



Australian Eagle Asset Management

June 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	1.36%	0.49%	5.11%	16.45%	13.95%	11.58%	15.53%	13.83%	11.78%
Benchmark	1.94%	1.17%	4.72%	15.13%	11.87%	7.76%	9.32%	8.78%	7.78%
Out/(under) performance	-0.58%	-0.68%	0.39%	1.32%	2.08%	3.82%	6.21%	5.05%	4.00%

Top 3 and Bottom 3 Performing Stocks

Top 3: QBE Insurance Group Ltd (QBE), Rio Tinto Ltd (RIO), Pro Medicus Ltd (PME)

Bottom 3: Corporate Travel Ltd (CTD), Cochlear Ltd (COH), Altium Ltd (ALU)

Portfolio changes

Stocks joined or increased:

BHP Group Ltd (+0.25%): A multinational diversified miner. The sovereign risk concerns regarding its copper operations in Chilean have reduced.

IGO Ltd (+0.25%): A clean energy minerals producer. The company's lithium JV is ramping up Train 1 to full nameplate production of lithium hydroxide and has already commenced construction of Train 2.

Stocks removed or reduced:

ASX Ltd (-0.25%): An Australian financial markets operator. The company announced expectations of growing cost pressures along with a reduced dividend payout ratio as management tries to cope with increased cost of doing business and replacing its ageing settlements system.

Altium Ltd (-0.25%): A connected devices software and ecosystem provider. There are growing concerns over the sustainability of the economic rebound in China after COVID-19.

Market Commentary

World markets rose during a volatile month as investors switched between speculation over future interest rate hikes and a continuation of the recent artificial intelligence boom. The US 2 year and 5 year bond yields rose 52bps and 42bps respectively as investors priced in increasing expectations of higher interest rates for the medium term. The US Fed paused its rate hiking but stated future hikes may be needed. The ECB and the Bank of England hiked rates by 25bps and 50bps respectively as inflation remained stubbornly high. The Chinese government announced it would reach its 5% growth target in 2023 despite slowing consumer activity. The iron ore price rose US\$12 to US\$110/t on expectations of strong future stimulus measures from the Chinese government. The oil price rose US\$3 to US\$70/bbl on news of low US crude stockpiles. The AUD rose US1c to US66c.

The Australian market rose with world markets as headline inflation slowed more than expected from 6.8% to 5.6%. The RBA hiked interest rates by 25bps to 4.10%, with more expected in the short term as unemployment fell from 3.7% to 3.6% for May. Australian minimum wage requirements rose 5.75%, adding pressure to inflation indicators.

ASX revealed wholesale executive changes as well as a five year renewal strategy requiring double digit expense growth and a lower dividend payout policy. Altium's chairman announced his intention to retire prior to the next AGM, commencing the search for a replacement. IGO appointed a new CEO from Rio Tinto after the sudden death of the previous CEO last year. CSL disclosed a FY23 profit guidance downgrade due to foreign exchange headwinds. The ACCC blocked the \$1.8bn network sharing deal between Telstra and TPG Telecom due to concerns of increasing Telstra's dominant market position. Telix Pharmaceuticals acquired Lightpoint Medical, a producer of ultra-mini robotic gamma probes used in cancer operations. Corporate Travel Management was awarded a 4 year contract with the Australian Government which will contribute 30% of ANZ TTV in FY24. Wesfarmers entered into a scheme implementation deed to acquire Silk Laser Australia for \$180m. Transurban's proposed acquisition of Horizon Roads may not proceed after the ACCC raised concerns of lessening competition. 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	31/05/2023
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%
Cochlear Ltd	5.50%
Woodside Energy Group Ltd	5.25%
Macquarie Group Ltd	5.00%
Transurban Group Ltd	5.00%
Altium Ltd	4.25%

Portfolio Commentary

Positives:

QBE - The share price rose with bond yields on expectations of higher investment earnings.

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

PME - The share price outperformed along with other artificial intelligence related stocks.

Negatives:

CTD - The share price fell on weak economic data and concerns about a travel slowdown.

COH - The share price fell after a UK regulator rejected part of the company's acquisition plans.

ALU - The share price fell after a period of outperformance.