



# Australian Eagle Asset Management

August 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	1.91%	7.32%	14.14%	26.13%	15.01%	17.17%	14.72%	14.63%	12.44%
Benchmark	2.28%	5.68%	15.07%	28.48%	10.12%	11.05%	8.57%	10.56%	8.31%
Out/(under) performance	-0.37%	1.64%	-0.93%	-2.35%	4.89%	6.12%	6.15%	4.07%	4.13%

### Top 3 and bottom 3 performing stocks

Top 3: ASX Ltd (ASX), ResMed Inc (RMD), HUB24 Ltd (HUB)

Bottom 3: Altium Ltd (ALU), Cochlear Ltd (COH), Fortescue Metals Group Ltd (FMG)

### Portfolio changes

#### Stocks joined or increased:

**IGO Ltd (+1.00%, New):** An Australian clean energy metals miner. The company's acquisition of an equity stake in Greenbushes mine and a lithium hydroxide plant has laid a strong platform for future organic growth.

**Newcrest Mining Ltd (+1.00%, New):** A multinational low cost gold miner. Solid production performance at its long life Cadia mine is providing strong cashflow to fund multiple organic development options.

#### Stocks removed or reduced:

**Evolution Mining Ltd (-1.00%, Exit):** A low cost gold miner. Doubts have arisen over the company's ability to execute its expansion and cost out program in Canada.

**Japara Healthcare Ltd (-1.50%):** An aged care facilities owner and operator. The company has recommended a takeover bid to shareholders and the share price is reaching our valuation.

### Market Commentary

World markets rose despite rising COVID-19 cases and widespread shortages dampening confidence for robust economic growth. Bond yields rose during a volatile month, undeterred by conflicting economic data. The US Fed stated it may start to taper bond purchases before the end of 2021. Recent EU inflation of 3% exceeded the ECB's target by 1%. German business morale fell for the 2nd straight month on supply chain bottlenecks and rising COVID cases. The Chinese government continued its society-wide crackdown plan to redistribute wealth among its citizens. The oil price fell 7% to US\$68/bbl on fears of slowing demand. The iron ore price fell another 15% to US\$154/t as the Chinese government maintained its steel production restrictions. The Australian dollar remained flat at US73c.

The Australian market rose during reporting season as technology stocks and continued M&A activity offset falls in the big miners. The unemployment rate fell below 5.0% for the first time in 10 years. However, future readings are set to show the effects of the ongoing lockdowns in NSW and Victoria. The big miners declared large dividends but share prices followed iron ore prices

lower. Oil Search agreed to an improved all-scrip merger proposal from Santos. BHP agreed to merge its oil and gas assets with Woodside Petroleum for scrip. Fortescue announced that its Iron Bridge project remains on track for first production by Dec 2022. CSL reported unprecedented demand for its flu vaccines in FY21. Telstra acquired Medical Director for \$350m to integrate with its Telstra Health division. CBA announced continued market share growth in both business and retail banking as well as a \$6bn off-market buyback. AMP's new CEO revealed that the company \$300m transformation is on track for completion by FY22 and will repay \$700m debt in 2H21. Chorus announced that the Commerce Commission's draft RAB decision was more favourable than first anticipated. Corporate Travel reported that 4Q21 operations were EBITDA positive due to a restart in northern hemisphere travel. Wesfarmers revealed weaker 2H21 performance had continued into the beginning of FY22 due to ongoing lockdowns.

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	31/08/2021
Commonwealth Bank Ltd	8.00%
CSL Ltd	6.00%
Cochlear Ltd	5.50%
OZ Minerals Ltd	5.50%
Macquarie Group Ltd	5.25%
Incitec Pivot Ltd	4.75%
ResMed Inc	4.75%
Fortescue Metals Group Ltd	4.50%
Telstra Ltd	4.50%
ASX Ltd	4.00%

### Portfolio Commentary

#### Positives:

ASX - The company benefited from strong listings and equity market activity during FY21.

RMD - Management expressed confidence that recent market share gains would be not be temporary.

HUB - The share price rose as the company continued to win market share at an increasing rate.

#### Negatives:

ALU - The share price fell after management extended long term objectives by a year after a difficult COVID period.

COH - The share price fell after issuing a conservative FY22 outlook.

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