



Australian Eagle Asset Management

August 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	-2.59%	5.09%	11.95%	10.93%	17.22%	13.79%	15.30%	11.61%	11.81%
Benchmark	-2.09%	4.64%	10.19%	10.18%	11.71%	7.97%	11.27%	8.84%	8.07%
Out/(under) performance	-0.50%	0.45%	1.76%	0.75%	5.51%	5.82%	4.03%	2.77%	3.74%

Top 3 and bottom 3 performing stocks

Top 3: ResMed Inc. (RMD), Treasury Wine Estates Ltd (TWE), Japara Healthcare Ltd (JHC)

Bottom 3: OZ Minerals Ltd (OZL), NextDC Ltd (NXT), IDP Education Ltd (IEL)

Portfolio changes

Stocks joined or increased:

AMP Ltd (+1.00%, Entry): A wealth management and funds management company. The new turnaround strategy combined with the revised deal to sell AMP Life and the \$650m capital raise have provided the platform for future organic growth.

Lendlease Ltd (+1.00%, Entry): A multinational construction, development and real estate funds management company. Management have recently announced large urbanisation wins in addition to starting the sale of its non-core Engineering & Services division.

Stocks removed or reduced:

Monadelphous Ltd (-0.75%, Exit): An Australian oil & gas, mining and infrastructure services company. The share price has reached our valuation target.

NextDC Ltd (-0.75%): A data centre owner and operator. The company is approaching our valuation target.

Market Commentary

World markets fell after the US & China announced increased tariffs on the other's exports. The US Treasury labelled China a currency manipulator. The Chinese Yuan breached the critical 7 level and fell to 7.14 per USD, the weakest level in 11 years. Political and social unrest in Hong Kong and the UK added to further global market volatility. Precious metals rose and bond yields fell as global manufacturing indicators slowed. The iron ore price fell US\$32 to US\$85 as Brazilian exporter Vale began to increase shipping after year long disruptions. The oil price fell \$2 to US\$57. The Australian dollar fell 2c to US\$67c as housing construction activity slowed.

The Australian market followed global markets lower while some companies issued cautious outlook statements during reporting season. The RBA held interest rates at 1.00% while the unemployment rate was steady at 5.2%. Commonwealth Bank reported a doubling of remediation costs to \$2.2bn while their sale of CFSGAM settled during the month. Sydney Airport reported flat passenger growth offset by strong contributions from retail and advertising divisions.

CSL announced strong growth and a good outlook for its core blood products business combined with positive earnings momentum for its vaccines division. QBE showed progress in its Brilliant Basics turnaround strategy with management maintaining FY19 guidance. Cochlear reported strong interest in its newly released implant in key markets following up from a strong FY19 performance. Altium announced acceleration in subscriber numbers while management upgraded the outlook with higher revenue and margin targets. The big iron ore miners and Fortescue announced lower annual production from weather related interruptions, offset by higher iron ore prices which resulted in larger dividend payouts to shareholders. Webjet issued a slight downgrade to its future profit target due to financial difficulties experienced by a strategic partner. Wesfarmers reported pleasing growth in Bunnings and Officeworks offset by weaker performance in Kmart and Target stores.

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	31/08/2019
Commonwealth Bank Ltd	7.70%
Cochlear Ltd	5.93%
National Australia Bank Ltd	5.87%
QBE Insurance Group Ltd	5.61%
Fortescue Metals Group Ltd	5.26%
Xero Ltd	5.08%
ASX Ltd	4.87%
Treasury Wine Estates Ltd	4.65%
Resmed Inc	4.60%
OZ Minerals Ltd	4.52%

Portfolio Commentary

Positives:

RMD - The share price rose as the company reported strong growth across all divisions.

TWE - The FY19 report showed margin expansion and growing contributions from Asia & Americas divisions.

JHC - The company expects deposit inflows to increase as new aged care facilities are completed.

Negatives:

OZL - The share price fell as copper remains at two year lows.

NXT - The share price fell as forecast sales growth for 2020 is below expectations.

IEL - The share price corrected after outperforming since the half year result.