



Australian Eagle Asset Management

April 2019 Monthly Report - Australian Eagle Growth High Conviction Equity

Portfolio performance

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year	7 Year	10 Year	Inception p.a.
Portfolio	3.80%	11.15%	15.05%	11.34%	19.29%	13.68%	14.55%	12.78%	11.61%
Benchmark	2.26%	9.22%	10.80%	10.72%	11.01%	7.40%	10.37%	10.13%	7.76%
Out/(under) performance	1.54%	1.93%	4.24%	0.62%	8.28%	6.29%	4.18%	2.66%	3.84%

Top 3 and bottom 3 performing stocks

Top 3: Treasury Wine Estates Ltd (TWE), Xero Ltd (XRO), Cochlear Ltd (COH)

Bottom 3: OZ Minerals Ltd (OZL), Elders Ltd (ELD), Fortescue Metals Ltd (FMG)

Portfolio changes

Stocks joined or increased:

OZ Minerals Ltd (+0.50%): An international copper & gold miner. The company has increased focus on expansion projects on new and existing mines in Prominent Hill, Carapateena and West Musgrave.

Webjet Ltd (+0.50%): An online travel platform and B2B accommodation company. The company launched a new religious travel service, utilising its dominant position in the Middle East B2B accommodation market.

Stocks removed or reduced:

Wisetech Global Ltd (-0.50%, Exit): An international logistics platform provider. The company has significantly diluted earnings and geared up the balance sheet in an attempt to capture market share.

Auckland International Airport Ltd (-0.50%): A New Zealand international airport owner. The share price is approaching our valuation target.

Market Commentary

World markets continued to rally in April, led by a rally in US tech stocks which led the US market to new record highs. Tepid US inflation data kept bond yields steady. The Chinese government's stimulus measures have started to bear fruit with GDP growing 6.4% for the year, helped by strong manufacturing activity and consumer spending. The EU gave the UK a 6 month extension to agree on a new Brexit deal. The iron ore price rose 8% as Chinese steel makers drewdown on inventories as global supply issues persisted. The oil price rose 5% to US\$63 as the US announced a clampdown on Iranian oil exports. The Australian dollar fell 1c to US70c as March inflation fell to 1.3%.

The Australian market lagged other markets as resources were flat and underperformed. Westpac and NAB both announced increased costs of customer remediation ahead of their 1H19 results. Unemployment fell 0.1% to 4.9% with more people seeking work recently. Resource stocks released March quarterly reports. Fortescue announced higher production costs and lower shipments offset by an increased average realised iron ore price from US\$47 to US\$71.

Both RIO and BHP announced reduced iron ore production numbers mainly due to disruption to operations from Cyclone Veronica. Oil Search announced a decrease in revenue for 1Q19 due to weaker realised LNG and gas prices. OZ Minerals increased its investment in West Musgrave from 51% to 70% after completing stage 2 of its project milestone, 14 months ahead of schedule. Seek acquired minority stakes in FutureLearn and Coursera to position the company effectively for the structural trend of evolving labour markets. Sydney Airport passenger numbers fell by -3.4% and -3.8% for domestic and international respectively due to the timing of Easter and Lunar New Year. Webjet reiterated its updated targets for FY22 with its IT platforms and blockchain solutions to increase bookings growth and cost efficiencies. WiseTech Global acquired a Swedish messaging solutions provider for \$12m, its third bolt-on acquisition for calendar year 2019.

Portfolio Exposures

Major portfolio exposures were medical devices & services and technology stocks with less portfolio weight in major banks and retailers.

Current portfolio: Top ten holdings

Stock	30/04/2019
Commonwealth Bank Ltd	8.11%
Cochlear Ltd	6.38%
National Australia Bank Ltd	5.79%
QBE Insurance Group Ltd	5.49%
Xero Ltd	5.27%
Treasury Wine Estates Ltd	5.04%
Fortescue Metals Group Ltd	4.95%
OZ Minerals Ltd	4.68%
Macquarie Group Ltd	4.07%
ASX Ltd	3.84%

Portfolio Commentary

Positives:

TWE - The share price rose after a period of underperformance.

XRO - The share price rose in anticipation of a strong FY19 result.

COH - The share price rose after the company launched a new implant designed to make MRI scans more convenient.

Negatives:

OZL - The share price followed the resources sector lower after outperforming for the Mar19 quarter.

ELD - The share price remained subdued after the company downgraded earnings in March.

FMG - The share price consolidated after a period of outperformance.