real estate company Ingenia, asset manager HMC Capital, and fuel distributor Viva Energy. We discuss each further in our commentary below.

POSITIVE CONTRIBUTORS

Integral Diagnostics

Integral Diagnostics outperformed off the back of strong Medicare data showing diagnostic imaging volumes grew 7% and benefits grew 12% in March. This follows double-digit benefits growth in Integral Diagnostics key markets in January and February. Benefits are outpacing volume growth due to indexation and the ongoing mix shift towards higher value, higher accuracy imaging modalities such as MRI and CT scans. Face-to-face General Practitioner (GP) consultations were also up 8% in March which is a good indicator for volume growth given GPs make-up approximately 50% of Integral Diagnostics referral volumes.

AIC Mines

Queensland-based copper miner AIC Mines rose strongly in April as the copper price surged by 14% to US\$10,000 per ton, close to record highs. The price increase is being caused by weak supply from existing mines as well as strong demand. To date, most investor attention on decarbonisation commodities has focused on battery materials for energy storage, such as lithium. However, decarbonisation also requires transmission of electricity, and this is expected to drive strong demand for conductive metals such as copper and aluminium. For example, it is estimated that the transition to electric vehicles will increase household power consumption by 30%. This energy needs to be generated and then distributed to households, requiring upgrades to copper intensive grid infrastructure.

NexGen Energy

Uranium project developer NexGen Energy outperformed as the uranium price stabilised at US\$90 per pound. On a medium term view the supply and demand fundamentals continue to improve and over the past few months there have been several interesting developments. Technology company Amazon acquired a data centre site directly adjacent to a nuclear power station in Pennsylvania for US\$650 million. Separately, the Biden administration communicated an intention to 'encourage' data centre companies to generate their own electricity, including with nuclear power, rather than place additional demands on existing grids. Data centres (particularly those that run AI applications) are particularly energy hungry and it seems that nuclear energy is set to play an increasingly important role in supplying that power, driving up demand for uranium.

NEGATIVE CONTRIBUTORS

Ingenia

Real estate company Ingenia underperformed in April in line with other rate-sensitive stocks as we saw more evidence of labour market strength and persistent inflation. This drove many Economists to delay their expectations of a rate cut this year. In the final week of April, Lifestyle Communities (LIC), a key competitor of Ingenia, downgraded its FY 2024 and FY 2025 settlement guidance. The company cited weakness in Victoria as the culprit. Ingenia has maintained FY 2024 and medium-term settlement guidance given that 80% of Ingenia's portfolio is located in Queensland and New South Wales. The company only has one development in Victoria that is in settlement phase.

HMC Capital

HMC shares declined in April. There was no stock specific news over the month.

Viva Energy

Fuels distribution and refining company Viva Energy underperformed over the month reflecting weakness in regional refining margins. These margins determine the cash generation from Viva's Geelong based refinery. During March Viva also announced the completion of the On-The-Run (OTR) convenience acquisition. Viva will progressively roll out the OTR format across its national convenience network that is currently branded as Coles Express. While there are risks to the successful execution of the roll out, on balance we expect it to underpin strong earnings growth over the medium term. At the same time, a combined overhead cost base of A\$250 million for Viva's retail business provides scope for earnings growth through cost-out initiatives.

PORTFOLIO POSITIONING

Positioning can be summarised as follows:

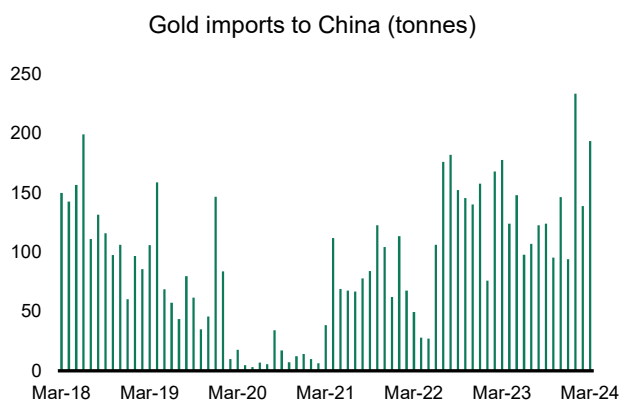
- A concentrated portfolio with an active share of 85%.
- Overweight:
 - Globally exposed growth companies such as Life360 and Neuren Pharmaceuticals.
 - Compelling cyclicals such as Premier Investments and Nufarm.
 - Energy-exposed and decarbonisation minerals companies such as Karoon Energy and NexGen 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: GOLD SPREE

The People's Bank of China has been on a buying spree for gold for 17 straight months, its longest-ever run of purchases! Imports have surged into China. Over the first 3 months of 2024, gold imports are 34% higher than they were in 2023.

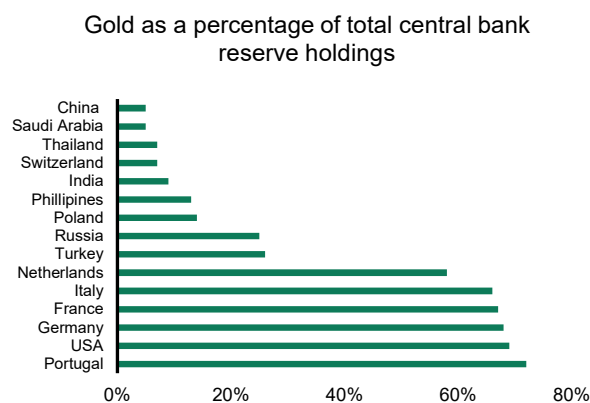
China is the world's biggest producer and consumer of gold. And in the last two years, China's overseas purchases totalled over 2,800 tons, or more than all of the metal that backs ETFs around the world, or about a third of the stockpiles held by the US Federal Reserve. And China's proportion of reserve holdings still lags behind most other major economies.

Figure 1: Gold imports to China have surged over the first three months of 2024



Source: Bloomberg, China Customs, April 2024.

Figure 2: China's proportion of reserve holdings lags behind most other major economies.



Source: Evans, TS Lombard, April 2024.

Get vital insights direct from the Firetrail investment team – Introducing the Firetrail Equity Edge Podcast.

We interview Firetrail's Portfolio Managers and Equity Analysts about a stock we have invested in to provide you with the **Firetrail Equity Edge**.

The questions are always the same:

- What is the company and what does it do to make money?
- What is the stock market missing regarding the company's outlook?
- What is the bear- and bull-case for the company?

All in under 10 minutes.

The podcast has proven to be a hit, with recent episodes covering Life360, Genesis Minerals and Ampol.

Simply scan the QR code below or listen via your favourite podcast platform. Simply search for "Firetrail Equity Edge".



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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

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