



# Australian Eagle Asset Management

## May 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	8.36%	-1.38%	-6.67%	5.58%	13.25%	12.42%	12.46%	10.86%	11.23%
Benchmark	3.85%	-10.66%	-15.25%	-6.99%	4.14%	4.12%	6.72%	7.39%	6.83%
Out/(under) performance	4.51%	9.28%	8.58%	12.56%	9.11%	8.30%	5.74%	3.47%	4.40%

### Top 3 and bottom 3 performing stocks

**Top 3:** Pushpay Holdings Ltd (PPH), Fortescue Metals Group Ltd (FMG), AMP Ltd (AMP)

**Bottom 3:** ResMed Inc (RMD), Treasury Wine Estates Ltd (TWE), Sydney Airport (SYD)

### Portfolio changes

#### Stocks joined or increased:

**AMP Ltd (+0.50%):** A diversified financial services company. The CEO's transformation plan is continuing to show positive signs of progress.

**Evolution Mining Ltd (+0.25%):** A low cost gold mining company. The Company's acquisition of Red Lake in Canada is a strong addition to its portfolio of low cost Australian mines, generating significant free cash flow.

#### Stocks removed or reduced:

**QBE Insurance Group Ltd (-0.50%):** A multinational insurance company. Record low interest rates and worldwide economic shutdowns have affected the company's organic growth profile.

**Xero Ltd (-0.25%):** A small business accounting software company. Slowing subscriber growth in core geographical markets have dampened the future growth prospects of the company.

### Market Commentary

World markets continued to rise as some countries started relaxing lockdown measures despite global COVID-19 cases doubling to over 6m in May. US-China tensions flared up again over the treatment of Hong Kong as well as an investigation over the origins of the coronavirus. The ECB announced a EUR500bn recovery fund for regions hit hardest by COVID-19. China abandoned its annual GDP target but increased infrastructure spend to stimulate the local economy. China imposed up to 80% tariffs on Australian barley imports amid claims of dumping. Production cuts helped the oil price recover from US\$19 to \$35. The iron ore price rose to US\$102 on supply concerns in Brazil. The copper price rose 4% to \$2.42 on economic recovery optimism. The Australian dollar rose 1c to finish at US66c.

The Australian market rose with global markets. The unemployment rate rose from 5.2% to 6.2% mainly due to the effects of lockdown measures. Westpac reported H1 20 results, with both CBA and Westpac adding over \$1.5bn in loan impairment provisions due to COVID-19. CBA also sold a 55% stake in CFS to KKR for a \$1.5bn gain to improve its capital ratio by 30-40bps.

AMP announced that their NZ wealth business is no longer up for sale. Pushpay's FY20 total processing volume rose 39% to US\$5.0bn while gross margins increased 5% to 65%. Goodman Group quarterly report reaffirmed FY20 distribution guidance and announced \$2.5bn developments had recently commenced work. Cochlear announced a major fall in the number of implant surgeries across major markets with the exception of China which has already recovered to pre-virus levels. Altium withdrew guidance but remains committed to its 2025 target of 100k subscribers. Xero announced its maiden profit but had slowing rates of growth across all major geographical regions. Elders 1H20 result contained a strong contribution from its agency division and recent AIRR acquisition. Wesfarmers announced a restructure of Target with the closure of up to 175 stores but with an increased digital offering. Japara Healthcare announced a non-cash impairment of \$270-300m and a slight drop in occupancy rate from 93.0% to 91.7%. Major portfolio exposures were medical devices & services and technology stocks with less portfolio weight in major banks and retailers.

### Australian Eagle Portfolio: Top ten holdings

Stock	31/05/2020
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%
OZ Minerals Ltd	5.25%
Xero Ltd	5.25%
Altium Ltd	5.00%
Macquarie Group	4.25%

### Portfolio Commentary

**Positives:**  
PPH - The share price rose after management released FY21 guidance for a doubling of profit.

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

AMP - The share price rose after the AGM revealed the sale of AMP Life remains on track for 30th June 2020.

#### Negatives:

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

TWE - The share price underperformed as the market waits for a trading update from the company.

SYD - The share price underperformed after management cancelled the HY20 distribution.