



Australian Eagle Asset Management

June 2021 Monthly Report - Australian Eagle Long-Only Equity

Portfolio performance

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year	7 Year	10 Year	Inception p.a.
Portfolio	3.65%	9.24%	11.83%	28.52%	14.53%	19.00%	15.21%	13.66%	12.34%
Benchmark	2.14%	8.47%	13.31%	27.92%	9.91%	11.27%	8.78%	9.48%	8.17%
Out/(under) performance	1.51%	0.77%	-1.48%	0.60%	4.62%	7.73%	6.43%	4.18%	4.17%

Top 3 and bottom 3 performing stocks

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

Bottom 3: OZ Minerals Ltd (OZL), Evolution Mining Ltd (EVN), QBE Insurance Group (QBE)

Portfolio changes

Stocks joined or increased:

Woolworths Ltd (+1.50%): A large Australian consumer staples retailer. The demerger of Endeavour Group has completed, leaving the company with excess capital to return to shareholders and deploy towards new growth projects.

Incitec Pivot Ltd (+0.75%): A multinational fertiliser and explosives business. A rising fertiliser price is providing a favourable tailwind to management's operational turnaround plan.

Stocks removed or reduced:

Nearmap Ltd (-1.50%, Exit): A multinational aerial imagery technology and location data provider. The receipt of a lawsuit from a US competitor is expected to distract management from operational performance.

OZ Minerals Ltd (-0.75%): A low cost copper and gold miner. The company's Brazilian operations continue to drag on production due to local COVID-19 restrictions.

Market Commentary

World markets were mixed as US bond yields fell on weaker than expected consumer price increases and job numbers. The US Fed confirmed interest rates would stay at current levels before raising at least twice in 2023. The ECB also stated it was too early to hike interest rates despite a rise in inflation and strong economic data. China released a series of economic data showing moderating economic growth from a gradual unwinding of pandemic stimulus. The oil price rose 10% to \$73/bbl from buoyant global demand, prompting OPEC to discuss production increases. The iron ore price recovered to finish up 8% at US\$214/t despite Chinese regulator crackdowns on price speculators. The copper price fell 8% to \$4.29/lb as China announced the release of national base metals reserves to boost supply and assist Chinese companies. The Australian dollar fell 2c to US75c.

The Australian market rose as technology stocks rallied on subsiding inflationary fears offset by profit taking in the big banks. Unemployment continued to fall from 5.5% to 5.1%. Recent COVID-19 outbreaks led to 4 Australian state capitals going into lockdown at the end of June.

Telstra sold 49% of its mobile tower assets to a consortium of large Australian institutions for \$2.8bn and pledged to return 50% of proceeds to TLS shareholders. Wesfarmers successfully issued \$900m worth of sustainability-linked bonds. Japara received competing takeover offers, granting both bidders due diligence access. AUSTRAC initiated a formal investigation of NAB due to potential non-compliance with customer identification procedures. Altium rejected a takeover bid from Autodesk and reiterated its FY25 subscriber and revenue targets. Woolworths demerged Endeavour Group while also announcing redundancy costs for modernising its supply chain with a new Sydney distribution centre. Pushpay reconfirmed its FY22 profit guidance of US\$64-69m at the AGM. BHP indicated that its US\$5.7bn Jansen potash project in Canada should begin development in the near future. CBA sold its general insurance business to Hollard Group for \$625m. Nitro acquired PDFpen to give its users access to its productivity products across all major operating platforms. Major relative portfolio exposures were medical devices & services and technology stocks with less portfolio weight in major banks and industrials.

Australian Eagle Portfolio: Top ten holdings

Stock	30/06/2021
Commonwealth Bank Ltd	8.00%
CSL Ltd	5.75%
Cochlear Ltd	5.75%
Macquarie Group Ltd	5.25%
OZ Minerals Ltd	5.25%
Fortescue Metals Group Ltd	5.00%
ResMed Inc	4.75%
National Australia Bank Ltd	4.50%
Incitec Pivot Ltd	4.25%
ASX Ltd	4.00%

Portfolio Commentary

Positives:

ALU - The share price rose as the company received a takeover bid from a large US design software company.

RMD - The share price rose as one of the company's competitors suffered a product recall.

COH - Stronger outlooks for unit and revenue growth post pandemic drove shareprice performance.

Negatives:

OZL - The share price fell with the copper price.

EVN - The share price followed the gold price lower.

QBE - The share price fell after a period of outperformance.