



Australian Eagle Asset Management

January 2023 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	5.73%	9.22%	11.72%	16.52%	11.67%	13.46%	17.02%	13.70%	12.10%
Benchmark	6.26%	9.68%	10.93%	13.84%	6.47%	9.05%	10.54%	9.11%	8.05%
Out/(under) performance	-0.53%	-0.46%	0.79%	2.68%	5.20%	4.41%	6.48%	4.59%	4.05%

Top 3 and Bottom 3 Performing Stocks

Top 3: Corporate Travel Management Ltd (CTD), Macquarie Group Ltd (MQG), Rio Tinto Ltd (RIO)

Bottom 3: Incitec Pivot Ltd (IPL), AMP Ltd (AMP), QBE Insurance Group Ltd (QBE)

Portfolio changes

Stocks joined or increased:

Newcrest Mining Ltd (+0.75%): A multinational low cost gold miner. The growing copper and gold production from existing mines and successful integration of Brucejack mine are providing additional earnings upside.

AMP Ltd (+0.50%): A diversified financial services provider. With management's turnaround program progressing as scheduled, the plan to return capital to shareholders may occur after the completion of recent asset sales.

Stocks removed or reduced:

Incitec Pivot Ltd (-0.75%): An multinational explosives and fertiliser business. Despite a record FY22 profit and elevated fertiliser prices, management have not updated the market on their medium to long term direction for the company.

Elders Ltd (-0.25%): A diversified Australian agriculture conglomerate. The share price is approaching our valuation target.

Market Commentary

World markets rebounded after the release of weaker US CPI data, leading investors to pre-empt a pivot of the interest rate trajectory. The US 10 yr bond yield fell 36bps to 3.51%, reflecting growing speculation of future interest rate cuts. Many large global corporations continued to announce widespread job cuts. The ECB president announced her commitment to return inflation to 2% in a timely manner, stating that EU inflation remains too high. Chinese economic data revealed a slight recovery along with news of a declining population. The iron ore price rose 11% to US\$123 on positive sentiment from China's removal of social restrictions. Coal and gas prices fell 35% and 39% respectively as a warmer Northern hemisphere winter eased energy shortage concerns. The copper price rose 11% to US\$4.22/lb on optimism over China's reopening. The AUD rose 3c to below US71c. The Australian market rebounded with global markets as the longer duration tech stocks as well as big miners and banks outperformed. Australian inflation rose for the fourth consecutive quarter to 7.8% p.a., its highest level since 1990. Australian retail fell 3.9% in December despite some retailers reporting strong Christmas trading.

Pro Medicus announced two new long term deals worth at least \$37m combined. Newcrest Mining reaffirmed FY23 production guidance in addition to pleasing progress on multiple gold and copper growth projects. Fortescue reported record quarterly production volume of 49.4mt in addition to five green energy projects reaching Final Investment Decision in 2023. Woodside Energy also reported record quarterly production but had declining revenue due to lower realised prices. AMP disclosed \$68m in post-tax impairments relating to onerous lease contracts and advice software solution. ResMed reported continued strong demand in the Americas region but also flagged lower gross margins in addition to completion of its acquisition of MEDIFOX DAN in Germany. IGO announced a successful ramp up of production at Train 1 of its Kwinana refinery, resulting in an increased dividend despite a fire disruption at its Nova mine. Chorus announced its UFB rollout was complete in December with 1 million total fibre connections achieved in mid-January. 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	31/01/2023
Commonwealth Bank Ltd	7.50%
Rio Tinto Ltd	6.00%
AMP Ltd	6.00%
QBE Insurance Group Ltd	5.50%
Macquarie Group Ltd	5.50%
Woodside Energy Group Ltd	5.50%
CSL Ltd	5.25%
Cochlear Ltd	5.00%
Transurban Group Ltd	5.00%
Telstra Ltd	4.00%

Portfolio Commentary

Positives:

CTD - The share price recovered after underperforming other travel related stocks.

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

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

Negatives:

IPL - The share price fell with the fertiliser price.

AMP - The company announced delays in closing the sale of Australian property and infrastructure businesses to Dexus.

QBE - The company underperformed on competitor warnings about the rising cost of reinsuring Australian natural disasters.