



Australian Eagle Asset Management

February 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	-2.13%	0.51%	6.33%	12.41%	13.81%	12.60%	16.70%	12.80%	11.91%
Benchmark	-2.41%	0.33%	6.92%	8.53%	8.46%	8.44%	10.47%	8.24%	7.87%
Out/(under) performance	0.28%	0.18%	-0.59%	3.88%	5.36%	4.16%	6.23%	4.56%	4.04%

Top 3 and Bottom 3 Performing Stocks

Top 3: QBE Insurance Group (QBE), Cochlear Ltd (COH), Transurban Group (TCL)

Bottom 3: AMP Ltd (AMP), Rio Tinto Ltd (RIO), Pro Medicus Ltd (PME)

Portfolio changes

Stocks joined or increased:

Newcrest Mining Ltd (+0.75%): A multinational low cost gold miner. Growing gold and copper production from strategic acquisitions and efficiencies have strengthened the potential for returns for shareholders.

CSL Ltd (+0.75%): A diversified medical products company. The recovery in plasma collections in addition to the synergies from the recently completed Vifor acquisition have laid a solid foundation for future organic growth.

Stocks removed or reduced:

AMP Ltd (-1.75%): A diversified financial services company. After a disappointing FY22 result, the timeline for completion of management's turnaround plan have been delayed.

Incitec Pivot Ltd (-0.75%): A multinational explosives and fertiliser business. Management have not provided a meaningful update, after last year announcing the strategic review for its Waggaman plant as well as a potential demerger.

Australian Eagle Portfolio: Top ten holdings

Stock	28/02/2023
Commonwealth Bank Ltd	7.25%
Rio Tinto Ltd	6.00%
CSL Ltd	6.00%
QBE Insurance Group Ltd	6.00%
Macquarie Group Ltd	5.50%
Woodside Energy Group Ltd	5.50%
Cochlear Ltd	5.25%
Transurban Group Ltd	5.00%
Altium Ltd	4.50%
Newcrest Mining Ltd	4.50%

Market Commentary

World markets were mixed after the US Fed slowed the pace of interest rate hikes to 25bps per meeting, stating that inflation had started to turn. However, the US 10 yr bond yield rose 40bps to 3.91% during the month after US inflation numbers came out higher than expected. The ECB lifted interest rates by 50bps while also pledging to hike rates by another 50bps in March. Chinese-Australian relations showed signs of further thawing with Australian coal now being accepted into Chinese ports and talks of wine tariffs being lifted. The iron ore price remained flat at US\$124/t despite reports of a crackdown on pollution in the steel manufacturing hub of Tangshan. The oil price continued its downward trend, falling 2% to US\$77/bbl on global economic slowdown fears despite tightening global sanctions on Russia. The AUD fell 3c to above US67c. The Australian market fell with the US market as miners fell on economic uncertainty and banks confirmed margins have likely peaked this cycle. Australian unemployment rose 0.2% to 3.7% as higher interest rates started to reign in growth of new jobs. The RBA raised interest rates by 25bps for the 9th consecutive month with more hikes promised in order for inflation to return to target levels.

Positives:
QBE - The share price rose after reporting rising premium growth and higher investment income.
COH - The share price rose after management revealed a recovery in implant unit growth.
TCL - The share price outperformed after reporting record revenues while keeping its cost of borrowing below 4%.

Reporting season unveiled some surprises with companies revealing struggles with inflation while trying to pass on higher costs. Corporate Travel reported that North America had record booking volumes in January while the European division is expected to be the largest contributor in 2H23. Altium revealed continued momentum towards long term subscriptions and revenue targets despite headwinds experienced through China's lockdown and withdrawal from Russia. Telstra increased their dividend to 8.5cps after reporting growth in the mobile division and support from its recent acquisition of Digicel Pacific. Woodside announced strong earnings growth after the integration of BHP assets while progressing new assets both domestically and internationally. Wesfarmers reported a turnaround in Kmart Group performance with strong underlying growth from its price positioning and cost management. The board of directors for Newcrest Mining rejected an all script takeover bid from Newmont Mining, the world's largest gold mining corporation. Major relative portfolio exposures were medical devices and non-bank financial stocks with less portfolio weight in major banks and industrials.

Portfolio Commentary

Negatives:

AMP - The share price fell after reporting a fall in H2 CY 22 profit.
RIO - The share price fell after reporting falling free cashflow after enduring challenging market conditions.
PME - The share price fell after a period of outperformance.