



Australian Eagle Asset Management

December 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	-2.88%	8.46%	10.79%	1.84%	11.11%	12.66%	15.46%	13.77%	11.81%
Benchmark	-3.24%	9.32%	9.95%	0.63%	6.07%	7.65%	8.71%	8.98%	7.73%
Out/(under) performance	0.36%	-0.86%	0.84%	1.21%	5.04%	5.01%	6.75%	4.79%	4.08%

Top 3 and Bottom 3 Performing Stocks

Top 3: Rio Tinto Ltd (RIO), QBE Insurance Group Ltd (QBE), Nitro Software Ltd (NTO)

Bottom 3: IGO Ltd (IGO), Corporate Travel Management (CTD), Transurban Group (TCL)

Portfolio changes

Stocks joined or increased:

Costa Group Holdings Ltd (+0.50%, Entry): A multinational food produce supplier. The company's international segment is showing progress towards being a significant revenue stream in conjunction with the core Australia division.

Newcrest Mining Ltd (+1.00%): A multinational low cost gold miner. The growing copper production and successful integration of its recent acquisition of Brucejack mine are providing additional earnings upside.

Stocks removed or reduced:

Incitec Pivot Ltd (-1.00%): An multinational explosives and fertiliser business. Despite a record FY22 profit and strong fertiliser prices, management have not commenced their \$400m on-market share buyback.

IGO Ltd (-0.50%): An Australian upstream and downstream clean energy mineral producer. The company has been experiencing margin pressure due to lower realised commodity prices and higher input costs.

Market Commentary

World markets fell after central banks continued to hike interest rates amid weakening economic data. The US Fed increased interest rates by 50bps and argued for higher interest rates for longer as inflation remains well above targeted levels. The US 10 yr bond yield rose 26bps to 3.87% but the yield curve remained inverted. The BoE and European Central Bank both raised interest rates by 50bps on low unemployment and continuing inflationary pressures. The Bank of Japan increased the trading band on 10 year bonds potentially signalling a change in monetary policy. China ended its zero COVID-19 policy after several days of protests, resulting in a surge in COVID-19 cases. The iron ore price rose 10% to US\$111 on increased government support for the Chinese property sector. The oil price endured a volatile month but ended flat at US\$86 with news of higher US crude stockpiles and the reopening of Chinese borders. The AUD remained flat at below US68c. The Australian market followed global markets lower as the big banks and consumer discretionary retailers underperformed. The RBA raised interest rates by another 25bps to 3.10% and did not rule out larger increases in 2023.

The CEO of CSL announced his planned retirement with the internal promotion of the current COO. BHP has agreed to acquire OZ Minerals at \$28.25 cash per share to boost the production and reserves of their copper division. IGO reported a fire incident with operations at its Nova mine suspended for 2 weeks. Nitro recommended a \$2.15 cash per share takeover offer after receiving multiple revised bids during the month. The CEO of Newcrest retired with immediate effect during the month. Rio Tinto successfully acquired Turquoise Hill to bring its direct interest of Oyu Tolgoi copper mine to 66%. The ACCC blocked the Telstra/TPG mobile network sharing deal due to reduced competition. Pro Medicus announced a new 7 year \$15m transaction based contract with Luminis Health. AMP received an additional \$25.5m in additional earn-out payments following the completion of the Global Equities and Fixed Income business sale to Macquarie. ASX acknowledged ASIC and RBA requirements for a report about the current status and plans to replace CHES.

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	31/12/2022
Commonwealth Bank Ltd	7.50%
Rio Tinto Ltd	6.00%
QBE Insurance Group Ltd	5.75%
AMP Ltd	5.50%
CSL Ltd	5.50%
Macquarie Group Ltd	5.50%
Woodside Energy Group Ltd	5.50%
Cochlear Ltd	5.25%
Transurban Group Ltd	5.00%
Telstra Ltd	4.25%

Portfolio Commentary

Positives:

RIO - The share price outperformed as the Chinese government reiterated support for the property sector.

QBE - The share price rose after the US Fed continued to raise interest rates.

NTO - The share price rose after a bidding war broke out between 2 parties.

Negatives:

IGO - The share price followed the lithium price lower.

CTD - The share price fell on concerns of the effect of surging COVID cases on the recovery of international travel.

TCL - The share price fell on concerns that margins may suffer due to increasing operational costs.