



Australian Eagle Asset Management

December 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*	-2.41%	0.69%	6.45%	11.97%	8.22%	11.29%	12.34%	13.42%	11.78%
Benchmark**	-3.08%	-0.78%	7.10%	11.74%	8.20%	8.48%	8.93%	8.71%	8.17%
Out/(under) performance	0.67%	1.47%	-0.65%	0.23%	0.03%	2.81%	3.41%	4.71%	3.62%

Top 3 and Bottom 3 Performing Stocks

Top 3: Transurban Group Ltd (TCL), TechnologyOne Ltd (TNE), Woolworths Ltd (WOW)

Bottom 3: Cochlear Ltd (COH), QBE Insurance (QBE), Pilbara Minerals Ltd (PLS)

Portfolio changes

Stocks joined or increased:

Webjet Ltd (+0.50%): A B2B platform provider for accommodation and travel companies. Margins have stabilised while management pursue their long term target of \$10bn TTV through strong double digit growth.

Pilbara Minerals Ltd (+0.25%): A low cost lithium producer. Management have mothballed a production plant to preserve the company's strong balance sheet during this period of low commodity prices.

Stocks removed or reduced:

Transurban Group Ltd (-0.50%): A multinational toll roads owner and operator. The company's dominance of Sydney's toll roads is under review with the upcoming negotiations with the NSW government.

Rio Tinto Ltd (-0.25%): An multinational diversified mining company. The company's flagship Pilbara operations have experienced some operational issues regarding lower grade iron ore.

Market Commentary

Global markets were mixed due to traditionally thin trading volumes and renewed interest rate speculation. The US Federal Reserve cut interest rates by 25bps but adopted a cautious tone regarding the pace of future rate cuts. The US 10 year bond yield rose 40bps to 4.57% as sentiment shifted regarding the strength of the US economy. The BoE left rates unchanged while the ECB cut rates by 25bps to 1.75% for the 3rd straight cut. The US-China relations further deteriorated with both sides placing trade restrictions on technology, military and critical minerals. The iron ore price fell \$3 to US\$101/t as Chinese housing data is yet to respond meaningfully to recent stimulus. The oil price rose US\$4 to US\$72/bbl as US crude inventories fell. The uranium price fell 6% to US\$73/lb due to a decrease in purchasing activity towards the end of the calendar year. The AUD fell 3c to US62c.

The big banks and miners both fell, leading the Australian market lower to end the year. The RBA kept rates on hold at 4.35% as the board opted to wait for more economic data to justify cutting rates. Unemployment fell to an 8 month low of 3.9%. The Federal Treasurer warned of a tough year ahead with a larger mid-year deficit than expected.

Wesfarmers sold its industrial gas company Coregas to Nippon Sanso for \$770m, resulting in a \$230-260m pre-tax profit. The CEO of Kmart transitioned to the position of chairman for its fast growing Anko brand, with the CFO promoted to the top job. SILEX Systems was selected to receive funding under the US government uranium enrichment program. Transurban received a draft In Principle Agreement for Stage 2 of the Direct Dealing process for NSW Toll Reform. The NZ consumer commission filed criminal charges against Woolworths for misleading shoppers on promotional prices and specials. Treasury Wine Estates bought a controlling stake in Ningxia Stone & Moon Winery for \$27.5m. Dexus's portfolio valuation update resulted in a 2.1% decrease in book value mainly due to higher cap rates and discount rates for its office assets. ASX experienced an outage resulting in batch settlement issues and delays. Telix submitted its application to the US FDA for approval of its kidney cancer imaging agent, targeting commercial launch in 2025.

Major relative portfolio exposures were medical devices and technology stocks with less portfolio weight in major banks and consumer discretionary.

Australian Eagle Portfolio: Top Ten Holdings

Stock	31/12/2024
Commonwealth Bank Ltd	8.25%
QBE Insurance Group Ltd	6.00%
Rio Tinto Ltd	5.75%
Cochlear Ltd	5.75%
Macquarie Group Ltd	5.25%
Xero Ltd	5.00%
ASX Ltd	4.50%
ResMed Inc	4.25%
CSL Ltd	4.00%
Wesfarmers Ltd	4.00%

**Benchmark is S&P/ASX100 Accumulation Index

*Performance figures exclude Australian Eagle's fees. Australian Eagle portfolio inception date is 7th February 2005.

Portfolio Commentary

Positives:

TCL - The NSW government reiterated its commitment to respecting the value of existing contracts.

TNE - The share price continued to outperform after a strong FY24 result.

WOW - The share price recovered after a period of underperformance.

Negatives:

COH - The share price underperformed as bond yields rose.

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

PLS - The share price fell as lithium prices remain subdued.