

# Australian Eagle Equity Strategy (Long Only)

## Monthly investment report



May 2026

### Strategy overview

The Australian Eagle Equity Strategy (Long Only) (Strategy) aims to provide capital growth over the long term by actively investing in a portfolio of 25 to 35 large-cap Australian listed companies. The Strategy seeks to identify high-quality, undervalued companies with the potential to deliver exceptional returns.

### Strategy facts

<b>Investment manager:</b>	Australian Eagle Asset Management Pty Ltd	<b>Benchmark:</b>	S&P/ASX 100 Accumulation Index
<b>Objective:</b>	To provide long-term capital growth by actively investing in a concentrated portfolio of 25 to 35 large-cap Australian listed companies. The focus is on identifying high-quality, undervalued companies with potential for exceptional returns.	<b>Style:</b>	Active, index independent
		<b>Portfolio managers:</b>	Sean Sequeira, Alan Kwan
		<b>Investment timeframe:</b>	5 years recommended
		<b>Inception:</b>	7 February 2025
		<b>Strategy size:</b>	\$545 million

### Strategy performance

	1 month	3 months	6 months	12 months	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)	Compound annual return (since inception)
Portfolio	-0.20%	-4.80%	-4.47%	-0.24%	7.45%	7.87%	10.10%	12.64%	11.13%
S&P/ASX 100 Acc Index.	1.16%	-3.77%	3.79%	6.51%	11.00%	8.44%	8.75%	9.33%	8.16%
Out/(under) performance	-1.36%	-1.03%	-8.26%	-6.75%	-3.55%	-0.57%	+1.35%	+3.31%	+2.97%

### Market Commentary

US artificial intelligence related stocks led a global market rally in May as rising confidence in capital expenditure plans reignited investor risk appetite. The effects of the Middle East conflict began to show in economic data as US inflation rose to a 3 year high of 3.8% in April, outpacing wage growth. The 2 year and 5 year US bond yields both rose 13bps as markets remained concerned about persistent rising inflation and increased US government debt issuance. US business spending rose 10.4% from an acceleration in AI expenditure. The Chinese economy continued to show mixed signals with retail sales rising only 0.2%, its lowest in 4 years while exports surged 14.1%, driven by US shipments despite tariffs imposed by President Trump. The oil price fell 15% to US\$90/bbl despite the continued closure of the Strait of Hormuz. The Australian dollar remained flat at US72c.

After rising at the beginning of the month, Australian equities fell throughout May, driven lower by the big banks and confession season. The Federal Treasurer's FY26-27 budget revealed changes to capital gains tax and negative gearing, causing significant volatility as the market digested the ramifications of the announcement. The RBA increased interest rates by 0.25% for the 3<sup>rd</sup> consecutive meeting to 4.35% as core inflation continued to rise. The unemployment rate rose 0.2% to 4.5% from reduced private sector hiring activity and increased workforce participation, causing Australian bond yields to fall over 20bps across most maturities.

## Portfolio commentary

Evolution Mining upgraded its gold and copper resources and reserves as growth at Cowal and Northparkes offset mining depletions. ResMed's long-serving CFO retired while reaffirming guidance on key metrics with cost input inflation offset by operational efficiencies. Deterra Royalties reported lower revenue due to lower sales and realised pricing as Thacker Pass remains on track for first LCE production in late 2027. Wesfarmers announced a \$250m JV with Built Living to manufacture modular and precast apartment components. Computershare upgraded margin income guidance to \$740m as client balances grew faster than expected. QBE Insurance's quarterly update revealed ongoing mid-single digit gross written premium growth while catastrophe claims remained below allowance. Macquarie Group announced a record full year result, largely driven by strong performance in Commodities and Global Markets and Asset Management divisions. Life360's advertising business grew 300% aided by the continued integration of its recent Nativo acquisition as faster than expected paid user conversion led to upgraded FY26 guidance. CSL's interim CEO downgraded guidance due to normalisation of channel inventory while also announcing \$5bn of non-cash impairments, mainly for CSL Vifor. Aristocrat Leisure continued to generate strong free cashflow, driven by market share gains in all 3 divisions, resulting in a new \$1bn on-market share buyback. Major relative portfolio exposures were to energy and technology stocks with less portfolio weight in major banks and communications companies.

## Key Contributors

**Rio Tinto Ltd** - The share price followed the copper price higher.

**Worley Ltd** - The company announced a new \$300m buyback and won several new contracts in energy and renewables.

**Weebit Nano Ltd** - The share price outperformed after announcing 2 customers completed the design phase for its chips.

## Key Detractors

**Brambles Ltd** - The share price fell after downgrading FY26 guidance.

**ASX Ltd** - The share price underperformed after increasing total expense growth for FY27.

**CSL Ltd** - The share price fell after the interim CEO downgraded guidance and impaired CSL Vifor's intangible assets.

### Important information

This communication is issued by Australian Eagle Asset Management Pty Ltd ABN 89 629 484 840 Corporate Authorised Representative of Alleron Investment Management Pty Ltd AFSL 278856 Suite 301, Level 3, 161 Walker Street, North Sydney NSW 2060. This information does not constitute a recommendation, offer or solicitation to buy or sell any securities. It reflects Australian Eagle's Model Portfolio at the end of the month stated and Australian Eagle's views at the date of preparation. Both the Model Portfolio and Australian Eagle's views are subject to change without notice. Past performance figures are no guarantee of future returns.

Date of preparation: 05 June 2026.

## Portfolio changes

**Computershare Ltd (+1.50%, Entry):** A global corporate actions and services infrastructure company. The company's improvement in earnings quality and core businesses growth continues to be underestimated by the market.

**Megaport Ltd (+0.50%, Entry):** A software-defined infrastructure company. The fundamental transformation into a cloud and AI infrastructure platform has significantly increased its total addressable market.

**Dexus Ltd (-1.25%, Exit):** An Australian real estate investment manager. The change in macroeconomic conditions has materially weakened the investment thesis, reducing the likelihood for a near term recovery.

**Woodside Energy Ltd (-1.00%):** A multinational energy company. The share price is approaching our valuation target.

## Top 10 holdings

Company	Weight (%)
QBE Insurance Group Ltd	6.00%
Commonwealth Bank Ltd	5.75%
Rio Tinto Ltd	5.50%
Aristocrat Leisure Ltd	5.25%
Brambles Ltd	5.00%
PLS Ltd	5.00%
Worley Ltd	5.00%
BHP Group Ltd	4.50%
Macquarie Group Ltd	4.00%
Evolution Mining Ltd	3.50%

## Contact details

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### Fund Awards 2023

Mercer's Top Long-Only  
Australian Equities Fund  
Manager over 5 years to  
June 2023