



Australian Eagle Asset Management

September 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	-2.12%	0.68%	1.17%	14.78%	13.69%	11.62%	13.82%	12.52%	11.65%
Benchmark	-2.75%	-0.71%	0.45%	13.66%	11.90%	7.27%	8.47%	7.68%	7.63%
Out/(under) performance	0.63%	1.39%	0.72%	1.12%	1.79%	4.35%	5.35%	4.84%	4.02%

Top 3 and Bottom 3 Performing Stocks

Top 3: QBE Insurance Group Ltd (QBE), Costa Group Ltd (CGC), Treasury Wine Estates Ltd (TWE)

Bottom 3: Altium Ltd (ALU), CSL Ltd (CSL), Xero Ltd (XRO)

Portfolio changes

Stocks joined or increased:

Deterra Royalties Ltd (+0.25%): 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.

ResMed Inc (+0.25%): A sleep apnea and out-of-hospital healthcare provider. The company has continued to generate strong organic growth while selectively acquiring SaaS businesses to grow its cloud platforms.

Stocks removed or reduced:

Newcrest Mining Ltd (-0.25%): A multinational gold and copper miner. We have continued to reduce gold exposure in the lead up to the takeover from Newmont Mining.

Market Commentary

World markets fell as US Congress came close to another shutdown while elevated inflation continued to trouble the economy. The yield curve steepened with the US 10 year bond yield rising 46bps to 4.57% as investors continued to price in expectations of higher interest rates for the medium term. The US Federal Reserve kept rates steady but signalled the likelihood of another hike in 2023. The ECB raised interest rates by 25bps, saying that inflation is declining but still far too high. The Chinese government introduced new lending measures to help stabilise its declining property market while the economy continued to struggle with deflation. The iron ore price rose US\$4 to US\$118/t on news of government stimulus to support the Chinese property market. The oil price rose US\$6 to US\$89/bbl on news of further OPEC+ production cuts and falling US crude inventories. The AUD fell US1c to US64c.

The Australian market followed world markets lower as inflation remained well above the target levels. Economic data was mixed with manufacturing showing signs of contraction while unemployment remained relatively low at 3.7%. Michele Bullock replaced Philip Lowe as governor of the RBA during the month.

The Costa Group board accepted the revised takeover bid of \$3.20 per share after providing a profit downgrade during the month. The ACCC rejected Transurban's potential acquisition of Horizon Roads on the grounds it would decrease competition. Macquarie Group downgraded its short term outlook mainly due to lower green energy investment income and a tough deal making environment. Commonwealth Bank acquired Waddle for an undisclosed sum after Xero wrote down its value to nil earlier this year. Pro Medicus won a \$140m 10 year contract, their biggest contract win so far involving a not for profit organisation with almost 500 radiologists. AMP filed their notice of appeal for its Buyer of Last Resort legal case with the parties agreeing to start mediation talks. CSL agreed to develop and supply influenza vaccines for the UK government in the event of a pandemic in the next 4 years. Ramsay Health Care announced that the sale process for its Asian joint venture is continuing and that any proceeds would be used to pay down debt.

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	30/09/2023
Commonwealth Bank Ltd	7.00%
Rio Tinto Ltd	6.00%
QBE Insurance Group Ltd	6.00%
CSL Ltd	5.75%
Cochlear Ltd	5.50%
Woodside Energy Group Ltd	5.00%
Macquarie Group Ltd	5.00%
Transurban Group Ltd	5.00%
Altium Ltd	4.25%
Newcrest Mining Ltd	4.00%

Portfolio Commentary

Positives:

QBE - The share price outperformed as bond yields rose throughout the month.

CGC - The share price rose after the board accepted a revised takeover bid.

TWE - The share price rose after China hinted at overturning its longstanding tariffs on Australian wines.

Negatives:

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

CSL - The share price continued to fall after reporting margin pressure during reporting season.

XRO - The share price underperformed as longer dated earnings companies suffered from rising bond yields.