



Australian Eagle Asset Management

May 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	-4.04%	4.88%	0.22%	9.60%	13.75%	15.16%	14.01%	15.17%	12.01%
Benchmark	-2.19%	3.98%	2.82%	6.02%	8.36%	9.09%	7.64%	10.72%	7.96%
Out/(under) performance	-1.85%	0.90%	-2.60%	3.58%	5.39%	6.07%	6.37%	4.45%	4.05%

Top 3 and bottom 3 performing stocks

Top 3: Pushpay Ltd (PPH), ResMed Inc (RMD), Treasury Wine Estates (TWE)

Bottom 3: Incitec Pivot Ltd (IPL), Corporate Travel Management Ltd (CTD), Altium Ltd (ALU)

Portfolio changes

Stocks joined or increased:

Transurban Group (+1.00%): A global toll roads owner and operator. The company is set to benefit from recent rising inflation as rebounding traffic volumes and inflation-linked toll price rises will provide a platform for earnings growth.

Rio Tinto Ltd (+1.00%): A diversified global miner. The company's operations have transitioned towards more future facing minerals with its Oyu Tolgoi copper mine expansion set to begin production in 1H23.

Stocks removed or reduced:

Xero Ltd (-0.75%, Exit): An account keeping cloud software provider. The company's international expansion into the US has failed to gain any significant market share off industry incumbents.

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 endured a volatile month as central banks around the world continued their increasingly hawkish stance. The US Fed raised interest rates by 50bps while forecasting future increases in coming months. The EU banned member states from purchasing seaborne oil and gas products from Russia as part of wider sanctions. The Bank of England increased rates by 25bps to 1%. Shanghai unveiled a 50 point plan to revitalise its economy after a 2mth COVID-19 lockdown while other Chinese cities also eased mobility restrictions. The iron ore price experienced a volatile month, ending 4% lower to US\$136/t due to continued Chinese social restrictions. The oil price rose 10% to US\$115/bbl on increasing widespread supply shortages. The Australian dollar rose 1c to just below US72c. The Australian market underperformed global markets in May. The RBA increased interest rates for the first time since 2010 to 0.35% as inflation continues to accelerate. Anthony Albanese was elected the new PM of Australia. The unemployment rate remained at 3.9%. Companies entered confession season with many releasing updates about troubles containing price rises and labor shortages.

The big banks reported falls in net interest margin due to rising competition and funding costs with loan impairment expenses remaining low. Macquarie Group increased their dividend on strong contributions from Macquarie Capital due to higher M&A activity. CSL announced that plasma collections are now recovering to pre-COVID levels. Elders upgraded its FY23 outlook after continued favourable seasonal conditions. Woolworths acquired 80% of MyDeal.com.au for \$243m. QBE continued to experience elevated catastrophe claims offset by rising investment income. AMP's North platform continued to experience strong inflows in 1Q22. Pushpay revealed a FY25 target of over US\$10bn total processing volume and more than 20,000 customers while they reinvest for growth in FY23. ASX announced another delay to the go-live date for its CHES replacement project. Fortescue appointed Andrew Forrest to be executive chairman until a new permanent CEO is found. Woodside Energy shareholders approved the merger BHP's oil and gas business. 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	31/05/2022
Commonwealth Bank Ltd	8.00%
QBE Insurance Group Ltd	6.00%
Incitec Pivot Ltd	5.75%
CSL Ltd	5.50%
Telstra Ltd	5.50%
Macquarie Group Ltd	5.50%
Cochlear Ltd	5.00%
Woodside Energy Group Ltd	4.75%
Rio Tinto Ltd	4.00%
AMP Ltd	3.50%

Portfolio Commentary

Positives:

PPH - The share price rose after receiving takeover interest from a large current shareholder.

RMD - The share price rose after a period of underperformance.

TWE - The share price rose on optimism of renewed contact between the Australian and Chinese governments.

Negatives:

IPL - The share price fell on news of falling ammonia prices.

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

ALU - The share price fell as bond yields rose on expectations of higher interest rates.