



Australian Eagle Asset Management

October 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 | -4.58% | -6.19% | -6.00% | 4.30% | 10.41% | 12.42% | 13.50% | 11.61% | 11.31% |
| Benchmark | -3.60% | -6.91% | -4.82% | 3.46% | 9.77% | 7.75% | 8.19% | 6.86% | 7.38% |
| Out/(under) performance | -0.98% | 0.72% | -1.18% | 0.84% | 0.64% | 4.67% | 5.31% | 4.75% | 3.93% |

Top 3 and Bottom 3 Performing Stocks

Top 3: Rio Tinto Ltd (RIO), Fortescue Metals Group Ltd (FMG), QBE Insurance Group Ltd (QBE)

Bottom 3: IGO Ltd (IGO), AMP Ltd (AMP), Telix Pharmaceuticals Ltd (TLX)

Portfolio changes

Stocks joined or increased:

Evolution Mining Ltd (+1.00%, Entry): A multinational gold and copper miner. Management have rectified problems in its flagship Ernest Henry mine as well as in Red Lake, providing a platform for future organic growth.

Treasury Wine Estates (+0.50%): A premium and luxury wine producer and distributor. Continued thawing of Sino-Australian relations and a EPS accretive acquisition of a US luxury wine producer has provided further medium term upside potential.

Stocks removed or reduced:

Newmont Corporation Ltd (-2.00%): A multinational gold and copper miner. The takeover of Newcrest Mining has diluted the growing copper production profile as part of a much larger gold producer.

Telstra Ltd (-0.50%): An Australian telecommunications provider. Management's decision not to further monetise its valuable infrastructure assets has dampened the potential for a short-term share price catalyst.

Australian Eagle Portfolio: Top Ten Holdings

| Stock | 31/10/2023 |
|---------------------------|------------|
| Commonwealth Bank Ltd | 7.00% |
| Rio Tinto Ltd | 6.00% |
| QBE Insurance Group Ltd | 6.00% |
| CSL Ltd | 6.00% |
| Cochlear Ltd | 5.75% |
| Woodside Energy Group Ltd | 5.00% |
| Macquarie Group Ltd | 5.00% |
| Transurban Group Ltd | 5.00% |
| Altium Ltd | 4.50% |
| Treasury Wine Estates Ltd | 3.75% |

Market Commentary

World markets fell on fears of intensifying Middle East conflict while companies reported mixed quarterly earnings. The US yield curve continued to steepen with long term yields rising sharply throughout the month. The US economy grew at 4.9% p.a. in the September quarter, increasing chances of an imminent rate rise. The ECB held interest rates steady after 10 consecutive increases since July 2022. Chinese 3Q GDP growth reached 4.9%, just below its 2023 target of 5.0%. The Chinese government announced a ban on the export of graphite for national security purposes. The iron ore price endured a volatile month but finished slightly higher at US\$119/t on news of government support for the Chinese property market. The oil price fell US\$8 to US\$81/bbl despite news of further OPEC+ production cuts and Middle East conflict. The AUD fell US1c to US63c. The Australian market followed world markets lower as inflation continued to slow but remained well above target levels, increasing chances of further interest rate hikes. The RBA held interest rates steady at 4.1% for the fourth consecutive month despite considering a hike due to stubbornly high inflation. Unemployment fell from 3.7% to 3.6%.

Newmont Corporation successfully completed its takeover of Newcrest Mining. Telstra acquired Versent for \$267m to help Telstra Purple drive growth in the cloud implementation and digitisation of businesses. CSL reiterated its FY24 guidance while stating it does not see any material effect from weight loss drugs on its existing operations. Treasury Wine Estates raised \$825m in new equity to acquire DAOU Vineyards, a US luxury winemaker. Corporate Travel Management announced a \$100m on-market buyback after reporting a strong first quarter as a result of new client wins. Woolworths reported mid single digit growth in supermarkets as costs began to moderate. Fortescue maintained its FY24 cost guidance but downgraded production from its new high grade Iron Bridge mine from 7mt to 5mt. Wesfarmers reported solid progress for most divisions as Catch losses continue to improve. IGO announced that it would stockpile some of its allocated JV spodumene production to be sold at a later date when realised prices recover to more attractive levels. Major relative portfolio exposures were medical devices and non-bank financial stocks with less portfolio weight in major banks and industrials.

Portfolio Commentary

Positives:

RIO - The share price followed the iron ore price higher throughout the month.

FMG - The share price outperformed on a rising iron ore price.

QBE - The share price outperformed as short term bond yields remained elevated while other insurers reported continued premium increases.

Negatives:

IGO - The share price fell after revealing production issues and lower realised commodity prices.

AMP - The share price underperformed after its bank revealed continued margin pressure.

TLX - The share price fell after the market was disappointed with its revenue growth trajectory.