



Australian Eagle Asset Management

April 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	9.84%	-15.82%	-9.49%	-1.22%	10.46%	10.99%	10.56%	9.21%	10.72%
Benchmark	8.14%	-20.56%	-15.63%	-8.53%	1.86%	3.39%	5.44%	6.16%	6.61%
Out/(under) performance	1.70%	4.74%	6.15%	7.31%	8.59%	7.60%	5.12%	3.05%	4.11%

Top 3 and bottom 3 performing stocks

Top 3: OZ Minerals Ltd (OZL), Altium (ALU), Xero Ltd (XRO)

Bottom 3: ResMed Inc (RMD), Cochlear Ltd (COH), QBE Insurance Group Ltd (QBE)

Market Commentary

World markets bounced despite the number of COVID-19 cases tripling to over 3m confirmed infections in April. US unemployment reached record highs with over 30m people filing for unemployment benefits. President Trump announced an additional emergency US\$480bn package for small businesses, hospitals and nationwide testing. European countries with low infection rates slowly started reopening their economies. China cut medium term interest rates in a bid to kickstart its economy after easing lockdown measures. The oil price continued to fluctuate due to US oversupply and storage concerns with WTI falling to -US\$40 but recovering to only 7% lower at US\$19. The iron ore price remained stable at US\$84. The Australian dollar recovered 4c to finish at US65c.

Many companies received strong support with oversubscribed institutional placements and share purchase plans over the month due to raisings at deeply discounted prices. National Australia Bank cut its dividend by 64% to 30c while reporting cash earnings halving to \$1.4bn and credit impairment charges increasing from \$470m to \$1.16bn for 1H20. Treasury Wines intends to demerge Penfolds and focus on Luxury and Commercial lines before 2022. Chorus announced a strong increase in demand for data and connections in the March 2020 quarter. OZ Minerals' Carrapateena ramp up remains ahead of schedule but has deferred \$150m worth of capex. Oil Search increased quarterly production but had reduced sales and revenue due to lack of demand. Wiz surpassed \$200m in loan originations with stable loan arrears and low exposure to high risk industry sector participants. AMP announced strong inflows of \$1.3bn and \$1.1bn for its fixed income products and North platform respectively in the March quarter.

Major portfolio exposures were medical devices & services and technology stocks with less portfolio weight in major banks and retailers.

Portfolio changes

Stocks joined or increased:

Chorus Ltd (+1.00%): A NZ telecommunications company. The Company's growth in ultra fast broadband connections and fibre demand have outstripped its decline in fixed line.

Evolution Mining Ltd (+0.50%): A low cost gold mining company. The Company completed its acquisition of Red Lake in Canada and is a strong addition to its current portfolio of low cost Australian mines, generating strong free cash flow.

Stocks removed or reduced:

QBE Insurance Group Ltd (-0.75%): A multinational insurance company. Record low interest rates and worldwide economic shutdowns have affected the company's organic growth profile.

National Australia Bank Ltd (-0.50%): An Australian big 4 bank. The bank's organic growth profile is under pressure with increasing loan impairments and record low interest rates.

The Australian market rose with global markets. The big 4 banks were all downgraded with negative outlooks by credit ratings agencies due to large exposure to the slowing economy. Mining companies announced quarterly results with mixed outlooks as iron ore and gold showed no signs of a slowdown while oil and copper producers downgraded demand forecasts.

Australian Eagle Portfolio: Top ten holdings

Stock	30/04/2020
Commonwealth Bank Ltd	7.25%
ASX Ltd	6.00%
Cochlear Ltd	6.00%
CSL Ltd	6.00%
Fortescue Metals Group Ltd	6.00%
ResMed Inc	5.75%
Xero Ltd	5.50%
OZ Minerals Ltd	5.25%
Altium Ltd	5.00%
Macquarie Group	4.25%

Portfolio Commentary

Positives:

OZL - The share price recovered with the copper price.

ALU - The company withdrew FY20 guidance but maintained confidence in its longer term targets of global domination.

XRO - The share price outperformed on news of significant government support for SMEs.

Negatives:

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

COH - The share price endured profit taking after raising capital at a deep discount.

QBE - The share price continued to fall as interest rates remain at record lows alongside business shutdowns.