



Australian Eagle Asset Management

December 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	1.92%	4.52%	7.53%	20.25%	20.87%	17.18%	15.73%	15.61%	12.43%
Benchmark	2.84%	2.24%	3.83%	17.65%	13.74%	9.79%	8.94%	11.01%	8.16%
Out/(under) performance	-0.92%	2.28%	3.70%	2.60%	7.13%	7.39%	6.79%	4.60%	4.26%

Top 3 and bottom 3 performing stocks

Top 3: OZ Minerals Ltd (OZL), Elders Ltd (ELD), Altium Ltd (ALU)

Bottom 3: Nitro Software Ltd (NTO), Cochlear Ltd (COH), Pushpay Holdings Ltd (PPH)

Portfolio changes

Stocks joined or increased:

IGO Ltd (+0.50%): A clean energy metals miner. The company has acquired higher grade Australian nickel mines to increase the quality of its assets in clean energy minerals.

Woolworths Ltd (+0.50%): A large supermarket retailer. The company has maintained sales growth despite being impacted by increased costs from COVID.

Stocks removed or reduced:

Nitro Software Ltd (-0.50%): A document software productivity company. Recent competitor announcements revealed a slower than expected growth rate.

HUB24 Ltd (-0.25%): An emerging next generation wealth management platform provider. The share price is reaching our valuation target.

Market Commentary

World markets rebounded in December as initial fears on the new Omicron strain were allayed on reports it was less deadly than previous strains. Bond yields rose on persistent rising inflation as the US Fed stated that bond purchases will slow at double the pace and conclude in early 2022. President Biden's \$2 trillion Build Back Better plan was dealt a blow by a fellow Democrat senator voting against it. The EU continued to struggle with the worsening energy crisis as the region entered winter amid surging COVID-19 cases. The PBoC announced easing monetary policy to help stabilise the slowdown in credit growth in China. The iron ore price rose 19% to US\$122/t as the Chinese government helped avoid a widespread collapse of the residential property market. The oil price rose 13% to US\$76/bbl on increased demand. The Australian dollar rose 1c to just over US72c.

The Australian market rose with global markets as investors digested recent information concerning more certainty over central bank actions and the relatively mild nature of the new Omicron COVID-19 strain. The RBA held interest rates steady at 0.1% as the unemployment rate fell from 5.2% to 4.6% on the recent jobs boom.

Fortescue CEO stepped down as the board announced an increased focus on green energy. Woolworths downgraded their 1H22 guidance due to increased COVID-19 costs and lockdowns. BHP announced the unification of its corporate structure under its existing parent group, enabling more flexibility and lowering costs. Woodside announced it aims to invest US\$5bn in its transition to low carbon energy this decade. CSL acquired Vifor Pharma for US\$11.7bn to complement its focus on treatment of rare diseases and extensive R&D capabilities. Corporate Travel acquired Helloworld Corporate for \$175m to increase market share by adding many government clients. IGO acquired Western Areas for \$1.1bn cash to add high grade nickel mines and reserves to its balance sheet. AMP sold its infrastructure debt platform to Ares for \$578m to focus on equity investments in real estate and infrastructure. Xero acquired TaxCycle to extend its product reach in Canada. Silex announced its 2nd stage Zero-Spin project is on track for completion within the next few weeks. 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	31/12/2021
Commonwealth Bank Ltd	8.00%
Macquarie Group Ltd	6.00%
Telstra Ltd	6.00%
CSL Ltd	5.75%
Cochlear Ltd	5.50%
Incitec Pivot Ltd	5.00%
OZ Minerals Ltd	5.00%
Fortescue Metals Group Ltd	4.25%
QBE Insurance Group Ltd	4.00%
ResMed Inc	4.00%

Portfolio Commentary

Positives:

OZL - The share price followed the copper price higher.

ELD - The share price rose on reports of increased demand and shortage of agricultural products.

ALU - The share price continued its rise after the AGM on news of increased take up on its cloud platform.

Negatives:

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

COH - The share price underperformed on uncertainty over the recovery of cochlear surgery numbers.

PPH - The share price continued its fall after downgrading its FY22 earnings guidance.