



Australian Eagle Asset Management

September 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	-3.90%	1.38%	23.81%	3.23%	13.23%	16.07%	12.02%	10.91%	11.26%
Benchmark	-3.70%	-0.79%	15.06%	-10.79%	4.74%	7.15%	5.92%	7.13%	6.83%
Out/(under) performance	-0.20%	2.17%	8.74%	14.02%	8.48%	8.92%	6.10%	3.78%	4.43%

Top 3 and bottom 3 performing stocks

Top 3: Cochlear Ltd (COH), Elders Ltd (ELD), Pushpay Holdings Ltd (PPH)

Bottom 3: AMP Ltd (AMP), Nearnmap Ltd (NEA), QBE Insurance Group Ltd (QBE)

Portfolio changes

Stocks joined or increased:

Nil

Stocks removed or reduced:

QBE Insurance Group Ltd (-0.50%): A multinational insurance group. The share price is reaching our valuation target.

Fortescue Metals Group Ltd (-0.50%): An Australia iron ore miner. The share price is reaching our valuation target.

Market Commentary

World markets fell as second wave COVID-19 infections spread in Europe and US tech leaders suffered a correction. The US Fed indicated that interest rates will remain low for the next 3 years but further fiscal stimulus remains subject to negotiations between the two major parties. France unveiled a EUR100bn stimulus plan to revive the domestic economy. The Chinese central bank injected 600bn yuan of medium term loans into the banking system to supplement liquidity. Chinese factory data showed a continued output recovery since March. The oil price fell 7% to US\$40 due to oversupply concerns and the weak economic recovery. The iron ore price fell to \$113 intra month but recovered to be flat at \$123/t. The Australian dollar fell 1c to finish below US72c.

The Australian market under-performed global markets as Victoria remained under stage 4 lockdown restrictions. The unemployment rate fell from 7.5% to 6.8% in August despite restrictions on business operations. AMP announced strong progress with its 3 year turnaround plan while considering all expressions of interest in company assets. Macquarie Group's update revealed tough trading conditions

with 1H21 profit anticipated to be 35% lower. The Federal Government agreed to provide funding to CSL to manufacture COVID-19 vaccines from Oxford University and AstraZeneca for release in 2021. Lendlease announced the completion of the sale of its engineering business while retaining 3 projects, 2 of which are over 90% complete. QBE announced that damages from its UK legal cases from COVID-19 shutdown claims should be limited to \$70m due to catastrophe reinsurance protections. Nearnmap raised \$72m in equity to accelerate its sales and marketing in North America while supporting its development of a new HyperCamera3 for superior image capturing. Cassini Resources shareholders voted in favour of a demerger and sale of the West Musgrave asset to OZ Minerals for a combination of script and cash. ASX announced a further 6 to 9 month delay of the launch of its CHES replacement to accommodate further digitisation improvements after receiving indications of users requiring additional capacity and functionality.

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	30/09/2020
Commonwealth Bank Ltd	7.25%
CSL Ltd	6.00%
Cochlear Ltd	6.00%
OZ Minerals Ltd	6.00%
ASX Ltd	6.00%
Fortescue Metals Group Ltd	5.50%
ResMed Inc	5.00%
Altium Ltd	4.50%
Xero Ltd	4.50%
Macquarie Group Ltd	4.25%

Portfolio Commentary

Positives:

COH - The share price rose after a period of underperformance.

ELD - The share price rose as recent favourable conditions supported continued earnings recovery.

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

Negatives:

AMP - The share price fell after the new chairperson announced a group wide review of its assets and divisions.

NEA - The share price consolidated after the company raised capital to accelerate growth opportunities.

QBE - The share price fell after the CEO was dismissed for inappropriate workplace communications.