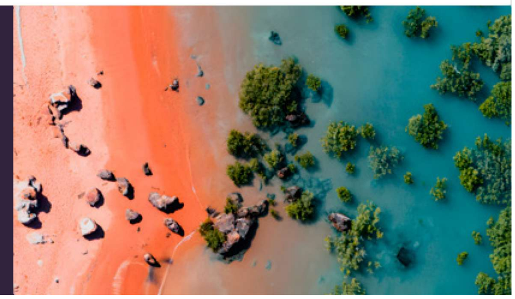
Australian Eagle Equity Strategy (Long Only)

Monthly investment report



June 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

Investment manager:	Australian Eagle Asset Management Pty Ltd
Objective:	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.

Benchmark:	S&P/ASX 100 Accumulation Index
Style:	Active, index independent
Portfolio managers:	Sean Sequeira, Alan Kwan
Investment timeframe:	5 years recommended
Inception:	7 February 2005
Strategy size:	$552 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	2.91%	3.59%	-0.42%	1.72%	7.99%	7.71%	9.96%	13.21%	11.23%
S&P/ASX 100 Acc Index.	0.92%	4.24%	3.34%	5.92%	10.62%	8.18%	8.29%	9.71%	8.18%
Out/(under) performance	+1.99%	-0.66%	-3.76%	-4.20%	-2.63%	-0.47%	+1.67%	+3.50%	+3.06%

Market Commentary

Global markets were mixed as recent AI-led winners suffered from profit taking with sentiment cooling on concerns about monetisation, and reallocation of capacity away from AI chips. US inflation continued to rise to 4.2% in May, outpacing wage growth for the second consecutive month. The 1 year and 2 year US Treasury yields both rose 32bps and 38 bps respectively after the US Federal Reserve held rates steady but the dot plot showed most Fed members expect rate hikes in 2026 to combat stubborn inflation and accelerating US government debt issuance. The Chinese economy continued to show mixed signals with retail sales falling for the first time since 2022 while industrial profits grew 18.8% as its trade surplus continued to widen. The BoJ raised rates to a 31 year high of 1% to neutralise inflation and a weak currency. The US and Iran signed an agreement to reopen the Strait of Hormuz, causing the oil price to fall 30% to US$70/bbl. The Australian dollar fell 3c to US69c.

The Australian market ended relatively flat after experiencing a volatile month, driven lower by a fall in the big miners and energy companies offset by a recovery in healthcare and technology names. The RBA held rates at 4.35% but warned it may hike later if prices continued to rise too fast. Headline inflation eased 0.1% to 4% but underlying inflation rose 0.4% to 3.6% to the highest levels since September 2024 on lingering effects of recent Middle East conflict. The unemployment rate fell from 4.5% to 4.4%, stemming from the creation of 40,000 new jobs.

Portfolio commentary

Megaport secured 4 new AI infrastructure contracts with total contract value of over A$450m and raised $827m in equity to fund the capital expenditure requirements. ASX reported 37% growth in trading volume in May, aided by higher volatility despite weaker capital raising activity. Wesfarmers announced the introduction of K Home stores in a bid to capture a larger share of the affordable home furniture and interiors market. Macquarie Group completed a $734m staff equity buyback to fund employee profit share and promotion awards. BHP announced costs for its Canadian potash mine have blown out again, costing $6.7bn more than originally planned. PLS approved $175m in pre-final investment decision capital expenditure to progress the P2000 expansion project. Iluka Resources signed a $220m offtake deal with a global car maker for rare earth oxides, underpinning its Eneabba refinery in Western Australia. Transurban announced a digitised overhaul of its NSW toll notice and enforcement system, improving customer experience and reducing operating costs. CSL announced the European regulator recommended revoking marketing authorisation for Tavneos, its rare autoimmune disease drug after reviewing clinical data. SILEX Systems announced the completion of construction of a silicon enrichment facility in Sydney capable of producing quantum grade silicon-28 with first sample production expected in March 2027.

Major relative portfolio exposures were to energy and technology stocks with less portfolio weight in major banks and communications companies.

Key Contributors

Aristocrat Leisure Ltd - The share price recovered as the market rotated back into quality growth stocks.

Life360 Inc - The share price rose after the announcement of a $225m buyback program.

Brambles Ltd - The share price outperformed after a period of underperformance.

Key Detractors

PLS Ltd - The share price fell with the lithium price.

Worley Ltd - The share price fell after downgrading guidance due to uncertainty caused by the Middle East conflict.

Rio Tinto Ltd - The share price fell with the iron ore and copper price.

Portfolio changes

Computershare Ltd (+1.50%): A global corporate actions and services infrastructure company. The company's improvement in earnings quality is a beneficiary of recent increases in corporate activity and bond yields.

Cochlear Ltd (+1.00%): A multinational cochlear implant manufacturer and supplier. The company has maintained a strong market position in a growing market.

QBE Insurance Group Ltd (-1.50%): A multinational general insurance company. The company's share price is reaching our valuation target.

Woolworths Ltd (-1.00%): A large Australian consumer staple retailer. The share price is approaching our valuation target.

Top 10 holdings

Company	Weight (%)
Commonwealth Bank Ltd	5.75%
Aristocrat Leisure Ltd	5.25%
BHP Group Ltd	5.25%
Brambles Ltd	5.00%
PLS Ltd	4.75%
Rio Tinto Ltd	4.75%
QBE Insurance Group Ltd	4.50%
Worley Ltd	4.50%
Macquarie Group Ltd	4.00%
Evolution Mining Ltd	4.00%

Contact details

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Fund Awards
2023

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

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