



13 September 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 31 August 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 | AUGUST 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	(1.72%)	3.33%	7.22%	14.57%	22.86%	7.66%
Benchmark	(1.21%)	4.46%	6.19%	18.78%	22.62%	9.89%
Excess Return	-0.51%	-1.14%	+1.04%	-4.21%	+0.24%	-2.23%

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 DIIA

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

FUND DETAILS

Unit Prices	31 August 2024
Application price	\$6.0415
Redemption Price	\$6.0235
NAV Price	\$6.0325
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	38
Fund size	\$34mil
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

INVESTMENT OBJECTIVE

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

PORTFOLIO POSITIONING – 31 AUG 2024

Top 5 Overweight Holdings (Alphabetical)

American Tower Corporation

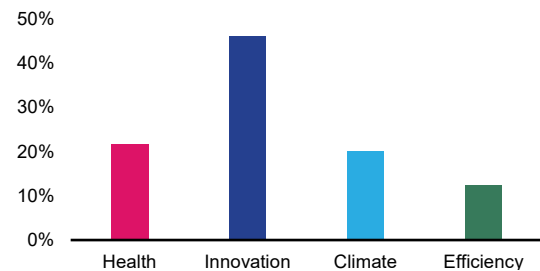
Elevance Health, Inc.

Interactive Brokers Group, Inc. Class A

Royal KPN NV

Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR

THEMATIC POSITIONING – 31 AUGUST 2024



FIRETRAIL OPPORTUNITY THEMES:

- Health – Enabling better lives**
- Innovation – Opportunities for everyone**
- Climate – Adjusting to a lower carbon world**
- Efficiency – 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 -1.72% (after fees) for the month ending 31 August 2024, underperforming the MSCI World Index by 0.51%.

CONTRIBUTORS TO RETURNS

Positive contributors included Interactive Brokers, Ecolab and Equifax. Negative contributors included McKesson, Tenable and GXO Logistics. We discuss each further in our commentary below.

POSITIVE CONTRIBUTORS

Interactive Brokers

Interactive Brokers is a US listed global, low cost, online brokerage. The operational performance of the business continues to be very strong – during August it experienced account growth of 29% year on year. Customers were also active, with August trading volumes up 40% year on year. Interactive Brokers is taking share from traditional higher cost US brokerages, as well as being used as the platform for existing global financial institutions. It has also benefitted from strong interest income, predominantly from its margin loan business.

Ecolab

Ecolab is a global provider of water, hygiene, and infection prevention solutions and services. Ecolab outperformed following their second quarter result as they continued to highlight share gains among institutional customers, leveraging their core value proposition of helping clients save on labour, water, and energy, which remains compelling amid a challenging macro backdrop.

Equifax

Equifax, a key player in credit provision and employment verification, was a strong contributor again in August. The company benefits from strong price increases and any uptick in US loan or employment markets. With potential US interest rate cuts on the near horizon, the likelihood of a recovery in its customer's markets also increases. There is significant revenue upside if the mortgage market begins to recover – current mortgage market credit enquiries are running at half the level of the 2015-2019 average.

NEGATIVE CONTRIBUTORS

McKesson

McKesson, a major healthcare company that supplies medicines and medical products, faced challenges in August. Whilst it upgraded its guidance, the company saw slower growth in its medical supplies business because fewer people were visiting doctors for routine check-ups. This trend is partly due to "COVID fatigue," where patients are less likely to see healthcare providers as frequently as they did before the pandemic. The company is working on improving efficiency and cutting costs in its medical supplies division, which should help boost its performance over time. McKesson is also investing in its growing oncology and biopharma services, which are expected to drive long-term growth.

Tenable

Tenable underperformed as a softer quarterly sales growth result for their cybersecurity software platform overshadowed strong earnings upgrades from continued margin progression ahead of market expectations. Cybersecurity remains a top priority for management teams across the globe as ransomware payments continue to increase and organisations progress their research and implement of generative AI capabilities.

GXO Logistics

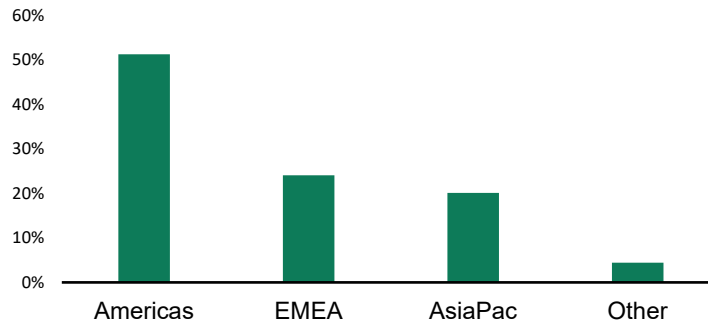
GXO, the provider of outsourced logistics solutions underperformed during August alongside other consumer exposed names. GXO stands to benefit from a progressive recovery in goods volumes, whilst it continues to win new business from increased outsourcing, e-commerce penetration and automation solutions under its long-term contracted business model.

PORTFOLIO POSITIONING AND OUTLOOK

The current portfolio is:

- A concentrated portfolio of 38 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



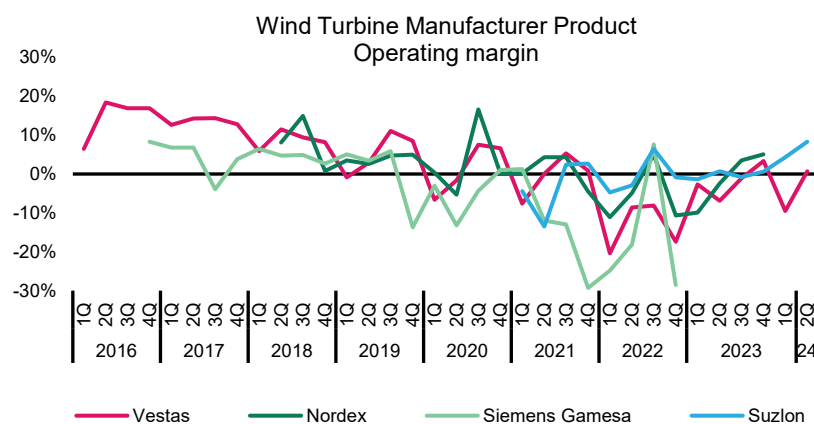
Source: Firetrail, August 2024.

ONE INTERESTING THING THAT HAPPENED THIS MONTH...

...Was a reminder of the challenging environment for existing Western wind turbine manufacturers. This is a sector that we have been watching, but avoiding investing in. From a top-down view – the last five years theoretically should have been boom times for wind turbine manufacturers – with the increasing global focus on clean energy and electrification. Wind provides a clean, but intermittent source of electricity generation, with many attractive sites for turbines to be placed both onshore and offshore.

This hasn’t been the case – as shown by the negative profitability of the major Western wind turbine manufacturers below:

Figure 2: Western wind turbine profitability has been negative despite clean energy and electrification tailwinds



Source: Bloomberg, Firetrail, August 2024.

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>

Three main factors have given rise to this challenging environment:

1. **Competition:** Despite a concentrated Western industry – there has been the threat of Chinese wind companies such as Goldwind entering into markets outside of Asia. During August, Goldwind's result showed that ex-China orders are more than doubling this year versus last year. On a like-for-like basis, Chinese wind turbines are approximately 35% cheaper than Western wind turbines.
2. **Costs:** Volatile input costs including steel, copper and rare earths have taken time to be passed on to customers – impacting the margins of the companies.
3. **Reliability:** One angle that the Western wind turbine manufacturers pushed was their strong warranties – often a 20-year warranty with the turbine sale. However, as turbine complexity and size have grown, this has come back to bite the manufacturers who are liable for the repairs.

While we're keeping watch of the wind sector – the Firetrail S3 Global Opportunities team currently prefers other stocks within the energy sector such as Fortum – which is a generator of clean baseload electricity from both hydroelectric and nuclear generation.

**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](https://www.firetrail.com/links/WHT7794AU)

Link to the Target Market Determination: [WHT7794AU](https://www.firetrail.com/links/WHT7794AU)

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

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