



# Australian Eagle Asset Management

## November 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	9.16%	9.29%	18.29%	10.41%	14.98%	17.76%	13.83%	12.19%	12.04%
Benchmark	10.22%	8.37%	15.01%	-2.53%	7.09%	8.98%	7.28%	8.34%	7.56%
Out/(under) performance	-1.06%	0.92%	3.28%	12.94%	7.89%	8.78%	6.55%	3.85%	4.48%

### Top 3 and bottom 3 performing stocks

Top 3: Japara Healthcare Ltd (JHC), Xero Ltd (XRO), Oil Search Ltd (OSH)

Bottom 3: Pushpay Ltd (PPH), ASX Ltd (ASX), Altium Ltd (ALU)

### Market Commentary

World markets rebounded on news of successful trial results for 3 potential COVID-19 vaccines despite number of cases surging in the US and Europe. President Trump refused to concede the US election on claims of widespread voter fraud. Many European countries experiencing 2nd wave infections implemented widespread lockdowns and stimulus measures. Chinese factory output numbers continued to rise but the retail recovery continued to lag. Sino-Australia tensions rose as China announced more tariffs on Australian goods including wine. The oil price rose 26% to US\$45 after news of imminent vaccine approvals. The copper price rose to \$3.44/lb as the global economic recovery continued to gather pace. The iron ore price rebounded 12% to US\$129 as Chinese steel production rose. The Australian dollar rose 4% to over US73c.

AMP management revealed an indicative takeover bid at \$1.85 per share.

Pushpay's integration of its acquisition showed early signs of successful cross-selling to existing customers and also conducted a 4 for 1 share split. Goodman Group announced solid progress with over \$7.3bn projects currently under development. Macquarie Group reported a decrease in markets facing division earnings but have maintained a solid capital position. Incitec Pivot expressed confidence in its fertiliser division after experiencing severe drought and low commodity prices at the start of the year. Xero's 1H21 result displayed strong cashflow generation despite subscriber growth slowing due to COVID.

Wesfarmers reported continued sales growth in Bunnings with strong online penetration aided by Catch. Elders FY20 result produced a strong contribution from its recent AIRR acquisition with group profit to continue to grow at 5-10% annually. Nearmap narrowed its FY21 ACV guidance to \$120-128m with medium term growth of 20-40% p.a.

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:

**National Australia Bank Ltd (+1.00%):** An Australian big 4 bank. Divestment of non-core assets and completion of the transformation program have reduced complexity and increased technology capability, providing a solid platform for future organic growth.

**Mach7 Technologies Ltd (+0.50%):** An enterprise healthcare image viewing software company. The completion of the acquisition of Client Outlook has strengthened the company's revenue and market share acquisition opportunities.

#### Stocks removed or reduced:

**ASX Ltd (-1.00%):** A stock exchange owner and operator. The recent interruption of service has raised questions about the need for more rigorous regulatory oversight.

**Evolution Mining Ltd (-0.50%):** A multinational gold mine owner and operator. The company's large Red Lake acquisition is yet to prove itself as an earnings growth driver.

### Australian Eagle Portfolio: Top ten holdings

Stock	30/11/2020
Commonwealth Bank Ltd	7.25%
CSL Ltd	6.00%
Cochlear Ltd	6.00%
OZ Minerals Ltd	6.00%
Fortescue Metals Group Ltd	5.25%
ResMed Inc	5.00%
ASX Ltd	4.75%
Altium Ltd	4.50%
Xero Ltd	4.50%
Macquarie Group Ltd	4.50%

### Portfolio Commentary

#### Positives:

JHC - The share price rose after a competitor received a takeover bid.

XRO - The share price rose after the FY20 result showed a significant increase in profit and free cashflow.

OSH - The share price followed the oil price higher.

#### Negatives:

PPH - The share price fell after the HY21 result showed minimal increase in customers.

ASX - The share price fell after an unplanned outage caused the exchange to cease trading for 1 whole day.

ALU - The share price underperformed after the CEO announced FY21 earnings would be heavily weighted towards the 2nd half.