



Australian Eagle Asset Management

November 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	5.08%	7.64%	13.12%	33.52%	20.15%	16.69%	15.76%	11.56%	12.16%
Benchmark	3.38%	4.88%	9.75%	27.23%	12.85%	9.91%	11.13%	8.73%	8.28%
Out/(under) performance	1.71%	2.76%	3.37%	6.28%	7.30%	6.77%	4.63%	2.83%	3.88%

Top 3 and bottom 3 performing stocks

Top 3: Xero Ltd (XRO), Cochlear Ltd (COH), Altium Ltd (ALU)

Bottom 3: ASX Ltd (ASX), National Australia Bank Ltd (NAB), Japara Healthcare Ltd (JHC)

Portfolio changes

Stocks joined or increased:

Pushpay Holdings Ltd (+1.00%): A donor management system software company. Strong processing volume and margin growth in the 1H20 result has provided a strong platform for future organic growth.

AMP Ltd (+0.50%): A diversified financial services company. The company's capital notes bookbuild was completed and the size of the offer was increased by another \$50m to at least \$250m.

Stocks removed or reduced:

Medibank Private Ltd (-0.50%, Exit): An Australian private health insurer. The share price has reached our valuation target.

National Australia Bank Ltd (-0.75%): A big 4 financial institution. The share price is approaching our valuation target.

Market Commentary

World markets rose as the US markets reached all-time highs, aided by strengthening consumer and economic data. Ongoing violent protests and the US-China trade war combined to drive Hong Kong into recession. US bond yields rose on phase 1 trade deal optimism. China announced new fiscal measures to assist the financing of infrastructure projects. European PMI experienced weaker expansion and narrowly missed a contraction. The oil price endured a volatile month but ended flat at US\$55 despite a build up of US inventories during the month. The iron ore price remained stable at \$87 despite expectations of soft steel demand over winter. The Australian dollar fell to just below US68c.

The Australian market rose with global markets in November. Unemployment rose +0.1% to 5.3%, keeping the door open to further interest rate cuts. Agricultural stocks reported earnings with Elders reconfirming their long term growth targets of 5-10% p.a. aided equally by organic growth and acquisitions. Commonwealth Bank released their quarterly report with cash profit improving 5% despite weak consumer confidence and record low

interest rates. The CEO of Westpac resigned after AUSTRAC released a statement which included claims that the bank facilitated transactions enabling child exploitation in the Philippines. National Australia Bank agreed to pay back \$49.5m in compensation to customers who were sold junk personal and credit card insurance policies. OZ Minerals extended the mine life of Prominent Hill to 2031 and announced a 1 month delay of Carrapateena's 1st concentrate due to a vendor supplying wrong parts. Lendlease announced that the sale process for its Engineering and Services division should complete in the next few months. Webjet upgraded FY20 EBITDA guidance to \$157-167m while reiterating its long term cost and margin targets. Pushpay's focus on cost efficiency and revenue growth drove the company further into profitability at the 1H20 result. Sydney Airport released Oct 19 traffic numbers, revealing low single digit growth overall with strong support from New Zealand and Indian nationals.

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	30/11/2019
Commonwealth Bank Ltd	7.78%
Cochlear Ltd	6.23%
Xero Ltd	5.62%
QBE Insurance Group Ltd	5.27%
Fortescue Metals Group Ltd	5.23%
National Australia Bank Ltd	5.16%
ASX Ltd	4.97%
CSL Ltd	4.80%
OZ Minerals Ltd	4.62%
ResMed Inc	4.60%

Portfolio Commentary

Positives:

XRO - The share price rose after strong UK and Aus revenue growth in its 1H20 result.

COH - The share price rose as the company obtained FDA approval for a new product.

ALU - The share price rose after a recent correction.

Negatives:

ASX - The share price consolidated after recent strength.

NAB - The share price fell after the company reported a flat FY19 result.

JHC - The share price consolidated after the government provided extra funding only to home care packages following the release of the interim report for the Royal Commission into Aged Care.