



11 July 2024

By Electronic Lodgement

Market Announcements Office
ASX Ltd
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Firetrail S3 Global Opportunities Fund (Managed Fund) (ASX:S3GO) – Monthly Investment Update

Please find attached a copy of the investment update for the month ending 30 June 2024.

For further information, please contact 1300 010 311.

Authorised by:

Calvin Kwok
Company Secretary

Pinnacle Fund Services Limited as responsible entity of Firetrail S3 Global Opportunities Fund (Managed Fund)

FIRETRAIL S3 GLOBAL OPPORTUNITIES FUND (MANAGED FUND)¹

ASX: S3GO

MONTHLY REPORT | JUNE 2024

PERFORMANCE (AFTER FEES)²

	Month	Quarter	6 Months	1 Year	Since S3GO listing date (p.a.) ³	Since inception ⁴ (p.a.)
Fund ⁵	2.59%	1.97%	17.14%	21.15%	24.86%	7.88%
Benchmark	1.61%	0.26%	14.17%	19.80%	23.11%	9.40%
Excess Return	+0.98%	+1.71%	+2.96%	+1.35%	+1.75%	-1.53%

1. The name of the Fund was changed from Firetrail S3 Global Opportunities Fund to Firetrail S3 Global Opportunities Fund (Managed Fund) on 11 October 2022 to facilitate quotation of the fund on the ASX. 2. Past performance is not indicative of future performance. 3. S3GO Active ETF listing date is 11 October 2022. 4. Fund inception is 3 November 2021.

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 Firetrail S3 Global Opportunities Fund (Managed Fund) ("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.



SUSTAINABLE PLUS
CERTIFIED BY DIAA

Firetrail S3 Global Opportunities Fund (Managed Fund) has been classified "Sustainable Plus" – the highest certification from Responsible Investment Association Australasia (RIAA). This certification indicates that the Fund goes beyond basic responsible investment criteria by ensuring Sustainability objectives are prominent, the portfolio is aligned with sustainability objectives, and progress is measured and tracked. See www.responsiblereturns.com.au for more details.⁶

INVESTMENT OBJECTIVE

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

PORTFOLIO POSITIONING – 30 JUNE 2024

Top 5 Overweight Holdings (Alphabetical)

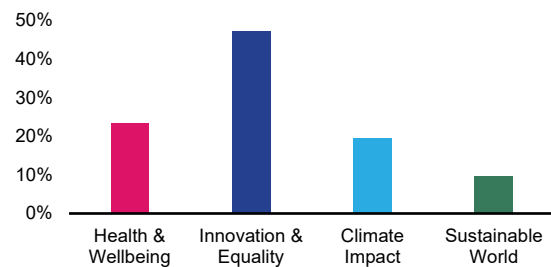
Booking Holdings Inc.
Elevance Health, Inc.
Interactive Brokers Group, Inc. Class A
McKesson Corporation
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR

FUND DETAILS

Unit Prices	30 June 2024
Application price	\$6.0338
Redemption Price	\$6.0158
NAV Price	\$6.0248
Fund Details	
ASX Code	S3GO
APIR Code	WHT7794AU
Benchmark	MSCI World Net Total Return Index
Inception date	3 November 2021
Risk/Return Profile	Very High
Number of Holdings	37
Fund size	\$33mil
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 – 30 JUNE 2024



Source: Firetrail

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

5. Firetrail S3 Global Opportunities Fund (Managed Fund) ('Fund') 6. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

THE FIRETRAIL S3 GLOBAL OPPORTUNITIES FUND (MANAGED 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.

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 2.59% (after fees) for the month ending 30 June 2024, outperforming the MSCI World Index by 0.98%.

The Fund returned 1.97% (after fees) for the quarter ending 30 June 2024, outperforming the MSCI World Index by 1.71%.

CONTRIBUTORS TO RETURNS

Positive Contributors included Taiwan Semiconductor, NEC Corp, and BE Semiconductor. Negative contributors included a nil holding in NVIDIA, and holdings in Aptiv and Builders FirstSource. We discuss each further in our commentary below.

POSITIVE CONTRIBUTORS

Taiwan Semiconductor

Taiwan Semiconductor (TSMC) shares rose 15% during June. TSMC's dominant position as the manufacturer of the world's high-end chips was evident as customers continue to jostle for capacity. TSMC's large customers include Apple, NVIDIA, AMD and others – who are all trying to out-innovate each other. The high demand from customers is resulting in significant pricing power emerging for TSMC, especially on its most advanced “nodes” (a basic unit of a data structure). As we transition from the 3-nanometre node to the 2-nanometre node in the next two years, we anticipate higher pricing and higher margins. This is especially true in the current environment of scarce future power supply for data centres as well as the need for higher performance and more efficient AI chips.

NEC Corporation

NEC is a Japanese IT service provider and one of the more recent investments for the fund. NEC has a large opportunity within Japan's digital transformation agenda for both government and corporates. With the Japanese labour market aging, there is a shortage of IT engineers which is enabling NEC to increase the pricing of its IT products and consulting. We expect margins to rise and revenue growth to accelerate over our forward forecast horizon.

BE Semiconductor

BE Semiconductor is a European listed company that produces equipment required to manufacture and package semiconductors. The big opportunity for BE Semiconductor is the manufacturing of hybrid bonding equipment to join layers of semiconductor chips together. As it becomes harder to grow chips horizontally, hybrid bonding is the technology that allows chips to be stacked on top of each other in an energy efficient and high-performance combination. BE Semi has greater than 90% share in this technology which will be adopted by both memory and logic chips manufacturers in the future.

NEGATIVE CONTRIBUTORS

NVIDIA (nil holding)

NVIDIA rose again during June, impacting performance due to its increased index weighting and our zero holding. Despite being the current leader in GPUs for use in AI training and inference, we believe there will be increased competition in the future. We continue to believe that the better investment opportunities for exposure to AI hardware and semiconductors are Micron Technology (a strong contributor during the month), TSMC and recent addition to the portfolio BE Semiconductor. These stocks are company agnostic as regardless of whether NVIDIA keeps winning the AI race or other players step up, they will all need the manufacturing skills of TSMC, the DRAM memory of Micron, and in the future, we believe the hybrid bonding process technology of BE Semiconductor.

Aptiv

Aptiv is an advanced supplier of technology and equipment to car manufacturers globally. There is a significant opportunity for the company to gain share as vehicles become more software defined, as well as the rapid increases in

advanced driver assistance systems. As this occurs, we expect margins will increase. Aptiv's large customers demonstrate its reach – they include Tesla, Chinese EV manufacturers, as well as more traditional US, Japanese and European brands. Aptiv underperformed during the month on concerns of consumer discretionary weakness.

Builders FirstSource

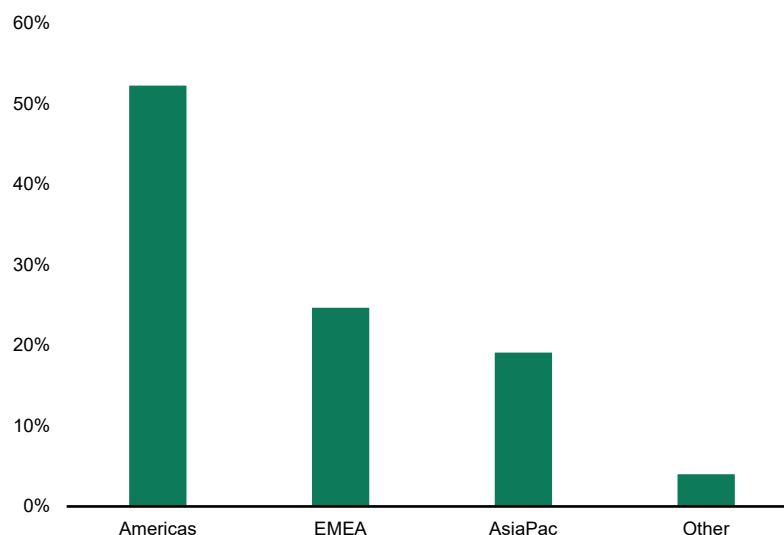
Builders FirstSource is the largest building products distributor in North America for trade customers. The stock underperformed along with other homebuilding stocks as mixed macro datapoints from the US housing market were released during June. Whilst in the short term this does create additional uncertainty, Builders FirstSource has traditionally used these periods to improve its market positioning. Over recent years it has acquired smaller players and built-up significant scale in the market, particularly in the homebuilding hotspot of the US South. It continues to innovate for its large homebuilding customers with services such as app-based ordering and prebuilt items.

PORTFOLIO POSITIONING AND OUTLOOK

The current portfolio is:

- A concentrated portfolio of 37 value and growth companies
- Highly differentiated positioning compared with the index and peers
- Overweight Firetrail's positive change themes
- Overweight Europe and Americas, underweight Asia
- Returns driven mainly by stock specific risk, rather than macro risk
- Significantly lower carbon intensity than the index¹

Figure 1: Geographical exposure of the Fund by source of revenue



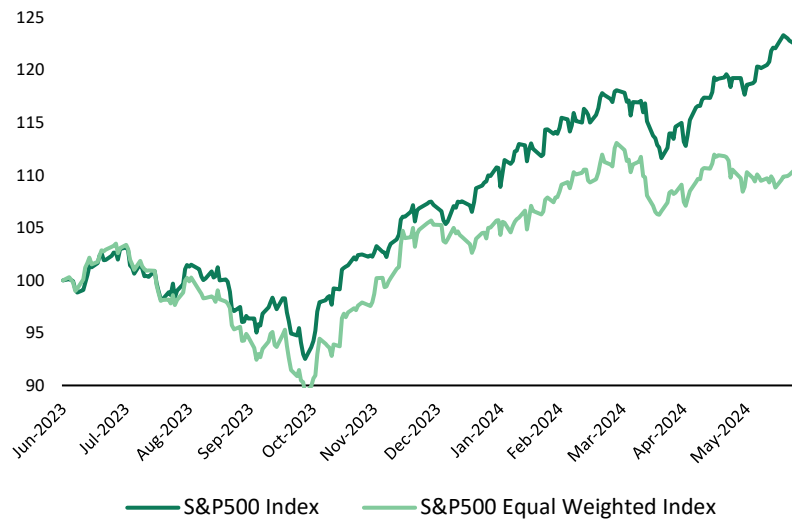
Source: Firetrail, June 2024.

THE AI PHENOMENON: LESSONS IN RISK MANAGEMENT AND INVESTOR PSYCHOLOGY

In the ever-evolving landscape of global equity markets, we've witnessed a remarkable phenomenon over the past three years: the AI effect. A single stock – NVIDIA – has created a chasm between top-performing global managers and peers. Those who held NVIDIA and, crucially, maintained their conviction, have outperformed index benchmarks as the stock has risen to one of the largest companies in the world. On the flip side, managers who missed out or sold too early have found themselves lagging as NVIDIA's weight in global benchmarks has increased.

¹ For more information on the carbon emissions estimate for the Fund, refer to the Firetrail website: <https://firetrail.com/funds/firetrail-s3-global-opportunities-fund-managed-fund/#offset-your-emissions>

Figure 2: The stark divergence between the S&P 500 Index and the S&P 500 Equal Weighted Index offers a valuable lesson in risk management



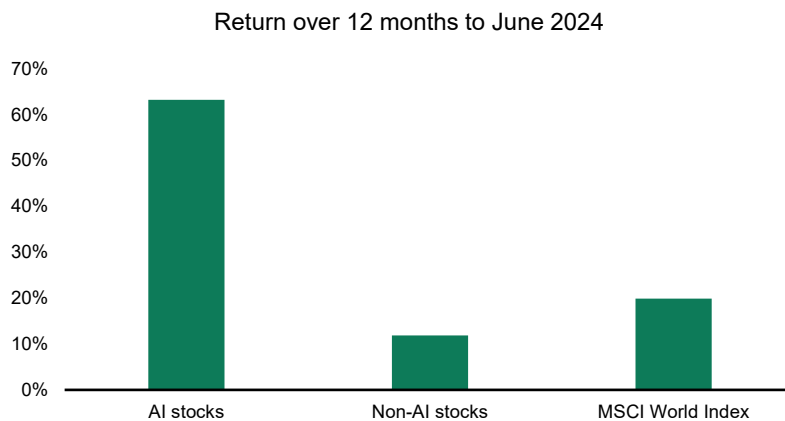
Source: Bloomberg, Firetrail, June 2024.

This stark divergence offers us a valuable lesson in market cycles and investor psychology. It's a reminder of how a single decision can have outsized impacts on portfolio performance. But as investors, we must look beyond the headlines and ask ourselves: What does this tell us about the current market environment and risk management, and more importantly, what does it mean for the future?

The Broader AI Hardware Ecosystem

While NVIDIA has captured the spotlight, it's crucial to recognise that the Artificial Intelligence (AI) revolution extends far beyond a single company.

Figure 3: It's crucial to recognise that the AI revolution extends far beyond a single company



Source: FactSet, Firetrail, June 2024.

At Firetrail, we've positioned ourselves to capitalise on this trend through a diversified approach. Our AI hardware holdings in Micron, Taiwan Semiconductor, and BE Semiconductor have all contributed positively to our performance:

- Micron - One of three global producers of High Bandwidth Memory for AI GPUs
- Taiwan Semiconductor - The leading chip manufacturer globally, producer of NVIDIA GPUs
- BE Semiconductor - Over 90% share in hybrid bonding for efficiently stacking chips

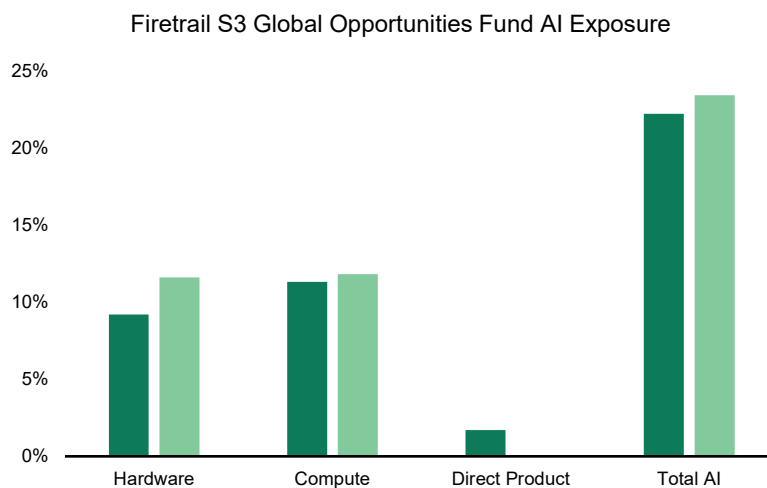
Companies mentioned are illustrative only and not a recommendation to buy or sell any particular security.

This strategy aligns with our belief that whether NVIDIA maintains its GPU dominance or faces increased competition from players like AMD, the broader ecosystem of AI hardware will continue to thrive. It's not about picking a single winner, but rather understanding and investing in the entire value chain.

Risk Management in a Changing Landscape

In times of rapid technological advancement, risk management becomes more critical than ever. The AI sector now spans multiple GICS categories, blurring traditional industry lines. Our proprietary research has allowed us to map these risks across various sub-sectors, now representing 22% of the MSCI World Index. There are three high level AI sectors, being Hardware, Compute and Direct Product. Within these we have further categorised 11 AI sub-sectors.

Figure 4: Firetrail has mapped AI exposure across 3 sub-sectors



Source: FactSet, Firetrail, June 2024.

This balanced approach helps us navigate the complexities of the modern tech landscape while maintaining a diversified risk profile.

Valuation: The Eternal Challenge

NVIDIA's stellar performance has been backed by significant earnings upgrades. With these upgrades have also come higher expectations. At Firetrail, we maintain a 3–5-year view on earnings and valuation, a timeframe we believe all equity investors should have as a minimum.

In this context, the price you pay becomes paramount. Even the most promising growth story can turn into a poor investment if acquired at an excessive valuation. Our disciplined approach to valuation has sometimes led us to make unpopular decisions in the short term, but it has served us well over full market cycles.

Firetrail S3: AI Performance

It's worth noting that despite not holding NVIDIA in the past year, the Firetrail S3 Global Opportunities Fund has delivered strong performance. This underscores a crucial point: there's always more than one path to investment success. Our focus on a diversified AI hardware exposure, coupled with rigorous risk management and valuation discipline, has allowed us to generate competitive returns without relying on a single stock, no matter how prominent.

The AI story serves as a microcosm of broader market dynamics. It highlights the importance of maintaining conviction, understanding sector-wide trends, managing risk holistically, and staying disciplined on valuation. As we navigate the current market cycle, these principles will continue to guide our investment approach, helping us to identify opportunities and manage risks in an ever-changing landscape.

**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 Ryan Specialty, Micron Technology, Fortum, United Rentals and Booking.com.

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



Signatory of:



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Link to the Product Disclosure Statement: [WHT7794AU](#)

Link to the Target Market Determination: [WHT7794AU](#)

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

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