



Australian Eagle Asset Management

October 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	2.15%	3.44%	10.62%	27.87%	19.49%	18.18%	15.29%	14.78%	12.41%
Benchmark	-0.03%	0.36%	6.40%	28.22%	12.08%	10.96%	8.42%	10.25%	8.10%
Out/(under) performance	2.18%	3.08%	4.22%	-0.35%	7.41%	7.22%	6.87%	4.53%	4.31%

Top 3 and bottom 3 performing stocks

Top 3: OZ Minerals Ltd (OZL), AMP Ltd (AMP), Macquarie Group Ltd (MQG)

Bottom 3: Chorus Ltd (CNU), Fortescue Metals Group Ltd (FMG), Telstra Ltd (TLS)

Portfolio changes

Stocks joined or increased:

Silex Systems Ltd (+0.50%, Entry): An Australian laser enrichment technology company. The company has recently raised capital to commercialise its unique SILEX technology for uranium production and silicon quantum computing.

Calix Ltd (+0.50%, Entry): An Australian sustainable technology company. The company's growing water treatment business provides a solid platform to commercialise its other renewable ventures in green cement and batteries.

Stocks removed or reduced:

IDP Education Ltd (-1.00%, Exit): A multinational English language test and educational placement provider. The share price has reached our valuation target.

National Australia Bank Ltd (-1.00%): A large Australian bank. The share price is reaching our valuation target.

Market Commentary

World markets were mixed as strong company quarterly reports were offset by concerns of higher business costs. Bond yields endured a volatile month, rising on inflation concerns and speculation of a fast tracked interest rate rise timetable. The ECB maintained that the recent spike in inflation would be temporary. Chinese property prices fell for the first time in 6 years as local property developers were increasingly unable to meet financial liabilities. The iron ore price fell 10% to US\$107/t as the Chinese government continued to restrict steel output on pollution concerns. The oil price rose 11% to US\$83/bbl as recovering economies increased the demand for oil. The coal price ended the month 5% higher at \$223/t despite the Chinese government announcing it would intervene to keep the price under control. The Australian dollar rose 3c to US75c.

The Australian market was flat as strength in industrials and banks was offset by falls in the big miners. Australian CPI continued its positive trend rising to 3.0% for the year, placing inflation within the RBA's long term targeted range. Many companies announced quarterly updates with most reporting higher costs relating to raw

materials, labour shortages and supply chain delays. Wesfarmers acquired 19.9% of API as a blocking stake for Sigma's takeover. Cochlear reaffirmed profit guidance as 1Q22 surgery rates continued their strong recovery momentum from 4Q21. Telstra acquired Digicel Pacific in partnership with the Australian Government. Woodside benefited from rising oil and gas prices while the planned sell down of Scarborough and Pluto Train 2 remains on track. OZ Minerals announced FY21 gold production should exceed guidance. HUB24 acquired Class Ltd to gain a market leading foothold in the SMSF market. AMP's North platform received \$1.7bn net inflows including \$333m from external financial advisers. Nitro reaffirmed FY22 annualised recurring revenue and upgraded revenue and EBITDA guidance due to strong sales momentum from large key customer wins in the quarter. Woolworths warned the boom in lockdown supermarket shopping was showing signs of unwinding after social restrictions were eased in NSW and Victoria.

Major relative portfolio exposures were medical devices and energy transition stocks with less portfolio weight in major banks and industrials.

Australian Eagle Portfolio: Top ten holdings

Stock	31/10/2021
Commonwealth Bank Ltd	8.25%
Macquarie Group Ltd	6.00%
CSL Ltd	5.75%
OZ Minerals Ltd	5.50%
Cochlear Ltd	5.50%
Incitec Pivot Ltd	5.00%
Telstra Ltd	5.00%
ResMed Inc	4.25%
QBE Insurance Group Ltd	4.00%
ASX Ltd	3.75%

Portfolio Commentary

Positives:

OZL - The share price followed the copper price higher.

AMP - The share price rose after a better than expected quarterly report.

MQG - The share price rose after reporting a strong 1H22 result and raised \$1.5bn to fund new decarbonisation growth projects.

Negatives:

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

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

TLS - The share price underperformed after a period of outperformance.