



Australian Eagle Asset Management

March 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	8.21%	1.46%	6.04%	19.17%	16.91%	16.28%	14.58%	14.83%	12.33%
Benchmark	7.11%	2.90%	5.29%	15.99%	11.02%	9.36%	7.83%	10.49%	8.23%
Out/(under) performance	1.10%	-1.44%	0.75%	3.18%	5.90%	6.92%	6.75%	4.34%	4.10%

Top 3 and bottom 3 performing stocks

Top 3: Incitec Pivot Ltd (IPL), IGO Ltd (IGO), Elders Ltd (ELD)

Bottom 3: QBE Insurance Group Ltd (QBE), ResMed Inc (RMD), Cochlear Ltd (COH)

Portfolio changes

Stocks joined or increased:

Rio Tinto Ltd (+2.50%, Entry): A global diversified miner. Management has positioned the company for the future with recent investments in clean energy minerals while maintaining a strong balance sheet.

Transurban Group (+1.00%, Entry): A global toll roads owner and operator. The company's recent WestConnex acquisition and rebounding traffic volume has laid a platform for future organic growth.

Stocks removed or reduced:

Goodman Group Ltd (-1.00%, Exit): A global industrial property developer and manager. The share price has reached its valuation target.

Fortescue Metals Group Ltd (-1.50%): A large low cost Australian iron ore producer. Management have started to shift focus and resources away from its core iron ore activities.

Market Commentary

World markets rebounded as investors digested the impact of Russian sanctions and the Ukraine war on the global economy. Many large multinational companies announced the immediate ceasing of business operations in Russia. Bond yields rose as the US Fed took an increasingly hawkish stance, paving the way for larger interest rate hikes to bring inflation under control. Europe's energy crisis deepened as their reliance on Russian oil and gas remained in focus. Slowing Chinese manufacturing and economic data showed the rising cost of the government's strict COVID-19 policy. The iron ore price rose 14% to US\$158/t as the Chinese government announced stimulatory economic measures while Dalian port inventories remain low. The economic sanctions on Russian exports continued to affect global commodity markets with European gas prices rising over 22%, nickel prices rising 33% and aluminium rising 5% for the month. The Australian dollar rose 2c to just below US75c.

The Australian market outperformed global markets as its large commodity exposure continued to buffer it from the fallout of Russian sanctions. The Australian PM announced the next Federal budget, with cash handouts to

help taxpayers cope with the rising cost of living. The unemployment rate fell to a 14 year low at 4.0%. Elders upgraded FY22 profit guidance due to a significant improvement in sales from favourable seasonal conditions. IGO revealed that their acquisition of Western Areas will be delayed due to recent nickel price volatility. Pushpay narrowed their FY22 earnings guidance due to strong processing volume which enabled management to pay down debt. AMP completed the sale of its Global Equities and Fixed Income division to Macquarie Group. ASX announced that its CHES Replacement project faces additional delays. Telstra's corporate restructure remains on track with further potential opportunities for monetisation of infrastructure assets. Telstra's CEO announced his resignation with the current CFO to succeed him. Rio Tinto announced the completion of the acquisition of the Rincon lithium project in Argentina for US\$825m. Woodside Petroleum commenced the processing of Pluto Gas at the Karratha Gas plant ahead of schedule.

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	31/03/2022
Commonwealth Bank Ltd	8.00%
Macquarie Group Ltd	6.00%
Telstra Ltd	5.75%
Incitec Pivot Ltd	5.75%
CSL Ltd	5.50%
QBE Insurance Group Ltd	5.50%
Cochlear Ltd	5.00%
Woodside Petroleum Ltd	4.50%
IGO Ltd	3.75%
ResMed Inc	3.50%

Portfolio Commentary

Positives:

IPL - The share price rose with fertiliser prices.

IGO - The share price rose as nickel prices surged higher.

ELD - The share price outperformed after management upgraded FY22 earnings.

Negatives:

QBE - The share price remained steady after outperforming during reporting season.

RMD - The share price fell as the company struggles with rising freight costs and semiconductor chip shortages.

COH - The share price remained flat after a period of outperformance.