



Australian Eagle

Asset Management

September 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	-0.63%	2.88%	12.38%	30.42%	15.43%	17.04%	15.59%	15.51%	12.33%
Benchmark	-1.85%	1.56%	10.16%	30.94%	9.91%	10.55%	9.13%	11.02%	8.15%
Out/(under) performance	1.22%	1.32%	2.22%	-0.52%	5.52%	6.49%	6.46%	4.49%	4.18%

Top 3 and bottom 3 performing stocks

Top 3: Altium Ltd (ALU), Incitec Pivot Ltd (IPL), Woodside Petroleum Ltd (WPL)

Bottom 3: Fortescue Metals Group Ltd (FMG), AMP Ltd (AMP), ResMed Inc (RMD)

Portfolio changes

Stocks joined or increased:

IGO Ltd (+0.75%): 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.

Woodside Petroleum Ltd (+0.75%): A multinational LNG producer. The company's low cost production and significant pipeline and processing assets have provided a sound platform to benefit from rises in oil & gas prices.

Stocks removed or reduced:

Japara Healthcare Ltd (-1.00%, Exit): An aged care facilities owner and operator. The company has recommended a takeover bid to shareholders and the share price has reached our valuation.

Fortescue Metals Group Ltd (-1.00%): An iron ore miner and renewable energy provider. China, its largest customer, is enforcing a reduction in steel production for 2H21 to reduce carbon emissions.

Market Commentary

World markets fell as investor confidence was dampened by rising COVID-19 cases, rising inflation and supply chain challenges. Bond yields rose on inflation concerns as the US Fed continued discussions on tapering bond purchases. The ECB announced it would undertake less aggressive bond purchases over the next 3 months. The PBoC began injecting liquidity into China's banking system as some property developers were unable to meet bond interest payments. China's energy crisis deepened with rolling blackouts affecting energy intensive industries the most. The iron ore price fell another 22% to US\$115/t as Chinese steel production restrictions remained due to pollution concerns. The oil price rose 10% to US\$76/bbl as the power shortage in Europe & Asia intensified. The coal price also benefited from the energy crisis, rising +23% to \$218/t. The Australian dollar fell to just above US72c.

The Australian market followed global markets lower led by the big iron ore miners. The unemployment rate fell from 4.6% to 4.5% due to a lower participation rate. The RBA reduced its bond purchasing program by \$1bn to \$5bn per week until February 2022. Macquarie Group announced it is expecting a

stronger contribution from its Commodities and Global Markets division due to favourable market conditions. Woolworths launched Everyday Markets, targeting a larger share of the ecommerce market than groceries. Pushpay reiterated their new \$330m annual revenue strategy targeting Catholic churches. BHP announced that its Jansen potash project will be a low cost and 100 year life asset with a diverse global customer base. Incitec Pivot's Waggaman plant emerged relatively unscathed after Hurricane Ida. Newcrest Mining revealed a growing future copper production profile from its flagship Cadia mine. OZ Minerals expects a Final Investment Decision in 2H22 for its West Musgrave project. Telstra introduced its T25 strategy targeting mid teens EPS growth and \$500m cost reduction plan. Wesfarmers launched a superior revised takeover bid for API for \$1.55 per share. ASX announced it will offer its new DLT technology as a service to customers globally. Cochlear announced they will defend a lawsuit received for patent infringement. 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	30/09/2021
Commonwealth Bank Ltd	8.25%
CSL Ltd	5.75%
Macquarie Group Ltd	5.75%
OZ Minerals Ltd	5.50%
Cochlear Ltd	5.25%
Incitec Pivot Ltd	5.00%
Telstra Ltd	5.00%
ResMed Inc	4.50%
QBE Insurance Group Ltd	4.00%
ASX Ltd	3.75%

Portfolio Commentary

Positives:

ALU - The share price recovered after a period of underperformance.

IPL - The share price rose after operations restarted in its Waggaman plant.

WPL - The share price followed the oil and gas price rise during the month.

Negatives:

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

AMP - The share price fell on news of investors of an AMP Capital fund wanting to change investment managers.

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