



Australian Eagle Asset Management

February 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	1.46%	-4.44%	-2.62%	11.15%	14.35%	14.78%	13.33%	14.07%	11.88%
Benchmark	2.36%	-1.12%	-3.52%	11.02%	8.81%	8.58%	6.80%	9.88%	7.83%
Out/(under) performance	-0.90%	-3.32%	0.90%	0.13%	5.55%	6.20%	6.53%	4.19%	4.05%

Top 3 and bottom 3 performing stocks

Top 3: Cochlear Ltd (COH), Woodside Petroleum Ltd (WPL), AMP Ltd (AMP)

Bottom 3: Incitec Pivot Ltd (IPL), Nitro Software Ltd (NTO), Altium Ltd (ALU)

Portfolio changes

Stocks joined or increased:

Treasury Wine Estates Ltd (+0.50%, Entry): A global premium wine producer and distributor. Management have turned around the North American division and increased margins through its divestment of lower priced commercial wines.

BHP Group Ltd (+0.75%): A global diversified miner. The company's continues to evolve, with more focused investments into future facing minerals while managing exits from carbon intensive commodities.

Stocks removed or reduced:

HUB24 Ltd (-0.50%, Exit): A new generation financial services platform provider. The company's share price has reached our valuation target.

Silex Systems Ltd (-0.50%, Exit): A laser enrichment technology company. The deployment of the company's patented technology remains in very early stages despite years of development.

Market Commentary

World markets continued to fall in February as Russia officially declared war on Ukraine. Western countries united in their opposition to the invasion, quickly imposing heavy sanctions on Russian entities. Bond yields endured a volatile month, ending higher as inflation continued to spike. The ECB and UK central banks adopted an increasingly hawkish stance, paving the way for interest rate rises. The Chinese government continued its heavy crackdown on private enterprises while maintaining its zero COVID-19 position. The iron ore price fell 2% to US\$139/t as Chinese regulators announced plans to build a centralised platform for increased price transparency. European energy prices spiked towards the end of month as the Russian invasion intensified. The aluminium price rose to 13 year highs of US\$3,236/t on rising demand and smelter closures. The Australian dollar rose 2c to just below US73c. The Australian market outperformed global markets due to larger commodity exposure as reporting season revealed company strategies to deal with changing operating conditions. The Australian government opened borders to fully vaccinated international travellers. The unemployment rate remained at 4.2%.

Altium announced strong growth in its Octopart division, driven by a global shortage in semi-conductors. AMP announced the exit of employed financial advice, cutting FY22 divisional losses by 50%. Commonwealth Bank continued to gain market share in retail and business banking. Cochlear experienced a strong recovery in developing country implant surgeries in addition to solid services revenue growth. CSL revealed plasma collections had begun to normalise after a period of decline due to COVID-19. Fortescue announced that Iron Bridge remains on track for 1st production in Dec 2022. QBE continued to benefit from the insurance premium cycle with an improved combined operating ratio despite slightly higher catastrophe claims. Wesfarmers revealed a highly disrupted 1H22, punctuated by store closures and rising costs. Woolworths increased inventory levels to mitigate any short-term supply chain issues. Woodside Petroleum announced that the BHP merger remains on track for completion in addition to an increase in FY22 production guidance to 92-98mmboe. 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	28/02/2022
Commonwealth Bank Ltd	8.00%
Macquarie Group Ltd	6.00%
Telstra Ltd	6.00%
CSL Ltd	5.50%
Cochlear Ltd	5.50%
QBE Insurance Group Ltd	5.50%
Incitec Pivot Ltd	5.25%
Fortescue Metals Group Ltd	4.50%
Woodside Petroleum Ltd	4.25%
OZ Minerals Ltd	4.00%

Portfolio Commentary

Positives:

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

WPL - The share price followed energy prices higher.

AMP - The share price outperformed after management revealed more details about AMP post-demerger.

Negatives:

IPL - The share price fell after its Waggaman plant experienced another unplanned outage.

NTO - The share price fell after the latest result revealed widening losses.

ALU - The share price fell as the 1H22 result failed to meet market expectations.