



# Australian Eagle Asset Management

## March 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               | -17.14% | -20.18% | -16.62% | -6.66%  | 7.47%  | 8.65%  | 9.69%  | 8.12%   | 10.09%         |
| Benchmark               | -20.47% | -23.01% | -22.47% | -13.73% | -0.47% | 1.34%  | 4.97%  | 5.15%   | 6.08%          |
| Out/(under) performance | 3.32%   | 2.82%   | 5.85%   | 7.07%   | 7.94%  | 7.31%  | 4.73%  | 2.97%   | 4.01%          |

### Top 3 and bottom 3 performing stocks

**Top 3:** ASX Ltd (ASX), ResMed Inc (RMD), Fortescue Metals Group Ltd (FMG)

**Bottom 3:** QBE Insurance Group Ltd (QBE), Oil Search Ltd (OSH), Japara Healthcare Ltd (JHC)

### Portfolio changes

#### Stocks joined or increased:

**Goodman Group Ltd (+1.00%, New):** An industrial property management and development company. A strong balance sheet and a globally diversified \$4.3bn development pipeline has laid a strong foundation for future earnings.

**Chorus Ltd (+1.00%, New):** A NZ telecommunications company. A change in dividend policy as the company completes the first stage of the New Zealand broadband rollout heralds increased potential returns for shareholders.

#### Stocks removed or reduced:

**National Australia Bank (-1.00%):** A big 4 Australian bank. Low interest rates and recent nation-wide business shutdowns have curtailed the organic growth profile of the company.

**Oil Search Ltd (-1.00%):** A low cost oil and gas company. A low oil price environment in addition to continued project negotiations with the PNG government have limited near term growth prospects.

### Australian Eagle Portfolio: Top ten holdings

| Stock                      | 31/03/2020 |
|----------------------------|------------|
| Commonwealth Bank Ltd      | 7.75%      |
| Cochlear Ltd               | 6.00%      |
| ASX Ltd                    | 6.00%      |
| Fortescue Metals Group Ltd | 6.00%      |
| CSL Ltd                    | 6.00%      |
| ResMed Inc                 | 5.75%      |
| Xero Ltd                   | 5.50%      |
| OZ Minerals Ltd            | 5.00%      |
| QBE Insurance Group Ltd    | 4.75%      |
| Alitum Ltd                 | 4.75%      |

### Market Commentary

World markets continued to fall as the World Health Organisation declared the COVID-19 outbreak a pandemic with governments shutting down businesses and locking down residents to limit the spread. China progressively relaxed its nation-wide shutdown. President Trump announced a US\$2 trillion stimulus package to help American workers and small businesses affected by the economic disruption. The US Fed cut interest rates twice in 2 weeks and announced it would buy back bonds to help stabilise markets. Global bond yields continued to fall to record lows. The oil price fell 54% to US\$20 as OPEC and Russia failed to agree on supply cuts. The iron ore price remained stable at US\$84. The Australian dollar fell from 65c to 58c intra month, finishing at US61c. The Australian market fell as strict lockdown measures forced many businesses to temporarily close. The Prime Minister announced \$213bn worth of stimulus measures to help Australian workers and small businesses affected by the shutdown measures. The RBA cut rates to 0.25%. Companies withdrew guidance statements while some even deferred or cancelled upcoming dividend payments to preserve cash.

The big banks announced the deferral of small business loan repayments for 6 months. Fortescue maintained FY20 shipping guidance at 170-175mt after experiencing no disruptions to their supply chain. Wesfarmers sold 5.2% of Coles resulting in \$130m pre-tax profit. Woodside Petroleum announced a 50% reduction of FY20 expenditure with growth projects to be delayed until further notice. Japara Healthcare conducted 2 property transactions, realising \$16.9m in net proceeds. Cochlear suffered an unfavourable patent lawsuit judgement and announced plans to raise up to \$930m to enhance liquidity. AMP announced the sale of AMP Life remained on track to complete by 30th June 2020 while client remediation to be 80% complete by end of FY20. Invocare withdrew FY20 guidance after new social distancing measures prevented large gatherings at funerals. Pushpay upgraded FY20 profit guidance as their products had experienced increased recent usage as congregations strived to remain connected. Major portfolio exposures were medical devices & services and technology stocks with less portfolio weight in major banks and retailers.

### Portfolio Commentary

#### Positives:

ASX - The share price rose as the company's infrastructure coped well with a doubling of trading volumes in March.

RMD - The share price rose from increased demand for ventilators due to the COVID-19 outbreak.

FMG - The share price outperformed as the iron ore price remained steady during the month.

#### Negatives:

QBE - The share price fell as the Fed cut interest rates to 0% and COVID-19 forced global shutdowns.

OSH - The share price fell with the oil price after OPEC and Russia failed to extend the current production agreement.

JHC - The share price fell as COVID-19 nursing home deaths forced all aged care homes into lockdown.