



# Australian Eagle Asset Management

## September 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               | 1.23%   | 2.45%   | 11.94%  | 14.26% | 17.73% | 15.41% | 15.27% | 11.13%  | 11.83%         |
| Benchmark               | 1.83%   | 2.48%   | 11.27%  | 13.67% | 12.23% | 9.56%  | 11.24% | 8.37%   | 8.16%          |
| Out/(under) performance | -0.60%  | -0.03%  | 0.67%   | 0.58%  | 5.50%  | 5.85%  | 4.03%  | 2.76%   | 3.68%          |

### Top 3 and bottom 3 performing stocks

Top 3: Oil Search Ltd (OSH), Fortescue Metals Group Ltd (FMG), OZ Minerals Ltd (OZL)

Bottom 3: ASX Ltd (ASX), Altium Ltd (ALU), Cochlear Ltd (COH)

### Portfolio changes

#### Stocks joined or increased:

AMP Ltd (+1.50%): A wealth management and funds management company. Strong growth in AMP Capital, solid performance from AMP Bank combined with the new turnaround strategy has laid the platform for future organic growth.

#### Stocks removed or reduced:

ANZ Banking Corporation Ltd (-0.75%): An Australian bank. The share price is approaching our valuation target.

Medibank Private Ltd (-0.75%): A health insurance provider. The company is approaching our valuation target.

### Market Commentary

World markets were buoyed by central bank stimulus despite continued US and China trade uncertainty. US bond yields rose from 4 year lows of 1.46% to 1.91% but fell by month end as political concerns rose. Weak US manufacturing and employment data prompted the Federal Reserve to cut interest rates by 25bps. The odds of a no deal Brexit reduced as Parliament passed a law requiring the UK Prime Minister to seek an extension to the withdrawal date at the end of October. Hong Kong's social unrest continued for the 3rd consecutive month. Chinese industrial activity slowed in August with the Chinese Central bank injecting 120bn yuan to stimulate the financial system. The iron ore price rose as anti-pollution curbs in key Chinese cities became more lenient. The oil price endured a volatile month after a drone attack on Saudi oil fields temporarily disrupted 5% of global supply. The Australian dollar remained steady at US67c.

The Australian market rose with global markets as GDP growth was at its weakest levels since the GFC at +1.4%. Markets were more optimistic about economic growth due to central bank stimulus leading to profit taking for

recent strong performers. Fortescue refinanced US\$800m of debt and repaid \$600m during the month. Sydney Airport announced flat traffic numbers for August as US and Indian passengers grew strongly offset by slowing domestic traffic. National Australia Bank announced the appointment of a new CEO to start in December 2019. Webjet announced one of its business partners, Thomas Cook, had gone into liquidation and downgraded their FY20 outlook. The ACCC announced they will not oppose the Elders acquisition of Australian Independent Rural Retailers (AIRR) while the company reiterated its 5-10% earnings growth plan. Treasury Wine Estates gave more detail to their strategy to achieve their 25% profit margin in the US market. Macquarie Bank and AMP both announced the completion of successful share purchase plans during the month. The Royal Commission into Aged Care was extended for an extra 6mths to hear additional evidence.

### 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                       | 30/09/2019 |
|-----------------------------|------------|
| Commonwealth Bank Ltd       | 7.78%      |
| National Australia Bank Ltd | 6.29%      |
| Fortescue Metals Group Ltd  | 5.71%      |
| Cochlear Ltd                | 5.59%      |
| QBE Insurance Group Ltd     | 5.55%      |
| OZ Minerals Ltd             | 5.12%      |
| Xero Ltd                    | 4.93%      |
| ASX Ltd                     | 4.90%      |
| Resmed Inc                  | 4.38%      |
| CSL Ltd                     | 4.21%      |

### Portfolio Commentary

#### Positives:

OSH - The share price rose after a drone attack on Saudi oil fields provided a temporary supply side shortage.

FMG - The share price rose with the iron ore price.

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

#### Negatives:

ASX - The share price fell after outperforming in reporting season.

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

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