



Australian Eagle Asset Management

October 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	4.18%	4.07%	17.43%	6.28%	12.57%	15.74%	12.13%	11.12%	11.49%
Benchmark	2.09%	0.78%	8.36%	-8.59%	4.17%	6.72%	5.64%	7.17%	6.93%
Out/(under) performance	2.09%	3.29%	9.07%	14.87%	8.39%	9.02%	6.49%	3.95%	4.55%

Top 3 and bottom 3 performing stocks

Top 3: ResMed Inc (RMD), AMP Ltd (AMP), Cochlear Ltd (COH)

Bottom 3: ASX Ltd (ASX), Evolution Mining Ltd (EVN), QBE Insurance Group Ltd (QBE)

Portfolio changes

Stocks joined or increased:

Corporate Travel Management Ltd (+1.00%, Entry): A multinational corporate travel agent. The company's recent acquisition will provide a strong strategic addition to its growing footprint in the lucrative North American corporate travel market.

HUB24 Ltd (+0.50%): A wealth management platform provider. The company's recent acquisitions have strengthened its position in the growing market for specialist wealth platform providers.

Stocks removed or reduced:

Treasury Wine Estates Ltd (-0.75%, Exit): A multinational wine producer and distributor. The share price has reached our valuation target.

QBE Insurance Group Ltd (-0.50%): A multinational insurance group. Management turnover has increased the uncertainty surrounding the company's turnaround strategy.

Market Commentary

World markets fell as US stimulus talks failed to reach agreement before the upcoming US election and US technology stocks corrected on cautious outlook statements. Many European nations were forced to re-enter lockdowns due to surging COVID-19 cases. Eurozone industrial production fell due to the plunge in output of capital goods. China announced its new 5 year plan which featured increased focus on renewable energy, domestic consumption and production of locally developed technology. The Chinese economy grew +4.9% for the September quarter, supported by strong industrial output numbers. The oil price fell 10% to US\$37 as oversupply concerns lingered. The iron ore price fell 5% to \$117 as Vale announced a strong recovery of production in the September quarter. The Australian dollar continued its fall to finish at US70c as expectations grew of a Reserve Bank rate cut.

The Australian market outperformed global markets as the new budget revealed \$98bn in new spending and tax relief for individuals and businesses to stimulate spending. The big banks announced growing impaired loans despite most resuming repayments

after a deferral period. Chorus reported continued strong fibre uptake and increased data usage for the Sep20 quarter. AMP received \$688m in inflows into real assets. Fortescue reiterated FY21 guidance and stated that its growth projects in Eliwana and Iron Bridge both remain on schedule. Oz Minerals reported strong cashflows for the September quarter and raised gold production targets. CSL finalised an agreement to supply 51m doses of University of Queensland's COVID-19 vaccine. Japara Healthcare reported that COVID-19 had negatively affected occupancy levels in Victoria but confirmed 2 new homes will open in 2H21. ResMed announced higher earnings and margins in 1Q21 due to strong demand for ventilators and masks in all regions. Hub24 raised \$60m in a placement to help fund acquisitions of 3 financial services firms. Mach7 Technologies added 9 new customers in 1Q21 and will relaunch its brand after completing its acquisition of Client Outlook.

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	31/10/2020
Commonwealth Bank Ltd	7.25%
CSL Ltd	6.00%
Cochlear Ltd	6.00%
OZ Minerals Ltd	6.00%
ASX Ltd	5.75%
Fortescue Metals Group Ltd	5.25%
ResMed Inc	5.00%
Altium Ltd	4.50%
Xero Ltd	4.50%
Macquarie Group Ltd	4.50%

Portfolio Commentary

Positives:

RMD - The share price rose as sales exceeded expectations in the September quarter.

AMP - The company received a conditional takeover proposal at \$1.85.

COH - Management revealed continued recovery of implant surgeries in developed countries.

Negatives:

ASX - The company's CHES replacement go-live date was extended by 12 months to April 2023.

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

QBE - The company appointed an interim CEO, placing doubt on the existing turnaround plan.