



# Australian Eagle Asset Management

## February 2021 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	1.63%	1.12%	10.50%	17.96%	13.15%	18.73%	13.77%	12.02%	11.93%
Benchmark	1.47%	3.02%	11.65%	5.86%	7.56%	10.75%	7.36%	8.00%	7.64%
Out/(under) performance	0.16%	-1.91%	-1.14%	12.10%	5.59%	7.98%	6.41%	4.02%	4.29%

### Top 3 and bottom 3 performing stocks

Top 3: OZ Minerals Ltd (OZL), Cochlear Ltd (COH), Corporate Travel Management Ltd (CTD)

Bottom 3: Altium Ltd (ALU), ResMed Inc (RMD), HUB24 Ltd (HUB)

### Portfolio changes

#### Stocks joined or increased:

**BHP Group Ltd (+1.50%):** A diversified multinational miner. The company's South Flank iron ore mine will add to its existing low cost operations and is on track for first production by mid 2021.

**Corporate Travel Management Ltd (+0.75%):** A multinational corporate travel agency. The company's has successfully reset the cost base lower and is starting to see signs of a strong recovery in corporate travel.

#### Stocks removed or reduced:

**Lendlease Ltd (-1.50%, Exit):** A diversified developer and property fund management platform provider. The company's share price has reached our valuation target.

**Chorus Ltd (-1.00%):** A NZ wholesale broadband provider. The Commerce Commission's new upcoming regulatory framework may be less favourable for the company.

### Market Commentary

World markets rose as President Biden's \$1.9 trillion stimulus plan was approved by the House of Representatives. Parts of the US suffered rolling blackouts from a sudden freeze event. Concerns about inflation drove long term bond yields to recent highs. The US Fed reiterated its plan to keep interest rates low and for fiscal stimulus to continue until the end of the pandemic. European factory activity rose to a 3yr high as the UK announced the gradual easing of lockdown restrictions in conjunction with the COVID-19 vaccine rollout. Chinese manufacturing data showed increased activity as the country successfully repelled another COVID-19 infection wave. The oil price rose 17% to US\$62 as the US freeze shut down oil production. The copper price rose to multi-year highs, ending at US\$4.09/lb. The iron ore price rose 11% to US\$174/t as Chinese steel mills revealed low inventory levels in the lead up to lunar new year. The Australian dollar rose 1c to US77c. The Australian market rose as reporting season showcased the changes companies made to adopt to life after a pandemic. The RBA held rates steady at 0.1% and extended its bond buying program by an extra \$100bn.

Macquarie Group's trading update revealed the US freeze event provided an uplift to its Commodities & Global Markets division. Commonwealth Bank reported strong home lending growth accompanied by a significant decrease in loan deferrals. AMP announced a private markets JV with Ares Management, potentially receiving \$1.55bn for 60% of AMP Capital. Nearmap announced a return to growth in the US with progress under its new 3 pillars strategy. OZ Minerals announced it will focus on adding value to existing projects after a successful ramp up of Carrapateena production. Fortescue announced a record interim dividend due to high iron ore prices but also revealed a \$400m cost overrun with its Iron Bridge project. Altium announced a slowdown in growth for 1H21 along with an updated flight path including potential acquisitions in reaching its long term 2025 goals. Corporate Travel revealed a strong recovery in activity since its last update in Sep 20.

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	28/02/2021
Commonwealth Bank Ltd	7.25%
Fortescue Metals Group Ltd	6.00%
OZ Minerals Ltd	6.00%
Cochlear Ltd	5.75%
CSL Ltd	5.50%
National Australia Bank Ltd	5.25%
Macquarie Group Ltd	5.00%
ResMed Inc	4.50%
ASX Ltd	3.75%
AMP Ltd	3.50%

### Portfolio Commentary

#### Positives:

OZL - The share price rose with the copper price.

COH - The share price rose after the 1H21 result revealed a strong recovery in implant surgeries in US and China.

CTD - The share price rose as management revealed significant client wins will contribute to a strong 2H21 recovery.

#### Negatives:

ALU - The share price fell after the company gave lower FY21 guidance.

RMD - The share price fell as the digital SaaS business growth slowed during COVID.

HUB - The share price fell as concerns grew about the falling cash margin income.