



Australian Eagle Asset Management

August 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	0.45%	4.26%	4.47%	11.09%	12.99%	11.71%	14.15%	13.12%	11.83%
Benchmark	-0.70%	4.07%	3.11%	10.24%	11.53%	7.59%	8.96%	8.22%	7.83%
Out/(under) performance	1.15%	0.19%	1.36%	0.85%	1.46%	4.12%	5.19%	4.90%	4.00%

Top 3 and Bottom 3 Performing Stocks

Top 3: Altium Ltd (ALU), Cochlear Ltd (COH), AMP Ltd (AMP)

Bottom 3: ResMed Inc (RMD), Costa Group Ltd (CGC), Transurban Group (TCL)

Portfolio changes

Stocks joined or increased:

Deterra Royalties Ltd (+1.00%): A mining royalties asset owner. The company's flagship asset, Mining Area C, is continuing its production ramp up while management have signalled intentions to grow their portfolio of royalty assets.

Telix Pharmaceuticals Ltd (+0.50%): A cancer diagnostic and therapy products developer. Steady revenue growth, increases to addressable market size and product development have laid a strong platform for future organic growth.

Stocks removed or reduced:

Chorus Ltd (-1.25%, Exit): A New Zealand telecommunications owner. The company announced increases to future capital expenditure despite completing the rollout of its Ultra Fast Broadband network, endangering plans for growing distributions for shareholders.

Newcrest Mining Ltd (-1.00%): A multinational gold and copper miner. We have decided to reduce gold exposure in the lead up to the takeover from Newmont Mining.

Market Commentary

World markets fell as many companies on elevated valuations failed to exceed expectations during reporting season. The yield curve steepened with the US 10 year bond yield rising 15bps as investors continued to price in expectations of higher interest rates for the medium term. Fed Chairman Powell said that the board is not done fighting inflation and that interest rate hikes are still on the table. The BoE raised interest rates by 25bps, marking 14 consecutive increases. The Chinese government continued its battle with high youth unemployment, a slumping housing market and loss of consumer confidence. The iron ore price rose during another volatile month, up US\$7 to US\$114/t on news of stimulus to support the property market. The oil price rose US\$3 to US\$83/bbl on news of further OPEC+ production cuts and falling US crude inventories. The AUD fell US2c to US65c. The Australian market followed world markets lower but rose towards the end of August on a lower-than-expected July inflation reading. The RBA left interest rates at 4.1% but left the door open for more hikes, dependant on future economic data. Unemployment rose slightly to 3.7% due to the largest loss of jobs since October 2021.

Altium reiterated its long term goals with strong contribution from all divisions. ASX reported margin compression from falling revenues and growing expenses. Cochlear announced that it had commenced manufacture of sound processors in China, with implant manufacturing approval expected within 18 months. CSL reported increased operational efficiency with plans to improve immunoglobulin production yield significantly in the medium term. Corporate Travel Management announced a strong performance in Europe offset by a slower than expected North America recovery. IGO declared a special dividend due to a record performance from its lithium JV. Telstra announced the discontinuation of the sale of its fixed infrastructure assets. Treasury Wine Estates reported strong growth in Penfolds and Luxury sales offset by poorer Commercial wine performance. Wesfarmers' growth was driven by a strong performance from Kmart while its much-anticipated lithium JV remains on track for first earnings in 1H CY24. 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	31/08/2023
Commonwealth Bank Ltd	7.00%
Rio Tinto Ltd	6.00%
QBE Insurance Group Ltd	6.00%
CSL Ltd	5.75%
Cochlear Ltd	5.75%
Woodside Energy Group Ltd	5.00%
Macquarie Group Ltd	5.00%
Transurban Group Ltd	5.00%
Altium Ltd	4.50%
Newcrest Mining Ltd	4.25%

Portfolio Commentary

Positives:

ALU - The share price rose after announcing continued growth of higher value subscriptions.

COH - The share price rose on a continued strong recovery from COVID.

AMP - The share price outperformed after announcing a relatively small provision for its buyer of last resort legal case.

Negatives:

RMD - The share price fell after reporting continued elevated costs resulting in margin compression.

CGC - Management announced its flagship Citrus division suffered from a deterioration of quality.

TCL - The share price fell on disappointment over the size of the forecast FY24 distribution.