



Australian Eagle Asset Management

August 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	2.83%	0.79%	5.71%	2.94%	12.18%	14.48%	15.87%	14.35%	11.87%
Benchmark	1.25%	-2.38%	1.51%	-2.07%	5.88%	8.45%	8.66%	9.62%	7.69%
Out/(under) performance	1.58%	3.17%	4.20%	5.01%	6.30%	6.03%	7.21%	4.73%	4.18%

Top 3 and bottom 3 performing stocks

Top 3: IGO Ltd (IGO), Altium Ltd (ALU), Nitro Software Ltd (NTO)

Bottom 3: ASX Ltd (ASX), ResMed Inc (RMD), Rio Tinto Ltd (RIO)

Portfolio changes

Stocks joined or increased:

Pro Medicus Ltd (+0.50%, New): A healthcare imaging software company. The company's key contract wins have increased margins and laid a platform for further growth.

AMP Ltd (+0.50%): A diversified financial services company. Management have halved losses in its Advice division while revealing that just under \$2bn in excess capital will be available at the end of 2022.

Stocks removed or reduced:

Fortescue Metals Group Ltd (-0.50%): A low cost iron ore miner. The company is struggling with higher input costs while committing large amounts of capital to its early stage green energy division.

ResMed Inc (-0.50%): A multinational sleep apnea and digital healthcare company. The company is battling to untangle supply chain bottlenecks to take advantage of a serious competitor product recall.

Market Commentary

World markets fell as inflation continued to climb. The US Fed maintained its hardline hawkish stance to stamp out inflation as the inversion of the US yield curve became more pronounced, stoking fears of an impending recession. The US housing market continued to slow with the number of new home sales at its lowest since 2016, falling 12.6% from July. The BoE raised interest rates 50bps to 1.75% as inflation neared record highs of 10.8% amid a deepening energy crisis. China announced 1 trillion yuan of measures in a bid to stimulate its economy crippled by drought, an energy shortage, a property crisis and COVID outbreaks. The iron ore price fell 19% to US\$101/t as the Chinese economy remains deeply affected by COVID lockdown measures. The oil price fell 9% to US\$89/bbl on slowing demand despite potential OPEC+ production cuts. The Australian dollar fell 1.5c to US68.4c. The Australian market outperformed global markets despite the RBA increasing interest rates by another 50bps to 1.85% as inflation continued to rise. The unemployment rate also fell from 3.5% to a 48 year low of 3.4%. The Federal Government shortened the COVID isolation period from 7 days to 5 days at the end of the month.

ASX announced that its CHES replacement project will be delayed again with the go-live date pushed out to late 2024. CSL completed its acquisition of Vifor Pharma and revealed its plasma collections have already exceeded pre-COVID levels. OZ Minerals rejected BHP's proposal to acquire it for \$8.4bn at \$25 cash per share. AMP announced the immediate commencement of a \$350m on-market share buyback with a further \$750m return of capital planned for FY23. Corporate Travel reported strong recovery momentum which has continued into FY23. Altium experienced a surge in higher value subscriptions as well as increased adoption of its cloud based Altium365 ecosystem. Treasury Wine Estates reported an improvement in the Americas after the divestment of non-core brands and acquisition of high-end wine maker Frank Family Vineyards. Cochlear reported strong growth in acoustics and services revenue offset by variable levels of implant surgeries. Chorus upgraded their future distribution payouts due to lower forecast capital expenditure. Major relative portfolio exposures were medical devices and non-bank financial stocks with less portfolio weight in major banks and industrials.

Australian Eagle Portfolio: Top ten holdings

Stock	31/08/2022
Commonwealth Bank Ltd	7.50%
Incitec Pivot Ltd	6.00%
QBE Insurance Group Ltd	6.00%
CSL Ltd	5.75%
Cochlear Ltd	5.50%
Macquarie Group Ltd	5.25%
Rio Tinto Ltd	5.25%
Woodside Energy Group Ltd	5.00%
AMP Ltd	4.50%
Transurban Group Ltd	4.50%

Portfolio Commentary

Positives:

IGO - The share price rose after strong contributions from Nova nickel and its Lithium JV.

ALU - The share price rose after upgrading long term revenue targets.

NTO - The share price rose at the end of the month when a private equity consortium submitted a takeover proposal.

Negatives:

ASX - The share price fell after forecasting accelerating costs for FY23.

RMD - The share price fell as the company's upcoming acquisition will be funded by debt in a rising interest rate environment.

RIO - The share price followed the iron ore price lower.