



Australian Eagle Asset Management

January 2020 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	4.15%	7.52%	7.29%	30.42%	19.54%	16.13%	14.58%	11.97%	12.18%
Benchmark	5.07%	6.19%	5.49%	25.75%	12.46%	9.30%	10.26%	9.32%	8.37%
Out/(under) performance	-0.92%	1.33%	1.80%	4.68%	7.09%	6.83%	4.32%	2.65%	3.81%

Top 3 and bottom 3 performing stocks

Top 3: ResMed Inc (RMD), Altium Ltd (ALU), Elders Ltd (ELD)

Bottom 3: Treasury Wine Estates (TWE), Nearmap Ltd (NEA), OZ Minerals Ltd (OZL)

Portfolio changes

Stocks joined or increased:

Evolution Mining Ltd (+1.00%, Entry): An Australian gold miner. The company's acquisition of the high grade and long life Red Lake gold mine to its existing low cost operations has laid a solid platform for future organic growth.

Altium Ltd (+0.50%): A cloud based printed circuit board software company. The company has revealed plans for unification and domination of the electronic manufacturing industry by 2025 with a 100 thousand subscriber target.

Stocks removed or reduced:

Treasury Wine Estates Ltd (-2.00%): A wine maker, distributor and marketing company. The share price is approaching our valuation target.

Sydney Airport Holdings Ltd (-1.00%): An international and domestic airport operator. The share price is approaching our valuation target.

Market Commentary

World markets fell on US-Iran military tensions as well as the increasing threat of a global outbreak of Coronavirus. The safe haven assets of Gold, Japanese Yen and Swiss Franc all rallied. The US-China phase 1 trade deal was signed with the reduction of some imposed tariffs. The US yield curve flattened due to concerns of a global economic slowdown. The UK officially left the EU at the end of the month. The oil price fell 15% to US\$51 on concerns of lower global demand. The copper price also fell 10% on expectations of lower economic activity levels stemming from the Coronavirus outbreak. The iron ore price was largely flat at \$93 in the lead up to the usual lunar new year holiday shutdown. The Australian dollar fell 3c to US67c. The Australian market outperformed global markets as bushfire recovery stimulus helped stocks rebound from a December fall. The RBA left rates unchanged at 0.75% and 4Q19 CPI growth was +0.7% compared to +0.5% in the Sep19 quarter. Bushfires ravaged Eastern Australia, resulting in insurers increasing claims costs. The Federal Government pledged \$2bn over 2 years to help with the bushfire recovery.

Commonwealth Bank tripled its equity stake in digital payments provider Klarna, which launched in Australia in January. Materials companies released quarterly production reports with the big iron ore miners recording a strong finish to 2019. Oil Search had record PNG LNG production and increased revenue from higher realised prices. OZ Minerals achieved their upper end of production guidance at Prominent Hill and forecast their new Carrapateena mine to produce 4.25mtpa of copper in FY20. Sydney Airport announced flat passenger traffic for December. Treasury Wine Estates downgraded its future earnings outlook due to changing market dynamics and executive turnover in its US division. Nearmap also revised FY20 guidance after the company experienced increased customer churn with the loss of a few larger North American customers. ResMed's HY20 result showed strong growth in its core masks and devices division while a strong contribution from its cloud business improved gross margins to 60%.

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	31/01/2020
Commonwealth Bank Ltd	7.92%
Cochlear Ltd	6.20%
QBE Insurance Group Ltd	5.84%
Fortescue Metals Group Ltd	5.52%
ASX Ltd	5.35%
Xero Ltd	5.04%
ResMed Inc	5.02%
CSL Ltd	4.76%
National Australia Bank Ltd	4.75%
OZ Minerals Ltd	4.29%

Portfolio Commentary

Positives:

RMD - The share price rose as the company announced strong masks growth and organic growth in its SaaS division.

ALU - The share price rose in anticipation of a strong FY20 result.

ELD - The share price rose after the Federal Government announced a \$2bn bushfire recovery package.

Negatives:

TWE - The share price fell after management announced complications in US operations would affect growth targets.

NEA - The share price fell after the company announced the loss of 3 major US clients.

OZL - The share price consolidated after the copper price fell on slowing economic