Australian Eagle Equity Strategy (Long Only)

Monthly investment report

July 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:	$517 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	-0.21%	2.49%	-0.41%	-1.66%	7.07%	7.33%	9.33%	12.15%	11.18%
S&P/ASX 100 Acc Index.	2.75%	4.89%	4.53%	6.29%	10.60%	8.52%	8.28%	9.36%	8.28%
Out/(under) performance	-2.96%	-2.40%	-4.94%	-7.95%	-3.53%	-1.19%	+1.05%	+2.79%	+2.90%

Market Commentary

Global markets were mixed in July as the AI trade suffered from volatility with the release of Kimi K3, a high performing, open source and low-cost Chinese AI model, raising questions around infrastructure overbuild and the visibility of future monetisation. US inflation fell for the first time since 2020 from 4.2% to 3.5% but remained above the 2% target rate. The US Treasury yield curve steepened and shifted higher as concerns grew that interest rates will remain higher for longer despite the FOMC holding rates steady in July. Chinese GDP grew at 4.3%, its slowest pace since 2022 due to soft domestic demand and a continued property slide despite resilient AI exports and strong industrial output. The fragile US/Iran ceasefire was violated multiple times in July, triggering the re-closure of the Strait of Hormuz while shipping in the Red Sea also slowed as Houthi rebels attacked Saudi ships on behalf of Iran. Oil prices reacted violently to Middle East tensions, rising from US$73/bbl to briefly above US$100/bbl before retracing to end the month at US$83/bbl.

The Australian market ended higher after experiencing a volatile month, driven by energy stocks and the big banks. The RBA maintained its cautious tightening bias as the full effects of previous rate rises are yet to be felt. Inflation eased from 4.0% to a 4 month low of 3.8% but underlying inflation was flat at 3.6%. The unemployment rate was in line with expectations, steady at 4.4%. Australia's housing market decline spread to almost all major capital cities, fuelled by a combination of 3 consecutive rate hikes in early 2026, stubborn inflation, elevated oil prices and major federal tax reforms targeting residential property investments.

Portfolio commentary

Worley was selected as a contractor on a 5 year basis for Aramco's projects across Saudi Arabia. ASX was fined $23m by the Federal court for misleading statements over its technology upgrade communications. ResMed sold its software division, MatrixCare for $707m and will return net proceeds to shareholders. Evolution Mining acquired Canarby Resources for $213m which will boost mill usage at its Ernest Henry operations. Rio Tinto revealed its Oyu Tolgoi copper mine ramp up remains on track as iron ore and lithium divisions both showed production growth. BHP announced that copper production will fall by up to 15% in FY27 due to an unexpected mechanical fault in South Australian operations. Macquarie Group announced Greg Ward will be the new CEO starting November 2026 as all divisions displayed strong organic growth at its quarterly update. Weebit Nano upgraded FY26 revenue guidance by $1.5m to $13.5m due to expansion of customer projects. Wesfarmers plans to double production at Mt Holland lithium project to 760kt by 2030. Cochlear gained an exemption to import its implants tariff-free into the US after Trump administration investigations. Iluka announced that its Eneabba rare earths refinery is 60% complete and has secured its first offtake agreement with a global auto company. Deterra Royalties reported a strong royalty revenue quarter, aided by elevated iron ore prices and capacity payments.
Major relative portfolio exposures were to energy and technology stocks with less portfolio weight in major banks and communications companies.

Key Contributors

Woodside Energy Ltd - The share price followed the oil price higher.
CSL Ltd - The share price outperformed after announcing clinical trials to evaluate enhanced plasma manufacturing.
Aristocrat Leisure Ltd - The share price outperformed after a period of underperformance.

Key Detractors

PLS Ltd - The share price fell with the lithium price.
Weebit Nano Ltd - The share price fell in line with other AI stocks.
SILEX Systems Ltd - The share price fell with AI related names after previously rallying on expectations of AI's greater demand for nuclear energy.

Portfolio changes

Computershare Ltd (+1.00%): 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.

Brambles Ltd (+1.00%): A multinational supply chain logistics company. The company's strong and growing market position will benefit from improved levels of US consumer confidence.

Woolworths Ltd (-1.00%, Exit): A large Australian consumer staple retailer. The share price has reached our valuation target.

QBE Insurance Group Ltd (-1.00%): A multinational general insurance company. The company's share price is approaching our valuation target.

Top 10 holdings

Company	Weight (%)
Brambles Ltd	6.00%
Commonwealth Bank Ltd	6.00%
BHP Group Ltd	5.75%
Aristocrat Leisure Ltd	5.25%
Rio Tinto Ltd	4.75%
Evolution Mining Ltd	4.50%
Worley Ltd	4.50%
PLS Ltd	4.25%
ASX Ltd	4.00%
Computershare 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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