



Australian Eagle Asset Management

November 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	0.40%	1.91%	9.36%	17.61%	20.13%	17.62%	15.90%	15.30%	12.37%
Benchmark	-0.56%	-2.43%	3.12%	15.68%	12.78%	10.13%	8.83%	10.57%	8.02%
Out/(under) performance	0.96%	4.34%	6.24%	1.93%	7.35%	7.49%	7.07%	4.73%	4.34%

Top 3 and bottom 3 performing stocks

Top 3: Altium Ltd (ALU), Incitec Pivot Ltd (IPL), Fortescue Metals Group Ltd (FMG)

Bottom 3: Pushpay Holdings Ltd (PPH), Corporate Travel Management Ltd (CTD), Elders Ltd (ELD)

Portfolio changes

Stocks joined or increased:

Telstra Ltd (+0.75%): An Australian telecommunications infrastructure and service provider. The company has articulated its T25 growth strategy after successfully resetting its lower cost base.

IGO Ltd (+0.50%): A clean energy metals miner. Management has transitioned to clean energy minerals and is executing its Lithium JV growth opportunities by completing Train 1 of its Kwinana lithium hydroxide refinery.

Stocks removed or reduced:

Pushpay Holdings Ltd (-0.75%): A faith sector payments processor and management systems provider. Management has downgraded earnings guidance despite growing customers and high retention rates.

Commonwealth Bank Ltd (-0.75%): A large Australian bank. The company warned of decreasing net interest margins despite gaining market share off competitors.

Market Commentary

World markets fell as rising inflation concerns were compounded by the emergence of Omicron, a new COVID-19 strain potentially resistant to vaccines. Bond yields rose on expectations of an accelerated removal of central bank stimulus but fell at the end of the month on news of the fast spread of Omicron. President Biden nominated Jerome Powell for his 2nd consecutive term as Fed Chairman. The ECB maintained that recent higher inflation should fade in 2022. The PBoC signaled it would cautiously loosen monetary policy to bolster the economy despite rising input costs. The iron ore price ended 4% lower at US\$102/t after falling to US\$87 intra-month on steel production cuts. The oil price fell 20% to US\$67/bbl as Omicron threatened the global economic recovery. The Australian dollar fell 4c to just over US71c.

The Australian market fell with global markets as bank earnings largely disappointed expectations. The RBA ruled out any interest rate rises in 2021. APRA revised their capital framework for banks, requiring them to hold more CET1 capital for riskier loans. Macquarie raised \$2.8bn from shareholders to fund further growth projects.

ResMed continued to benefit from a competitor product recall and acquired 2 small tech companies to enhance its future product offering. Goodman Group upgraded its FY22 earnings guidance as increased customer demand resulted in accelerated development activity. AMP divested its equity stake in Resolution Life for \$524m and announced a further \$115m cost cuts by FY24. Incitec Pivot announced Gibson Island operations will cease in Dec22 as management were unable to secure an economically viable long term supply of gas. Wesfarmers entered an implementation deed to acquire API. Xero announced a net loss after increasing sales and marketing spend during the recent recovery. Nitro raised \$140m to acquire eSign to gain further market share in Europe. Woodside Petroleum sold a 49% stake in Pluto Train 2 to an infrastructure fund manager. BHP entered its share sale agreement with Woodside Petroleum to merge operations to create over US\$400m in synergies. HUB24 announced its platform cash deposit agreement will end in Dec22. 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	30/11/2021
Commonwealth Bank Ltd	7.50%
Macquarie Group Ltd	6.00%
CSL Ltd	6.00%
Cochlear Ltd	5.75%
Telstra Ltd	5.75%
Incitec Pivot Ltd	5.00%
OZ Minerals Ltd	5.00%
Fortescue Metals Group Ltd	4.00%
QBE Insurance Group Ltd	4.00%
ResMed Inc	4.00%

Portfolio Commentary

Positives:

ALU - The share price rose after management upgraded FY22 earnings guidance.

IPL - The share price rose after reporting a significant earnings uplift from higher fertiliser prices.

FMG - The share price rose after the iron ore price started to recover.

Negatives:

PPH - The share price fell after management provided a disappointing outlook statement.

CTD - The share price fell as a new COVID-19 strain triggered governments to shut borders.

ELD - The share price fell as the company will report income tax expense to use up tax losses until FY24.