



# Australian Eagle Asset Management

June 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	-6.52%	-9.40%	-8.07%	-1.15%	9.84%	13.33%	14.22%	14.45%	11.51%
Benchmark	-8.45%	-11.13%	-8.47%	-4.97%	3.86%	7.17%	7.09%	9.64%	7.37%
Out/(under) performance	1.93%	1.73%	0.40%	3.82%	5.98%	6.16%	7.13%	4.81%	4.14%

### Top 3 and bottom 3 performing stocks

Top 3: Woodside Energy Ltd (WDS), QBE Insurance Group Ltd (QBE), ResMed Inc (RMD)

Bottom 3: IGO Ltd (IGO), OZ Minerals Ltd (OZL), Corporate Travel Management Ltd (CTD)

### Portfolio changes

#### Stocks joined or increased:

**Transurban Group (+2.00%):** A global toll roads owner and operator. The company's inflation linked tolls are set to provide significant top-line growth while recently refinanced debt will keep interest payments steady.

**Rio Tinto Ltd (+1.25%):** A diversified global miner. The company's operations are transitioning to the next phase with future facing mineral projects as well as a new greenfield iron ore mine in Western Australia.

#### Stocks removed or reduced:

**Pushpay Holdings Ltd (-0.75%, Exit):** A digital payments processing provider for the faith sector. Recent acquisitions and new strategies have failed to provide any meaningful growth.

**Telstra Ltd (-1.25%):** A telecommunications and infrastructure provider. The company's growth projects may suffer from lack of capital and lower valuations in a rising interest rate environment.

### Market Commentary

World markets fell as rampant inflation and fears of recession gripped sentiment. The US Fed raised interest rates by 75bps while the US 10yr bond yield rose to 3.47% intra-month before ending at 3.01%. US President Biden announced the potential lifting of Chinese import tariffs to ease the burden on US consumers. The ECB reaffirmed plans to raise interest rates twice over the European summer. Germany and the Netherlands restarted mothballed coal power plants to reduce reliance on Russian gas. China reduced its incoming overseas traveller quarantine period to 7 days. Copper fell to a 16mth low of US\$3.68/lb. The iron ore price fell 11% to US\$121/t on steel oversupply concerns. The oil price also fell 8% to US\$106/bbl on fears of slowing economic activity despite widespread global supply shortages. The Australian dollar fell 3c to just below US69c. The Australian market fell with global markets as the big banks underperformed on concerns of rising bad debts from higher interest rates. The RBA increased interest rates by 50bps to 0.85% in an effort to stamp out inflation. The unemployment rate remained at 3.9%. Australia's national minimum wage increased by 5.2% as of 1st July 2022.

Smaller companies started raising capital to shore up balance sheets in anticipation of future slower economic growth. Woodside Energy completed its merger with BHP's petroleum assets. ASX internally promoted a division executive to replace the outgoing CEO by the end of July 2022. Rio Tinto delivered first ore from its new Gudai-Darri iron ore mine in Pilbara and reaffirmed FY22 production guidance. ResMed acquired MEDIFOX DAN for EUR950m to expand its out-of-hospital care market share into Germany. Woolworths announced a price freeze on all Woolworths branded and essential items until the end of 2022. BHP announced it will retain its NSW Energy Coal asset. AMP completed the divestment of its 19.13% Resolution Life stake and announced the sale of Collimate Capital assets remained on track for completion in 2H22. Fortescue announced a partnership with Liebherr to supply green mining haul trucks for its iron ore operations. Wesfarmers announced increased emphasis on leveraging data and digital capabilities to enhance its stable of retail brands. 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	30/06/2022
Commonwealth Bank Ltd	7.75%
QBE Insurance Group Ltd	6.00%
Incitec Pivot Ltd	6.00%
CSL Ltd	5.75%
Macquarie Group Ltd	5.50%
Rio Tinto Ltd	5.25%
Woodside Energy Group Ltd	5.25%
Cochlear Ltd	5.25%
Transurban Group Ltd	4.75%
Telstra Ltd	4.25%

### Portfolio Commentary

#### Positives:

WDS - The share price rose as fears of a global energy shortage accelerated.

QBE - The share price rose as bond yields ended the month higher.

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

#### Negatives:

IGO - The share price fell with the nickel price.

OZL - The share price fell with the copper price.

CTD - The share price fell on concerns over the effects of slowing economic growth on corporate travel.