



Australian Eagle Asset Management

January 2022 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	-7.59%	-5.45%	-2.19%	11.33%	15.94%	15.34%	14.14%	14.15%	11.84%
Benchmark	-6.07%	-3.95%	-3.60%	10.05%	10.06%	8.56%	7.45%	9.79%	7.72%
Out/(under) performance	-1.52%	-1.50%	1.41%	1.28%	5.89%	6.78%	6.69%	4.36%	4.12%

Top 3 and bottom 3 performing stocks

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

Bottom 3: Altium Ltd (ALU), Nitro Software Ltd (NTO), OZ Minerals Ltd (OZL)

Portfolio changes

Stocks joined or increased:

QBE Insurance Group Ltd (+1.00%): A multinational insurance group. The company continues to benefit from a favourable insurance premium cycle tailwind in addition to rising interest rates.

Woodside Petroleum Ltd (+0.75%): A multinational oil and gas producer. The company's acquisition of BHP's low cost oil and gas assets remains on track for completion by the end of FY22.

Stocks removed or reduced:

Altium Ltd (-0.50%): An end-to-end electronics design and manufacture platform company. The company's operations have suffered from lingering effects of COVID-19.

Pushpay Holdings Ltd (-0.50%): A faith sector payments platform provider. The share price is reaching our valuation target.

Market Commentary

World markets fell in January, mainly led by technology stocks as bond yields rose throughout the month. The US Fed stated it may have to fast-track its monetary policy tightening as inflation continues to spike. UK PM Johnson came under pressure to resign after allegations of being personally involved in numerous suspected lockdown violations. Europe endured growing geopolitical tensions with a build up of Russian troops at the Ukrainian border. China's economy continued to slow as the government remained steadfast on its zero tolerance COVID-19 policy. The iron ore price rose 16% to US\$142/t on supply concerns after heavy rains in Brazil stifled supply. The oil price rose 16% to US\$88/bbl on increased demand and rising US-Russia tensions. The coal price rose to record highs of US\$227/t as China's unofficial ban of Australian coal remained in place. The Australian dollar fell 1c to below US71c. The Australian market followed global markets lower as tech stocks and other longer dated earnings companies suffered due to rising bond yields. Inflation rose to 3.5% for the year, driven by higher petrol prices and cost of new dwellings. Unemployment fell to a 13 year low of 4.2%.

IGO announced 1H22 profit growth benefiting from higher nickel prices and contribution from its new Lithium JV. OZ Minerals reiterated all growth projects remain on track despite suffering from labour shortages and increasing costs. Newcrest reaffirmed FY22 guidance as its flagship Cadia mine continues to perform above expectations. ResMed reported double digit revenue growth mainly stemming from a competitor's product recall. Fortescue acquired Williams Advanced Engineering to help accelerate its shift away from diesel powered vehicles in its mining operations. Incitec Pivot's latest update showed the company's fertiliser division benefiting from a significant upswing in Urea and DAP prices. Woodside Petroleum completed its 49% sell down of Pluto Train 2 to Global Infrastructure Partners. HUB24 experienced record quarterly net inflows of \$3.6bn with its market share increasing from 4.3% to 4.6%. Woolworths withdrew its non-binding proposal to acquire API, leaving Wesfarmers as the only remaining bidder. 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	31/01/2022
Commonwealth Bank Ltd	8.00%
Macquarie Group Ltd	6.00%
Telstra Ltd	6.00%
CSL Ltd	5.50%
Incitec Pivot Ltd	5.50%
Cochlear Ltd	5.25%
QBE Insurance Group Ltd	5.00%
Fortescue Metals Group Ltd	4.75%
OZ Minerals Ltd	4.50%
ResMed Inc	3.75%

Portfolio Commentary

Positives:

WPL - The share price rose with oil and gas prices.

IPL - The share price outperformed as the company updated the market on rising agricultural chemical prices.

IGO - The share price followed nickel and lithium prices higher.

Negatives:

ALU - The share price fell as rising bond yields impacted technology stocks worldwide.

NTO - The share price fell as the latest quarterly update failed to offset the impact of rising bond yields on technology share prices.

OZL - The share price fell after the company forecast rising costs for FY22.