



# Australian Eagle Asset Management

## May 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	0.32%	1.05%	11.46%	13.19%	9.77%	12.17%	13.62%	12.93%	11.78%
Benchmark*	0.96%	1.05%	10.54%	13.05%	7.41%	8.26%	8.81%	7.98%	7.97%
Out/(under) performance	-0.65%	0.00%	0.93%	0.14%	2.35%	3.91%	4.81%	4.95%	3.81%

### Top 3 and Bottom 3 Performing Stocks

**Top 3:** Telix Pharmaceuticals Ltd (TLX), Xero Ltd (XRO), Silex Systems Ltd (SLX)

**Bottom 3:** Treasury Wine Estates Ltd (TWE), Ramsay Healthcare Ltd (RHC), ResMed Inc (RMD)

### Market Commentary

Global markets recovered from falls in the previous month despite persistent inflation concerns and geopolitical tensions influencing investor sentiment. US bond yields reversed part of April's fall with the 2yr yield falling 0.16bps to 4.87% while the 10yr yield fell 19bps to 4.49%. The ECB maintained that inflation is headed in the right direction and that rate cuts will occur soon. The UK PM called a snap election after enduring significant political and economic challenges. China commenced a 1 trillion yuan long term bond issuance to support increased government spending. The iron ore price fell US\$2 to US\$115/t as markets digested news of government support for distressed property developers. The oil price fell US\$4 to US\$77/bbl despite growing tensions in the Middle East and extended OPEC+ production cuts. The copper price remained flat while the aluminium price climbed to new recent highs. The AUD rose 1c to US66c.

The Australian market rose as the big banks reported half yearly earnings while some technology stocks reported strong results. Australian unemployment rose 0.2% to 4.1%. Inflation slowed to the lowest levels in 2 years but remained elevated due to sticky services inflation.

The big banks' earnings updates in May suggested most were struggling to keep net interest margins at more profitable levels due to increased competition. ARB announced continued demand growth in all business divisions while expansion plans remain on track. QBE reported continued high single digit gross written premium growth while investment returns remain well above 4%. BHP's proposed takeover of Anglo American ended after a 3rd and final offer was rejected during the month. Star Entertainment reportedly received multiple unsolicited, preliminary and non-binding takeover bids. Telstra announced the removal of indexation of its post-paid mobile plans and plans to layoff an extra 2,800 workers to cut costs. Xero achieved its aspirational Rule of 40 after resetting its cost base and prioritising balanced growth. TechnologyOne reported strong growth in Australia while momentum continues to build in the UK with large client wins. Telix Pharmaceuticals announced pleasing results from a trial for aggressive prostate cancer treatment. Major relative portfolio exposures were medical devices and non-bank financial stocks with less portfolio weight in major banks and industrials.

### Portfolio changes

#### Stocks joined or increased:

**TechnologyOne Ltd (+1.00%):** A SaaS solutions provider to local government and education institutions. The company's Australian division continues to provide double digit growth while the UK operations gains business momentum.

**Capstone Copper Corporation Ltd (+1.00%, New):** A dual-listed copper producer. The company's growth projects in Chile are ramping up as expected, providing a strong foundation for future organic growth.

#### Stocks removed or reduced:

**Altium Ltd (-2.75%, Exit):** A cloud-based printed circuit board design software and end-to-end manufacturing ecosystem provider. The share price has reached our valuation target.

**IGO Ltd (-0.75%):** A future facing minerals producer. Management's focus on operations has been lacking during the recent period of low commodity prices.

### Australian Eagle Portfolio: Top Ten Holdings

Stock	31/05/2024
Commonwealth Bank Ltd	7.25%
Rio Tinto Ltd	6.00%
Cochlear Ltd	6.00%
Macquarie Group Ltd	5.75%
QBE Insurance Group Ltd	5.25%
Transurban Group Ltd	5.00%
Xero Ltd	4.75%
CSL Ltd	4.50%
BHP Group Ltd	4.25%
Wesfarmers Ltd	4.00%

### Portfolio Commentary

#### Positives:

TLX - The share price rose after reporting progress with its cancer therapeutics trials.

XRO - The share price rose after reporting strong growth and profitability.

SLX - The share price rose after US law passed prohibiting the importation of Russian uranium.

#### Negatives:

TWE - The share price fell after a lowering of expectations of a rebound in China sales.

RHC - The share price fell after a large competitor reported struggling with high costs and inadequate insurance reimbursement.

RMD - The share price consolidated after a period of outperformance.

\*Benchmark is S&P/ASX100 Accumulation Index

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