



Australian Eagle Asset Management

April 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	2.70%	1.59%	10.96%	6.76%	18.91%	13.08%	15.95%	13.00%	12.02%
Benchmark	1.74%	-0.90%	8.70%	2.90%	14.63%	8.80%	9.47%	8.11%	7.89%
Out/(under) performance	0.96%	2.49%	2.26%	3.86%	4.28%	4.28%	6.48%	4.89%	4.13%

Top 3 and Bottom 3 Performing Stocks

Top 3: Corporate Travel Management Ltd (CTD), Newcrest Mining Ltd (NCM), QBE Insurance Group Ltd (QBE)

Bottom 3: Rio Tinto Ltd (RIO), Fortescue Metals Group Ltd (FMG), Elders Ltd (ELD)

Portfolio changes

Stocks joined or increased:

Newcrest Mining Ltd (+0.25%): A multinational low cost gold miner. Growing gold and copper production from its high quality portfolio has enhanced the potential for higher future returns for shareholders.

Xero Ltd (+0.25%): A cloud-based small business accounting software and ecosystem provider. New management have begun to streamline operations and lay a solid platform for future growth.

Stocks removed or reduced:

Incitec Pivot Ltd (-0.75%): A multinational explosives and fertiliser business. Management have not provided any further updates regarding its potential demerger or on-market share buyback.

BHP Group Ltd (-0.25%): A large multinational diversified mining company. Management have reported problems mitigating the effect of rising costs, labour constraints and unfavourable weather.

Market Commentary

World markets continued to experience volatility in April as company quarterly results showcased the challenges faced due to drawn-out uncertainty. The US yield curve steepened slightly but remained inverted as US inflation fell from 6% to 5% in March. Euro zone inflation eased for the fifth consecutive month to 6.9% but food inflation continued to rise above expectations at 15.5%. The Chinese government announced a review of trade restrictions on Australian barley, giving hopes to other similarly affected Australian exports. The Chilean government announced plans to nationalise its lithium industry by forcing companies to partner with state entities. The iron ore price fell US\$20 to US\$105/t on concerns of slowing economic growth. The oil price fell 5% to US\$77 despite OPEC+ announcing future production cuts of more than 1m barrels per day. The AUD fell US1c to US66c. The Australian market rose despite companies reporting mixed quarterly results. Australian unemployment remained flat at 3.5% as the labour shortfall continued to challenge the economy. The RBA maintained interest rates at 3.60% on the effect of previous rate hikes.

Corporate Travel won a UK government contract worth an estimated GBP1.6bn for 2 years with a 1 year extension option. Newcrest Mining received an improved non-binding indicative proposal from Newmont with an implied value of A\$32.87 per share. Rio Tinto reported record 1st quarter iron ore production offset by technical problems in its copper production. Wesfarmers launched a non-binding indicative acquisition of SILK Laser Australia, gaining unanimous recommendation by the target company's board of directors as well as support from its largest shareholder. AMP announced improved net cashflows for its wealth management business as well as continued strong inflows for its North platform. ResMed reported strong revenue growth in all regions with production ramped up to meet high demand for its cloud connected devices. IGO reported record quarterly lithium earnings despite higher production costs, offset by the impairment of its recent Western Areas acquisition due to cost escalations and underperformance of the Forrestania mine. 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	30/04/2023
Commonwealth Bank Ltd	7.00%
Rio Tinto Ltd	6.00%
CSL Ltd	6.00%
QBE Insurance Group Ltd	6.00%
Newcrest Mining Ltd	5.75%
Macquarie Group Ltd	5.50%
Woodside Energy Group Ltd	5.50%
Cochlear Ltd	5.50%
Transurban Group Ltd	5.00%
Altium Ltd	4.50%

Portfolio Commentary

Positives:

CTD - The share price rose after being awarded with a \$2bn UK government contract.

NCM - The share price rose after receiving an improved takeover bid from Newmont Mining.

QBE - The share price rose with short term US bond yields.

Negatives:

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

FMG - The share price fell with the iron ore price.

ELD - The share price fell on weakening agricultural prices.