



Australian Eagle Asset Management

July 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	3.90%	9.37%	21.57%	16.26%	19.02%	14.84%	16.64%	12.58%	12.09%
Benchmark	2.79%	9.14%	19.20%	13.97%	11.91%	8.53%	11.93%	9.78%	8.28%
Out/(under) performance	1.11%	0.23%	2.36%	2.29%	7.11%	6.31%	4.71%	2.80%	3.81%

Top 3 and bottom 3 performing stocks

Top 3: Treasury Wine Estates Ltd (TWE), Elders Ltd (ELD), Xero Ltd (XRO)

Bottom 3: Fortescue Metals Group Ltd (FMG), Woodside Petroleum Ltd (WPL), Pushpay Ltd (PPH)

Portfolio changes

Stocks joined or increased:

ASX Ltd (+0.50%): A securities exchange company. The company's innovative blockchain technology is on track to replace the clearing house system to shorten settlement times and improve general efficiency and effectiveness.

ResMed Inc (+0.25%): A breathing disorder healthcare company. The company's SaaS division is fast becoming the market leader in numerous segments of the out-of-hospital patient care sector.

Stocks removed or reduced:

Australia & New Zealand Banking Group Ltd (-0.50%): An Australian bank. The company is approaching our valuation target.

Rio Tinto Ltd (-0.25%): An iron ore producer. The company has revealed delays and budget overruns for the next stage of its copper gold mine in Mongolia.

Market Commentary

World markets continued to rise despite companies reporting mixed June quarterly results with lingering US-China trade war concerns. Both US and China released slowing economic data. The US Fed cut interest rates by 0.25%, stating that it was not the first of a series of cuts. The Chinese STAR market for tech startups commenced trading during the month. The UK unveiled Boris Johnson as the next PM tasked with negotiating an orderly Brexit. The iron ore price fell US\$2 to US\$116 with Vale announcing the resumption of production of a major suspended mine in Brazil. The oil price experienced volatility during July and ended the month \$2 lower at US\$57. The Australian dollar fell 1c to US69c after the US Fed lowered interest rates. The Australian market rose as the market continued its rebound after the federal election. The RBA cut official interest rates by another 0.25% to a record low 1.00%. Australia's trade surplus was a record \$5.7bn during July, mainly due to higher prices for iron ore exports. APRA relaxed bank lending standards for property buyers due to falling interest rates. NAB announced an external appointment as the new CEO to start in April 2020.

Woodside Petroleum June quarter revenue fell from softer pricing and a fall in production from maintenance delays. OZ Minerals revised resource estimates down for their Brazilian assets but announced quarterly numbers ahead of guidance. BHP, RIO and FMG released Jun quarterly numbers, showing a recovery in production after a weak start to the calendar year. Elders raised \$137m to acquire Australian Independent Rural Retailers to strengthen their position in the rural wholesale supply market. Pushpay conducted a NZ\$45.3m bookbuild to facilitate a small sell-down from a co-founder. ResMed's 4Q19 report saw continued double digit growth in the masks and devices in North and South America while Software as a Service revenue increased 111%. Macquarie Group issued FY20 profit guidance at its AGM to be slightly below FY19. Sydney Airport passenger traffic was slightly negative with domestic passengers down on airline capacity reductions.

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	31/07/2019
Commonwealth Bank Ltd	7.81%
Cochlear Ltd	6.16%
National Australia Bank Ltd	5.96%
QBE Insurance Group Ltd	5.44%
Xero Ltd	5.06%
OZ Minerals Ltd	4.95%
ASX Ltd	4.89%
Treasury Wine Estates Ltd	4.74%
Fortescue Metals Group Ltd	4.58%
ResMed Inc	4.14%

Portfolio Commentary

Positives:

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

ELD - The share price rose as investors embraced the equity raising for the acquisition of a competitor.

XRO - The share price rose in anticipation of a positive update at the AGM.

Negatives:

FMG - The share price fell after a competitor started production at a suspended mine.

WPL - The share price fell as 2Q results were weaker from lower prices and unexpected maintenance delays.

PPH - The share price fell after the partial sell down by one of the co-founders.