



Australian Eagle Asset Management

October 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	5.01%	2.29%	-3.79%	0.88%	11.09%	12.97%	15.12%	13.88%	11.72%
Benchmark	5.90%	1.14%	-4.63%	-0.30%	5.33%	7.64%	8.50%	9.06%	7.61%
Out/(under) performance	-0.89%	1.15%	0.84%	1.18%	5.76%	5.33%	6.62%	4.82%	4.11%

Top 3 and bottom 3 performing stocks

Top 3: AMP Ltd (AMP), Nitro Software Ltd (NTO), Chorus Ltd (CNU)

Bottom 3: Rio Tinto Ltd (RIO), Calix Ltd (CXL), ASX Ltd (ASX)

Portfolio changes

Stocks joined or increased:

AMP Ltd (+0.50%): A diversified financial services provider. Wealth Management outflows have slowed significantly as the company looks to complete the recent AMP Capital asset sales and accelerate capital management initiatives.

Woodside Energy (+0.50%): A multinational oil and gas producer. The ongoing integration of the BHP portfolio assets has resulted in upgraded FY23 production guidance.

Stocks removed or reduced:

Calix Ltd (-1.00%, Exit): A decarbonisation technology provider. The recent loss of government funding for key upcoming projects has delayed progress with large partners.

Fortescue Metals Group Ltd (-0.50%): A low cost iron ore miner and decarbonisation infrastructure developer. Rising input costs and slowing economic activity have affected profit margins.

Market Commentary

World markets rebounded strongly as investors reassessed the direction of future central bank monetary policy. Weak US manufacturing data showed the initial effects of higher interest rates despite employment remaining strong. The US yield curve remained inverted but continued to trend higher. The UK appointed a new PM as Liz Truss resigned after losing support, following serious policy mistakes. President Xi tightened his grip on China as he was elected for an unprecedented 3rd term while maintaining a hard stance on its COVID zero policy. The iron ore price fell 17% to US\$80/t as the Chinese government's COVID zero policy continues to hamper economic growth. The oil price rose 9% to US\$87/bbl as OPEC+ announced production cuts. The Australian dollar endured a volatile month but ended flat at US64c.

The Australian market rose with global markets as the big banks outperformed on reports of improving net interest margins. The RBA slowed its pace of interest rate hikes from 50bps to 25bps during the month. The unemployment rate remained stable at 3.5%. The Federal Government released its latest budget with increased spending for families, housing and renewables.

FY22 results with some revealing improved margins and little signs of deteriorating loan quality. Macquarie Group reported a strong result with only Macquarie Capital deteriorating due to weakening market conditions. AMP's 3Q22 update showed 1.4x system loan growth and continued net inflows from independent financial advisers. The CEO of IGO suddenly passed away in October but still reported record quarterly production and revenue for its lithium JV. Fortescue announced increased proportions of higher grade iron ore production, resulting in a lower realised discount to the benchmark price. Telstra reconfirmed FY23 guidance but stated that higher costs will impact free cash flow. Nitro Software received multiple takeover bids from offshore consortiums with the latest being a \$2/share offer at the end of the month. ResMed reported a continued recovery in the Americas but Asia and Europe remained muted. Corporate Travel Management announced improved ANZ and Asia performance, offset by airport capacity issues in North America.

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	31/10/2022
Commonwealth Bank Ltd	7.50%
Incitec Pivot Ltd	6.00%
QBE Insurance Group Ltd	6.00%
CSL Ltd	5.50%
Cochlear Ltd	5.50%
Macquarie Group Ltd	5.50%
Woodside Energy Group Ltd	5.50%
Rio Tinto Ltd	5.25%
AMP Ltd	5.00%
Transurban Group Ltd	5.00%

Portfolio Commentary

Positives:

AMP - The share price rose after the company announced wealth management outflows had slowed considerably.

NTO - The share price rose after receiving multiple 3rd party takeover proposals.

CNU - The share price rose after management confirmed the shutdown of its copper network.

Negatives:

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

CXL - The share price fell after management announced the withdrawal of funding for 2 material projects.

ASX - The share price fell after reconfirming operational and capital expenses will increase in FY23.