



# Australian Eagle Asset Management

## December 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	-0.32%	13.35%	14.92%	12.01%	14.01%	17.42%	13.76%	11.91%	11.95%
Benchmark	1.12%	13.78%	12.89%	0.80%	6.89%	8.66%	7.34%	8.09%	7.59%
Out/(under) performance	-1.44%	-0.43%	2.03%	11.21%	7.12%	8.76%	6.42%	3.82%	4.36%

### Top 3 and bottom 3 performing stocks

Top 3: Fortescue Metals Group Ltd (FMG), OZ Minerals Ltd (OZL), Xero Ltd (XRO)

Bottom 3: Cochlear Ltd (COH), Japara Healthcare Ltd (JHC), AMP Ltd (BHP)

### Market Commentary

World markets continued to rise as approved vaccines began distribution among Western countries. The 2nd US stimulus package remained locked in negotiations after the US Senate rejected the proposal for larger relief cheques for Americans. US-China tensions remained high with fresh financial and travel sanctions on Chinese officials and companies. The UK agreed to a Brexit trade deal but suffered from a surge in COVID cases due to a new highly infectious strain. The ECB held interest rates steady but expanded its bond buying program by EUR500bn in a bid to further stimulate the Eurozone. The Chinese economic rebound continued to gather pace with a strong jump in industrial production. Sino-Australia tensions persisted with China banning imports of Australian coal and grain. The oil price rose 7% to US\$48 as OPEC reconsidered its output increase. The iron ore price rose 22% to US\$160 on strong Chinese steel output. The Australian dollar rose 5% to US77c. The Australian market underperformed global markets after an outbreak in Sydney sparked new local border restrictions before Christmas. The unemployment rate fell from 7.0% to 6.8% as the economy continued its recovery with new jobs and a higher

participation rate. BHP announced it will restart mining in Samarco, 5 years after the fatal dam incident. Macquarie Group acquired Waddell & Reed Financial, a US asset management business for US\$1.7bn. OZ Minerals announced the ramp up of production in Carrapateena has completed 6 months ahead of schedule. Fortescue announced the production of its first ore from the new higher grade mine at Eliwana. CSL announced that its trial of a COVID-19 vaccine will not progress to Phase 2 or 3 due to antibodies that result in false HIV positive tests. Cochlear was denied its appeal of a US patent infringement case, resulting in a settlement being paid. Pushpay conducted a NZ\$97.9m bookbuild to facilitate the selldown by a founder. HUB24 announced it will provide the wrap platform solution to IOOF, utilising all aspects of the HUB24 services including custody and administration. QBE's trading update revealed a turnaround in investment income and higher insurance premiums were not enough to offset large insurance losses stemming from catastrophes and COVID.

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:

**Nitro Software Ltd (+0.50%, New):** A productivity software provider. The company's innovative suite of products have been gaining market share from larger competitors.

**HUB24 Ltd (+0.50%):** A wealth management platform services company. Management is building a strong ecosystem after acquiring competitors, making it the largest new generation investment platform provider in Australia.

#### Stocks removed or reduced:

**Invocare Ltd (-1.00%, Exit):** A multinational funerals provider. The recent transformation strategy has yet to provide tangible growth, resulting in management instability.

**QBE Insurance Group Ltd (-0.50%):** A global insurance provider. Elevated catastrophe experience and additional claims resulting from COVID have more than offset positive premium growth momentum.

### Australian Eagle Portfolio: Top ten holdings

Stock	31/12/2020
Commonwealth Bank Ltd	7.50%
OZ Minerals Ltd	6.00%
Cochlear Ltd	6.00%
CSL Ltd	6.00%
Fortescue Metals Group Ltd	5.75%
ResMed Inc	5.00%
National Australia Bank Ltd	4.75%
ASX Ltd	4.50%
Xero Ltd	4.50%
Altium Ltd	4.25%

### Portfolio Commentary

#### Positives:

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

OZL - The share price rose with the copper price.

XRO - The share price continued to rise after the company announced strong HY21 profit growth.

#### Negatives:

COH - The share price fell as increased lockdown measures in developed countries delayed elective surgeries.

JHC - The share price fell as a 2nd wave of COVID infections in Sydney threatened occupancy rates.

AMP - The share price corrected as there was no news on the potential takeover.