



9 October 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 September 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 | SEPTEMBER 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	0.90%	1.63%	3.63%	20.67%	22.37%	7.77%
Benchmark	(0.41%)	2.39%	2.66%	23.20%	21.33%	9.44%
Excess Return	+1.31%	-0.76%	+0.97%	-2.53%	+1.03%	-1.67%

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 RIAA

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 SEP 2024

Top 5 Overweight Holdings (Alphabetical)

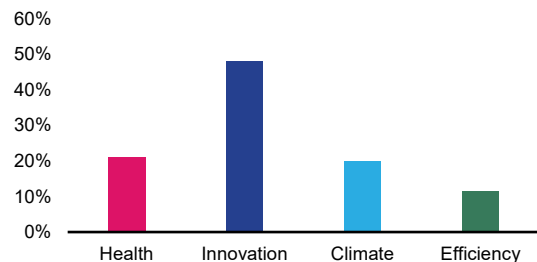
3i Group plc
American Tower Corporation
Greatland Gold Plc
Interactive Brokers Group, Inc. Class A
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR

FUND DETAILS

Unit Prices	30 September 2024
Application price	\$6.0962
Redemption Price	\$6.0780
NAV Price	\$6.0871
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	39
Fund size	\$37 mil
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 SEP 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 0.90% (after fees) for the month ending 30 September 2024, outperforming the MSCI World Index by 1.31%.

The Fund returned 1.63% (after fees) for the quarter ending 30 September 2024, underperforming the MSCI World Index by 0.76%.

CONTRIBUTORS TO RETURNS

Positive contributors included Rightmove, Interactive Brokers, and NEC Corp. Negative contributors included Novo Nordisk, McKesson, and Darling Ingredients. We discuss each further in our commentary below.

POSITIVE CONTRIBUTORS

Rightmove

Rightmove is a UK listed property portal, with a dominant position in the UK market. The business has a strong ability to increase prices and has a model that is driven by agent numbers, rather than property listing numbers. The stock outperformed during the month as the Australian listed REA Group made several indicative proposals to acquire Rightmove at a significant premium to the prevailing share price. Whilst the possible offer was subsequently withdrawn prior to the 30 September deadline, the process highlighted the material undervaluation of Rightmove's future prospects in the UK property market.

Interactive Brokers

Interactive Brokers, the US listed global, low cost, online brokerage had a strong month. The operational performance of the business continues to be very strong, delivering account growth of over 20% per annum. Interactive Brokers is taking share from traditional higher cost US brokerages, fuelled by best-in-class trading and execution quality, and attractive interest on cash balances. It has also benefitted from strong interest income, predominantly from its margin loan business.

NEC Corp

NEC is a Japanese IT service provider, with a large opportunity within Japan's digital transformation agenda for both government and corporates. With the Japanese labour market ageing, 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 the next few years.

NEGATIVE CONTRIBUTORS

Novo Nordisk

Novo Nordisk, a leader in GLP-1 diabetes and obesity treatments, underperformed during September. The company reported Phase 2 data around a potential small molecule oral obesity therapy and was also subject to a US Senate enquiry on drug pricing. We continue to believe that the future market opportunity for Novo Nordisk is enormous as prices come down and supply increases, giving material upside to the current share price.

McKesson

McKesson, a major healthcare company that supplies medicines and medical products, underperformed during the month. The company has seen slower growth in its medical supplies business with fewer people 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 this 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.

Darling Ingredients

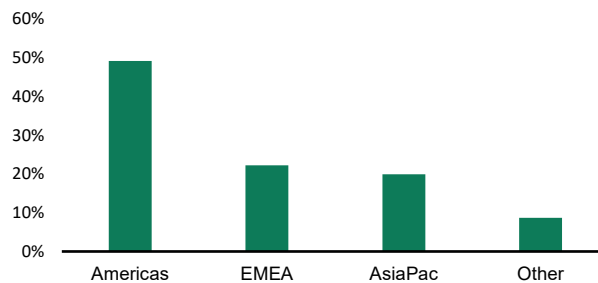
Darling Ingredients utilises waste streams and converts these into products such as renewable diesel. Whilst shorter-term performance has lagged the market, Darling’s earnings are expected to inflect in 2025 driven by legislative changes both in California (low carbon fuel standards) and Federally (carbon-based tax credits), as well as the introduction of higher margin Sustainable Aviation Fuel into the sales mix.

PORTFOLIO POSITIONING AND OUTLOOK

The current portfolio is:

- A concentrated portfolio of 39 value and growth companies
- Highly differentiated positioning compared with the index and peers
- Overweight Firetrail’s positive change themes
- Overweight Europe underweight the Americas and neutral Asia Pac
- 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



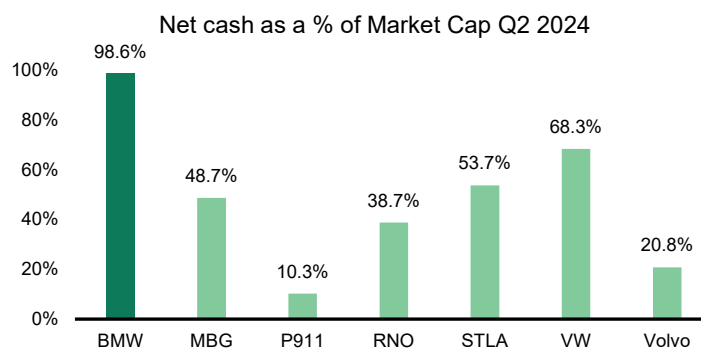
Source: Firetrail, September 2024.

ONE INTERESTING THING THAT HAPPENED THIS MONTH...

The automotive industry is undergoing a significant transformation, with the shift from traditional petrol-powered vehicles to electric and autonomous technologies creating both challenges and opportunities for major players. This month we saw an interesting case with BMW, a well-established car manufacturer, facing uncertainty in the evolving market landscape.

BMW is in a strong financial position, with a market capitalisation of approximately €48 billion that nearly matches its net cash position (Figure 2). However, investors appear hesitant to fully value BMW’s cash reserves. This reluctance stems from several factors, including concerns about whether BMW can maintain its profitability as it transitions from traditional petrol-powered cars to electric vehicles. There are also questions regarding the company’s ability to compete in developing software-driven electric cars and uncertainty surrounding the future of the Chinese automotive market.

Figure 2: BMW has a market cap almost equal to net cash



Source: Thomas Reuters Eikon, BMW, Goldman Sachs, Firetrail, September 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>

However, the primary reason for investors' scepticism is their belief that BMW won't return its cash reserves to shareholders, a view reinforced by the company's own statements. The Firetrail S3 Global Opportunities Fund does not own BMW shares, but we find it noteworthy that given recent developments, there will likely be increased pressure on BMW to leverage its robust financial standing to create more value for investors moving forward.

It is important to look beyond BMW's balance sheet strength to generate shareholder returns because, while the company has a lot of cash, this hasn't led to a higher market value. Investors need to consider other factors, like the challenges the automotive industry faces in changing from traditional cars to electric ones and whether it can create value in the changing market.

The Firetrail S3 Global Opportunities Fund has exposure to Aptiv, which we believe presents a compelling investment proposition. Aptiv has a strong position in driver sensing technology and advanced safety systems, which are crucial for the future of not only autonomous and electric vehicles, but also ICE (Internal Combustion Engine, i.e. petrol and diesel) vehicles which are increasingly becoming "computers on wheels".

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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.

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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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