



# Australian Eagle Asset Management

March 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	1.07%	4.60%	13.45%	4.99%	21.61%	13.50%	16.10%	13.14%	11.92%
Benchmark	-0.18%	3.51%	13.15%	1.14%	17.08%	9.26%	9.72%	8.46%	7.82%
Out/(under) performance	1.25%	1.09%	0.30%	3.85%	4.53%	4.24%	6.38%	4.68%	4.10%

## Top 3 and Bottom 3 Performing Stocks

Top 3: Newcrest Mining Ltd (NCM), Cochlear Ltd (COH), Rio Tinto (RIO)

Bottom 3: Incitec Pivot Ltd (IPL), Woodside Energy Ltd (WDS), Treasury Wine Estates Ltd (TWE)

## Portfolio changes

### Stocks joined or increased:

**Newcrest Mining Ltd (+1.00%):** A multinational low cost gold miner. Growing gold and copper production from strategic acquisitions and mine life extensions of existing assets have strengthened the potential for increased future returns for shareholders.

**Xero Ltd (+0.75%, Entry):** A cloud-based small business accounting software and ecosystem provider. New management have started to streamline operations and lay a solid platform for future organic and inorganic growth.

### Stocks removed or reduced:

**AMP Ltd (-1.25%):** A diversified financial services company. Despite reiterating capital management plans, management's turnaround plan has been plagued by delays and regulatory hurdles.

**Incitec Pivot Ltd (-1.00%):** A multinational explosives and fertiliser business. After announcing the sale of its Waggaman plant, management have not provided any further updates regarding its potential demerger.

## Market Commentary

World markets were volatile in March after the sudden failure of 3 relatively smaller US banks in quick succession. However markets recovered somewhat after FDIC guaranteed all bank deposits, regardless of deposit size. The US Fed hiked interest rates by another 25bps in March, further commenting the rate rising cycle is coming to an end but is still not over. The banking crisis also spooked the US bond market with the 12mth yield falling 38bps to 4.59% and the 10 yr yield falling 44bps to 3.47%. The ECB also lifted interest rates by 50bps despite the banking crisis leading to the sale of Credit Suisse to rivals UBS. President Xi installed a close ally as the new premier as China lowered its 2023 economic growth target from 5.5% to 5.0%. The iron ore price rose US\$1 to US\$125/t despite lowered economic growth targets. The oil price fell 4% to US\$74 on concerns of an economic slowdown and weakening demand. The AUD remained flat at US67c.

The Australian market ended flat despite fears of the fast moving banking crisis reaching Australian shores. Australian unemployment fell back to 3.5% as labour shortages continued to affect the economy. The RBA raised interest rates by 25bps to 3.60% for the 10th

consecutive month but may reconsider the case for a pause at the next meeting. AMP completed the first stage of the sale of its real estate and domestic infrastructure equity platform to Dexis, with the final stage completion dependent on the approval by Chinese regulatory authorities. Elders bolstered its livestock and real estate agency footprint in central NSW with the acquisition of Emms Mooney. The board of directors of Nitro recommended shareholders accept Potentia's takeover offer at \$2.17 per share after an extensive bidding process. Incitec Pivot announced the sale of Waggaman to CF industries for US\$1.675bn along with a 25 yr ammonia supply agreement for up to 200ktpa to support its explosives division. Fortescue announced a delay for the commencement of its Iron Bridge Magnetite Project with first production revised from March to April 2023. The ASX announced that ASIC commenced an investigation into potential contraventions of the Corporations Act by ASX executives in relation to the CHES replacement program. 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	31/03/2023
Commonwealth Bank Ltd	7.00%
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	5.50%
Newcrest Mining Ltd	5.50%
Transurban Group Ltd	5.00%
Altium Ltd	4.50%

## Portfolio Commentary

### Positives:

NCM - The share price rose with the gold price.

COH - The share price outperformed as the market continued to digest the good progress announced in February.

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

### Negatives:

IPL - The share price fell with the fertiliser price.

WDS - The share price fell on the weaker economic growth outlook.

TWE - The share price fell after the company's Premium Americas portfolio reported declining volumes.