



Australian Eagle Asset Management

November 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	6.36%	5.80%	6.64%	6.87%	11.54%	13.83%	16.12%	14.47%	12.05%
Benchmark	6.68%	6.57%	4.03%	6.96%	6.44%	8.73%	9.62%	9.70%	7.97%
Out/(under) performance	-0.32%	-0.77%	2.61%	-0.09%	5.10%	5.10%	6.50%	4.77%	4.09%

Top 3 and bottom 3 performing stocks

Top 3: Rio Tinto Ltd (RIO), AMP Ltd (AMP), Transurban Group (TCL)

Bottom 3: Elders Ltd (ELD), Corporate Travel Management (CTD), ResMed Inc (RMD)

Portfolio changes

Stocks joined or increased:

Newcrest Mining Ltd (+1.00%): A multinational low cost gold miner. The increasing exposure to copper production flagged by management is providing additional earnings upside and diversification.

Treasury Wine Estates Ltd (+0.75%): A multinational premium wine maker, marketer and distributor. The company's recent acquisition and increased investment in multi-country of origin strategy is starting to show signs of progress.

Stocks removed or reduced:

IGO Ltd (-1.00%): A nickel and lithium miner. The share price is approaching our valuation target.

Incitec Pivot Ltd (-1.00%): An multinational explosives and fertiliser business. Management's planned demerger of its divisions has been delayed by up to 12 months.

Market Commentary

World markets continued their rebounded from last month. Inflation data started to soften, resulting in longer term US bond yields falling throughout the month. The US Fed chairman also announced that the pace of interest rate hikes may slow, starting in December 2022. UK's finance minister announced tax hikes and spending cuts despite the economy heading towards recession. German inflation eased to 10%, raising speculation of less aggressive action by the ECB. China endured a surge in COVID cases, leading to more lockdowns and social unrest towards the end of the month. The PBoC also cut its cash lender reserve requirements for the 2nd time this year to help its fading economy. The iron ore price rose 27% to US\$101 on increased government support for the Chinese property sector. The oil price fell 7% to US\$81 on weakening demand outlook due to continued lockdowns of Chinese cities. The AUD rose 4c to end the month just under US68c.

The Australian market followed international markets higher as the big miners outperformed. The RBA raised interest rates by 25bps as inflation eased from 7.3% to 6.9% in October. The unemployment rate fell 0.1% to 3.4%.

National Australia Bank announced a strong result driven by higher volumes and margins for its business and private banking division. Commonwealth Bank reported higher collective provisions for 1Q23 in the face of rising interest rates. ASX announced \$245-255m derecognition of capitalised software and complete reassessment of its CHES replacement project. AMP announced its Collimate Capital asset sales may not complete by the end of November due to delays in regulatory approvals. The Nitro Software board recommended shareholders accept Alludo's \$2 cash takeover proposal. Elders reported growth for its FY22 result but simultaneously announced the resignation of its long serving CEO. Incitec Pivot increased its FY22 final dividend and commenced a buyback due to strong volume and price growth. QBE's trading update revealed higher than expected catastrophe costs may negatively affect FY22 profitability despite premiums continuing to rise and higher investment returns. Fortescue appointed a Woodside Energy executive as its new CEO. 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	30/11/2022
Commonwealth Bank Ltd	7.50%
Rio Tinto Ltd	6.00%
QBE Insurance Group Ltd	5.75%
AMP Ltd	5.50%
Cochlear Ltd	5.50%
CSL Ltd	5.50%
Macquarie Group Ltd	5.50%
Woodside Energy Group Ltd	5.50%
Incitec Pivot Ltd	5.00%
Transurban Group Ltd	5.00%

Portfolio Commentary

Positives:

RIO - The share price rose with the iron ore price.

AMP - The share price rose after the CEO confirmed her commitment to cost cutting targets and capital returns.

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

Negatives:

ELD - The share price fell after announcing the resignation of its CEO.

CTD - The share price fell on concerns of global economic slowdown.

RMD - The share price fell after management revealed slow European sales despite a large competitor product recall.