



# Australian Eagle Asset Management

## June 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	2.60%	22.12%	-2.53%	4.33%	13.73%	14.83%	13.77%	11.33%	11.36%
Benchmark	3.02%	15.98%	-10.70%	-7.84%	5.17%	5.84%	7.49%	7.99%	7.00%
Out/(under) performance	-0.41%	6.14%	8.18%	12.17%	8.57%	8.98%	6.29%	3.34%	4.36%

### Top 3 and bottom 3 performing stocks

**Top 3:** ResMed Inc (RMD), OZ Minerals Ltd (OZL), Pushpay Holdings Ltd (PPH)

**Bottom 3:** Altium Ltd (ALU), ASX Ltd (ASX), Japara Healthcare Ltd (JHC)

### Market Commentary

World markets continued to recover as global economic data showed signs of improvement with two drugs potentially aiding COVID-19 patient recoveries. Developing countries disclosed surging infection rates from COVID-19 with global cases surpassing 10m. The US Fed stated it will support the economy and not raise interest rates until at least 2022. The ECB announced an increase in its emergency bond purchases by EUR600bn until the end of 2021. Chinese manufacturing data showed continued expansion from May while retail sales continued to lag. The oil price continued to recover due to agreed production cuts, rising from US\$35 to \$41. The iron ore price fell \$3 to US\$99 as Brazil allowed some mines to restart production. Copper rose 12% to \$2.73/lb on strong Chinese data and supply concerns in Chile. The Australian dollar rose 3c to finish at US69c. The Australian market rose with global markets. The unemployment rate rose from 6.2% to 7.1% as 227k jobs were lost in May. CSL announced the acquisition of the global licence for late stage gene therapy for Haemophilia B for US\$450m. Altium announced its temporary pricing strategy will impact revenue growth

despite subscriber numbers growth remaining strong. AMP announced that the sale of AMP Life had received all necessary regulatory approvals. Evolution Mining divested Cracow gold mine for up to \$125m. Wesfarmers experienced a strong surge in sales but said COVID-19 costs would offset some sales growth. Wiser returned to pre-COVID-19 growth levels with +48% loan originations in May. Pushpay continued to experience strong adoption of its technology and upgraded FY21 profit guidance to \$50-54m. Sydney Airport announced -97% May passenger traffic numbers due to domestic and international travel restrictions. OZ Minerals announced a pre-feasibility study for its new Carrapateena mine which will double its annual output to 12mtpa by 2026. Goodman Group announced the building of an Amazon fulfillment warehouse on a Goodman Group property in Western Sydney. Rio Tinto announced that the Mongolian government agreed to fund and build the power plant for its proposed copper mine in Oyu Tolgoi.

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:

**AMP Ltd (+0.75%):** A diversified financial services company. The completion of the sale of AMP Life for \$3bn has given management the capital needed to implement its wealth management turnaround strategy.

**Nearmap Ltd (+0.50%):** A high resolution aerial imagery company. The company's annualised contract value has started to improve despite the COVID-19 disruptions while coinciding with the launch of its new innovative artificial intelligence product.

#### Stocks removed or reduced:

**Rio Tinto Ltd (-1.00%, Exit):** A global diversified mining company. The company's long term strategy contains capital intensive projects and lacks significant growth drivers.

**Altium Ltd (-0.75%):** A circuit board design software company. The impact of COVID-19 has slowed the company's near term rate of growth.

### Australian Eagle Portfolio: Top ten holdings

Stock	30/06/2020
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	5.75%
Xero Ltd	4.75%
AMP Ltd	4.50%
Altium Ltd	4.25%

### Portfolio Commentary

#### Positives:

RMD - The share price rose after a period of consolidation.

OZL - The share price rose with the copper price.

PPH - Management upgraded FY21 guidance within 2 months of announcing its FY20 result.

#### Negatives:

ALU - The share price fell after management stated consensus estimates may not be reached for FY20.

ASX - The share price steadied after outperforming during the recent downturn.

JHC - The company announced a \$270-300m impairment due to the effects of COVID-19.