



Australian Eagle Asset Management

May 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	-3.47%	0.21%	0.71%	7.40%	14.42%	11.93%	14.94%	13.04%	11.75%
Benchmark	-2.44%	-0.93%	-0.60%	3.41%	12.26%	8.08%	8.62%	8.35%	7.70%
Out/(under) performance	-1.03%	1.14%	1.31%	3.99%	2.16%	3.85%	6.32%	4.69%	4.05%

Top 3 and Bottom 3 Performing Stocks

Top 3: Xero Ltd (XRO), CSL Ltd (CSL), Woodside Energy Ltd (WDS)

Bottom 3: Newcrest Mining Ltd (NCM), Treasury Wine Estates Ltd (TWE), Elders Ltd (ELD)

Portfolio changes

Stocks joined or increased:

Telix Pharmaceuticals Ltd (+1.00%, Entry): A cancer imaging and therapy products company. Recent performance of its new prostate cancer imaging agent have produced strong cashflow to provide a platform for future organic growth.

Deterra Royalties Ltd (+1.00%, Entry): A mining royalties company. The ramp up of BHP's Mining Area C production into FY24 will trigger higher royalty payments, regardless of the iron ore price.

Stocks removed or reduced:

Incitec Pivot Ltd (-0.75%, Exit): A multinational explosives and fertiliser business. Lower commodity prices and higher costs have affected recent performance. Management have also failed to update the market on its demerger or on-market share buyback.

Elders Ltd (-2.00%, Exit): A diversified Australian agricultural retailer. The company has reported weak earnings due to lower livestock prices, higher costs and unfavourable weather. The board has yet to appoint a new CEO.

Australian Eagle Portfolio: Top ten holdings

Stock	31/05/2023
Commonwealth Bank Ltd	7.00%
Rio Tinto Ltd	6.00%
CSL Ltd	6.00%
QBE Insurance Group Ltd	6.00%
Newcrest Mining Ltd	5.50%
Woodside Energy Group Ltd	5.50%
Cochlear Ltd	5.50%
Macquarie Group Ltd	5.00%
Transurban Group Ltd	5.00%
Altium Ltd	4.50%

Market Commentary

World markets were mixed as uncertainty over the extension of the US debt ceiling and speculation over the future trajectory of interest rates continued to plague sentiment. The inverted US yield curve shifted higher as investors sought safety in bonds after US debt ceiling negotiations dragged on right up to the deadline. The Bank of England hiked rates by 25bps to 4.50% as inflation remains the highest of any developed economy at 9%, stoking additional fears of an upcoming recession. The Chinese government immediately lifted the ban on Australian timber after similar recent moves on other previously banned Australian exports. The iron ore price fell US\$7 to US\$98/t due to slowing Chinese demand.

The oil price continued to fall on weak global economic data, down US\$10 to US\$77/bbl despite OPEC+ announcing future production cuts. The AUD fell US1c to US65c.

The Australian market fell with world markets as continued competition between the banks and falling commodity prices added to ongoing uncertainty. The RBA hiked interest rates by 25bps to 3.85% as inflation remained above target levels. Unemployment edged up from 3.5% to 3.7% for April.

Companies entered confession season under a cloud of uncertainty with many giving conflicting updates. Transurban upgraded its annual distribution guidance for the second time in 6 months due to rebounding traffic numbers and lower finance costs. The big banks reported peaking net interest margins due to stiff competition, with CBA and NAB no longer offering cashback incentives to refinance mortgage borrowers after June. Elders reported slowing growth due to falling commodity and livestock prices. Incitec Pivot's 1H23 reported a strong explosives result offset by weak fertiliser performance. Newcrest Mining entered into a binding scheme implementation deed after accepting Newmont's script-only takeover offer. Treasury Wine Estates downgraded earnings for FY23 despite still recording growth in its flagship Penfolds division. Xero reported progress towards its cost cutting targets while still generating subscriber number growth. Pro Medicus announced the signing of a 7 year \$20m contract with Gundersen Health System.

Major relative portfolio exposures were medical devices and non-bank financial stocks with less portfolio weight in major banks and industrials.

Portfolio Commentary

Positives:

XRO - The share price rose after the CEO reiterated her commitment to reducing costs and pursuing disciplined growth.

CSL - The share price continued to outperform after a positive HY23 report.

WDS - The share price rose as the petroleum tax in the Australian budget was less than expected.

Negatives:

NCM - The share price followed the gold and copper price lower.

TWE - The share price underperformed after management revealed deteriorating performance in its premium and commercial wines.

ELD - The share price fell on a disappointing result, suffering from higher costs and lower livestock prices.