



Australian Eagle Asset Management

January 2024 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	2.09%	12.39%	5.44%	7.33%	11.68%	14.29%	14.33%	13.65%	11.84%
Benchmark	1.13%	13.66%	5.80%	7.21%	10.34%	10.23%	9.10%	8.61%	8.01%
Out/(under) performance	0.96%	-1.27%	-0.36%	0.12%	1.34%	4.06%	5.23%	5.04%	3.83%

Top 3 and Bottom 3 Performing Stocks

Top 3: ResMed Inc (RMD), QBE Insurance Group Ltd (QBE), Altium Ltd (ALU)

Bottom 3: Evolution Mining Ltd (EVN), IGO Ltd (IGO), Rio Tinto Ltd (RIO)

Portfolio changes

Stocks joined or increased:

IDP Education Ltd (+0.75%, Entry): An international student placement and English testing company. Placement and testing volumes have been maintained despite industry headwinds.

Star Entertainment Group Ltd (+0.50%, Entry): An owner and operator of multiple casino entertainment quarters. After multiple capital raisings to repair the balance sheet, management have reset the company to provide a solid foundation for future organic growth.

Stocks removed or reduced:

Costa Group Ltd (-1.75%, Exit): A multinational horticultural and fresh produce supplier. The share price has reached our valuation target as the private equity takeover of the company has been approved.

AMP Ltd (-1.00%, Exit): A diversified financial services company. The on-market buyback has been delayed due to the class action lawsuit while bank net interest margins remain under increasing pressure due to competition.

Market Commentary

World markets endured intra month volatility as investors pared back bets of an imminent US Fed pivot. US data displayed robust growth despite core inflation falling to 2 and a half year lows below 4%. The 10 year US bond yield rose strongly intra month before ending only 8bps higher to 3.95% on increased interest rate uncertainty. The ECB publicly warned that it was far too soon to be discussing any policy easing while inflation remains at elevated levels. The Chinese economy exceeded its 5% growth target for 2023 while high youth unemployment and a sluggish property market continue to cause issues for policymakers. The Chinese government announced a 2 trillion yuan plan to help stem the current stock market rout. The iron ore price fell \$10 to US\$129/t as a large property developer was forced into liquidation. The oil price rose US\$4 to US\$76/bbl on increased intensity of Middle East conflict. The lithium price tumbled 29% to US\$935/t as lack of demand continued to affect the market. The AUD fell US2c to US66c. The Australian market moved with world markets as inflation continued to approach target levels. Australian retail sales fell 2.7% in December, reversing the strong rise in November. Unemployment remained at 3.9%.

Telix Pharmaceuticals announced a potential dual listing on the Nasdaq while reporting continued revenue growth. The US Department of Energy requested Silex Systems submit a request for proposal for a grant to provide enriched uranium for next generation advanced nuclear power plants. Rio Tinto achieved their FY23 iron ore production guidance while aluminium production improved after overcoming weather and equipment challenges. Evolution Mining's problems in Canada resurfaced with seismic and materials handling issues, reducing quarterly production by 13k ounces. BHP announced its Nickel West mine is under evaluation after a continued fall in commodity prices. Pilbara Minerals revealed their quarterly realised price fell 50% to US\$1,113/t, resulting in management considering a likely pause in their dividend policy. ResMed announced strong double digit revenue growth along with a recovery in margins as cost pressures start to ease. Fortescue downgraded their Iron Bridge production guidance again due to raw water pipeline issues.

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	31/01/2024
Commonwealth Bank Ltd	7.50%
Rio Tinto Ltd	6.00%
Macquarie Group Ltd	6.00%
CSL Ltd	6.00%
Cochlear Ltd	5.50%
QBE Insurance Group Ltd	5.50%
Altium Ltd	5.00%
Transurban Group Ltd	5.00%
Woodside Energy Group Ltd	4.50%
BHP Group Ltd	4.50%

Portfolio Commentary

Positives:

RMD - The share price rose after a recovery in margins and strong revenue growth in all geographies.

QBE - The share price rose after a period of underperformance.

ALU - The share price rose in anticipation of further progress towards its long term objectives.

Negatives:

EVN - The share price fell as the company revealed further issues at Red Lake mine.

IGO - The share price fell after the announcement of further nickel asset impairments.

RIO - The share price followed the iron ore price lower.