



Australian Eagle Asset Management

July 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	1.60%	6.94%	13.82%	28.65%	15.08%	17.19%	14.74%	14.30%	12.38%
Benchmark	1.16%	6.02%	14.16%	28.76%	5.32%	10.21%	8.30%	10.10%	8.21%
Out/(under) performance	0.43%	0.92%	-0.34%	-0.11%	9.76%	6.98%	6.44%	4.20%	4.17%

Top 3 and bottom 3 performing stocks

Top 3: Incitec Pivot Ltd (IPL), ResMed Inc (RMD), Japara Healthcare (JHC)

Bottom 3: Altium Ltd (ALU), HUB24 Ltd (HUB), AMP Ltd (AMP)

Portfolio changes

Stocks joined or increased:

Telstra Ltd (+1.00%): An Australian telecommunications infrastructure owner and retailer. After the successful minority sale of its mobile tower assets, management has flagged further plans to unlock value from its balance sheet.

Incitec Pivot Ltd (+0.50%): A multinational fertiliser and explosives business. Rising commodity prices are providing a favourable tailwind to management's successful turnaround plan.

Stocks removed or reduced:

Evolution Mining Ltd (-0.50%): A low cost gold miner. Doubts have arisen over the company's ability to execute its expansion and cost out program in Canada.

National Australia Bank Ltd (-0.50%): An Australian big 4 bank. The company's share price is approaching our valuation target.

Market Commentary

World markets were mixed as M&A activity gathered pace while US bond yields continued to fall on weaker economic data and rising COVID-19 cases. The US Fed stated it wants further economic progress before it can start to taper bond purchases. The UK relaxed the majority of their social restrictions after a largely successful vaccination rollout despite rising COVID-19 infections. The ECB pledged to keep interest rates low despite upbeat company quarterly updates. The Chinese government announced a crackdown on Chinese companies listed overseas as well as technology and private education businesses. The oil price rose \$1 to \$74/bbl as global consumption continued to rise. The iron ore price fell 15% at the end of the month to US\$182/t as the Chinese government put restrictions on steel production. The Australian dollar fell 2c to US73c.

The Australian market continued to rise, led by mining and technology stocks. Unemployment continued to fall from 5.1% to a 10yr low of 4.9%. Greater Sydney remained in lockdown with increasingly stringent restrictions. Macquarie Group lowered its dividend payout range by 10% but revealed improved trading conditions for 1Q22.

IDP Education acquired an English testing company in India for GBP130m with strong projected growth and synergies. AMP sold its Global Equity and Fixed Income business to Macquarie for \$185m. Fortescue announced record 4Q21 shipments with high realised iron ore prices boosting cashflow. Woodside Petroleum announced growing revenue due to rising oil and gas prices along with plans to sell down development assets in 2H21. Oil Search revealed a takeover bid from Santos after dismissing its CEO. Autodesk walked away from takeover talks with Altium. Evolution Mining raised equity to acquire nearby Northern Star assets to increase scale. BHP announced a nickel supply agreement with Tesla. Incitec Pivot announced that all of its production facility turnarounds are complete and now running reliably. OZ Minerals upgraded its gold production and C1 cash cost guidance despite lower quarterly production from Brazil due to COVID restrictions. Nitro announced the integration of Nitro Sign into Salesforce's CRM software.

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	31/07/2021
Commonwealth Bank Ltd	8.00%
CSL Ltd	5.75%
Cochlear Ltd	5.50%
OZ Minerals Ltd	5.50%
Macquarie Group Ltd	5.25%
Fortescue Metals Group Ltd	5.00%
ResMed Inc	4.75%
Incitec Pivot Ltd	4.75%
Telstra Ltd	4.50%
ASX Ltd	4.00%

Portfolio Commentary

Positives:

IPL - Management revealed that the company is benefiting from rising commodity prices.

RMD - One of the company's main competitors revealed the consequences of a product recall.

JHC - The company received an improved takeover offer from one of its bidders.

Negatives:

ALU - The share price fell after a takeover bidder walked away from negotiations.

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

AMP - The share price fell after ASIC commenced legal proceedings against the company.