

Australian Eagle Equity Strategy (Long Only)

Monthly investment report



September 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:	\$496 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	-3.46%	0.05%	3.63%	-2.46%	7.77%	7.11%	9.59%	11.97%	11.10%
S&P/ASX 100 Acc Index.	-2.43%	1.48%	5.78%	3.56%	11.43%	8.16%	8.14%	9.35%	8.15%
Out/(under) performance	-1.03%	-1.43%	-2.15%	-6.02%	-3.67%	-1.05%	+1.45%	+2.62%	+2.95%

Market Commentary

Global markets were mostly down in September as sticky inflation and rising AI capex caused bond yields to rise to multi-decade highs. The US Federal Reserve raised interest rates by 25bps to 3.75-4.00%, marking the first hike since 2023. US payroll and inflation data both came in stronger than expected, leaving the door open to further rate hikes. US bond yields rose across all maturities with the 2yr yield rising 55bps to 4.89% while the 10yr rose 53bps to 5.28%. The ECB raised interest rates 25bps to 2.50% on continued inflationary pressures. China's trade surplus continued to surge due to exports booming on continued AI infrastructure build. The lithium price fell 23% to US\$1,735/t despite continued supply shortages and robust electrification demand growth. The oil price spent most of the month above US\$100/bbl as the Middle East conflict continued to spread to areas vital to the transportation of oil.

The Australian market ended the month lower, driven by information technology and resources stocks. The RBA hiked interest rates 25bps to a 15 year high of 4.60%. Unemployment rose another 0.1% to 4.6% as a surge in new jobseekers outpaced the creation of new jobs. The RBA governor hinted that unemployment needs to rise to 5% to rein in inflation. Headline inflation rose from 3.5% to 4.0% p.a. but trimmed mean inflation remained flat at 3.6%. High profile cases of property developers defaulting on private credit loans dominated mainstream media, with ASIC now strongly encouraging private credit lenders to improve lending standards and write down the value of certain loans.

Portfolio commentary

CSL signed an agreement with the US administration to provide US Medicaid program access at prices comparable to other developed countries. Xero came under intense media scrutiny for a UK social media influencer who claimed to not need an accountant after connecting her Xero account with Anthropic's Claude AI program. Commonwealth Bank increased pressure on APRA to rein in Macquarie Bank's use of a corporate structure that allows them to hold less capital than major banks. Evolution Mining's investor presentation reiterated a 60% target payout ratio from group cashflow, while retaining sufficient capital to fund future growth initiatives. Transurban reported low single digit average daily traffic growth, driven by the opening of the West Gate Tunnel in Melbourne and North American assets. Macquarie Group was served with a class action regarding the collapse of the Shield Master Fund. The new ASX CEO refreshed his executive team, replacing key positions and reshaping roles to reflect a stronger focus on operational accountability and technology delivery. QBE appointed Jonathan Groves as the new CEO of the APAC region. Rio Tinto will expand into third party metals trading to improve infrastructure utilisation and optimise sale of commodities and provide increased flexibility for customers. Megaport upgraded FY27 revenue and EBITDA margin guidance after signing 3 new AI infrastructure contracts which have \$322m in prepayments to support capital expenditure. Cochlear was served with a class action relating to the forecast of underlying net profit for FY26. Deterra Royalties acquired a 3rd party copper royalty for Ivanhoe Electric's Santa Cruz project in Arizona.

Key Contributors

Megaport Ltd - The share price rose after announcing 3 new AI infrastructure contracts worth \$978m in total contract value.

CSL Ltd - The share price continued to rise after reporting season.

ASX Ltd - The share price rose after the new CEO announced a revamped leadership team.

Key Detractors

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

Xero Ltd - The share price fell with other technology stocks as bond yields rose.

Evolution Mining Ltd - The share price followed the gold and copper price lower.

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: 06 October 2026.

Portfolio changes

BHP Group Ltd (+0.75%): A diversified global mining company. Growing low-cost copper exposure and strong cash generation have improved fundamental quality.

Cochlear Ltd (+0.75%): A cochlear implant company. Current cyclical weakness has created an opportunity given the growing recurring services revenue and long-term growth drivers.

WebBeds Group Ltd (-0.75%, Exit): A multinational hotel inventory platform. The share price has reached our valuation target.

Xero Ltd (-0.75%): A small business accounting software platform. Uncertainty remains over the growth and value add of its recent Melio acquisition.

Top 10 holdings

Company	Weight (%)
BHP Group Ltd	7.00%
Brambles Ltd	6.00%
ASX Ltd	6.00%
Cochlear Ltd	5.25%
Commonwealth Bank Ltd	5.00%
Evolution Mining Ltd	5.00%
Rio Tinto Ltd	4.75%
Aristocrat Leisure Ltd	4.50%
CSL Ltd	4.50%
Worley Ltd	4.50%

Contact details

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Fund Awards 2023

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