



Australian Eagle Asset Management

April 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	1.01%	10.89%	4.86%	15.99%	15.86%	16.24%	14.95%	14.94%	12.34%
Benchmark	-0.75%	8.83%	4.53%	11.22%	9.93%	8.95%	8.02%	10.24%	8.14%
Out/(under) performance	1.76%	2.06%	0.33%	4.77%	5.93%	7.29%	6.93%	4.70%	4.20%

Top 3 and bottom 3 performing stocks

Top 3: AMP Ltd (AMP), QBE Insurance Group Ltd (QBE), Corporate Travel Management Ltd (CTD)

Bottom 3: ResMed Inc (RMD), IGO Ltd (IGO), OZ Minerals Ltd (OZL)

Portfolio changes

Stocks joined or increased:

Transurban Group (+0.75%): A global toll roads owner and operator. The company recently refinanced some debt to lock in lower interest rates while rebounding traffic volumes and inflation-linked toll price rises will buffer any large spikes in inflation.

AMP Ltd (+0.5%): A diversified financial services provider. The company announced the sale of its asset management divisions, paving the way for returns to shareholders and repayment of corporate debt.

Stocks removed or reduced:

IGO Ltd (-0.75%): A lithium and nickel miner. The company announced it will pay an extra 15% premium to win over the board of directors in its takeover of Western Areas due to surging nickel prices.

OZ Minerals Ltd (-0.50%): A low cost copper and gold producer. The company's costs have started to rise due to labour constraints and supply chain bottlenecks.

Market Commentary

World markets fell as bond yields continue to rise on higher global inflation data. The US Fed doubled down on its hawkish tone with the Fed president stating that 75bps interest rate increases cannot be ruled out to bring inflation under control. French President Macron defeated his right-wing opponent to be re-elected for another term. The Ukraine-Russia conflict continued to weigh on European business activity and consumer sentiment as the US and other Western countries imposed more sanctions on Russia. China's zero COVID-19 policy continued to weigh on the domestic and global economy as many major Chinese cities remained in lockdown at the end of the month. The iron ore price fell 10% to US\$142/t despite the Chinese government pledging to support the economy through building infrastructure. The oil price rose 4% to US\$105/bbl despite many countries agreeing to release stockpiles into the market. The Australian dollar fell 4c to just below US71c.

The Australian market extended its outperformance of global markets as its large commodity and bank exposure continued to provide a buffer in an inflationary environment. Inflation rose to 5.1% p.a. paving the way for future

interest rate increases. IGO's improved bid to acquire WSA at \$3.87 per share was unanimously recommended by the WSA board. Rio Tinto announced lower than expected quarterly production figures due to operational difficulties but maintained FY22 production guidance. BHP lowered FY22 copper guidance as it increased focus on mitigating effects of higher cost inputs. OZL maintained their net cash position despite investing \$176m in growth projects during the March quarter. Woodside Petroleum continued to benefit from higher oil and gas prices as quarterly sales more than doubled. Pushpay fielded takeover interest from multiple third parties during the month and reaffirmed FY22 profit guidance. Commonwealth Bank announced the retirement of chairman Catherine Livingstone, to be replaced by Paul O'Malley. AMP sold their real estate, domestic infrastructure equity and international infrastructure businesses for up to \$2.5bn. Fortescue announced record quarterly production numbers and upgraded FY22 production to 185-188mt. 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	30/04/2022
Commonwealth Bank Ltd	8.00%
Macquarie Group Ltd	6.00%
QBE Insurance Group Ltd	6.00%
Telstra Ltd	5.75%
Incitec Pivot Ltd	5.75%
CSL Ltd	5.50%
Cochlear Ltd	5.00%
Woodside Petroleum Ltd	4.50%
AMP Ltd	3.50%
ResMed Inc	3.25%

Portfolio Commentary

Positives:

AMP - The share price rose after announcing the proceeds of its recent asset sales will be returned to shareholders.

QBE - The share price followed bond yields higher.

CTD - The share price rose after countries continued to relax international travel requirements.

Negatives:

RMD - The share price fell after the company continued to struggle with supply chain issues.

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

OZL - The share price underperformed after reporting falling quarterly copper production.