

INTRODUCTION TO THE AUSTRALIAN EAGLE TRUST (150/50)



Australian Eagle
Asset Management



MONTGOMERY

26 MARCH 2024

SEAN SEQUEIRA
CHIEF INVESTMENT OFFICER

SCOTT PHILLIPS
HEAD OF DISTRIBUTION



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AGENDA



- Who is Australian Eagle Asset Management
- Australian Eagle Trust – Our Investment Process (Long/Short)
- Portfolio Outlook & Positioning
- Q&A
- Appendix: Fund Structure & Attribution

MONTGOMERY'S PRODUCT SUITE 2024



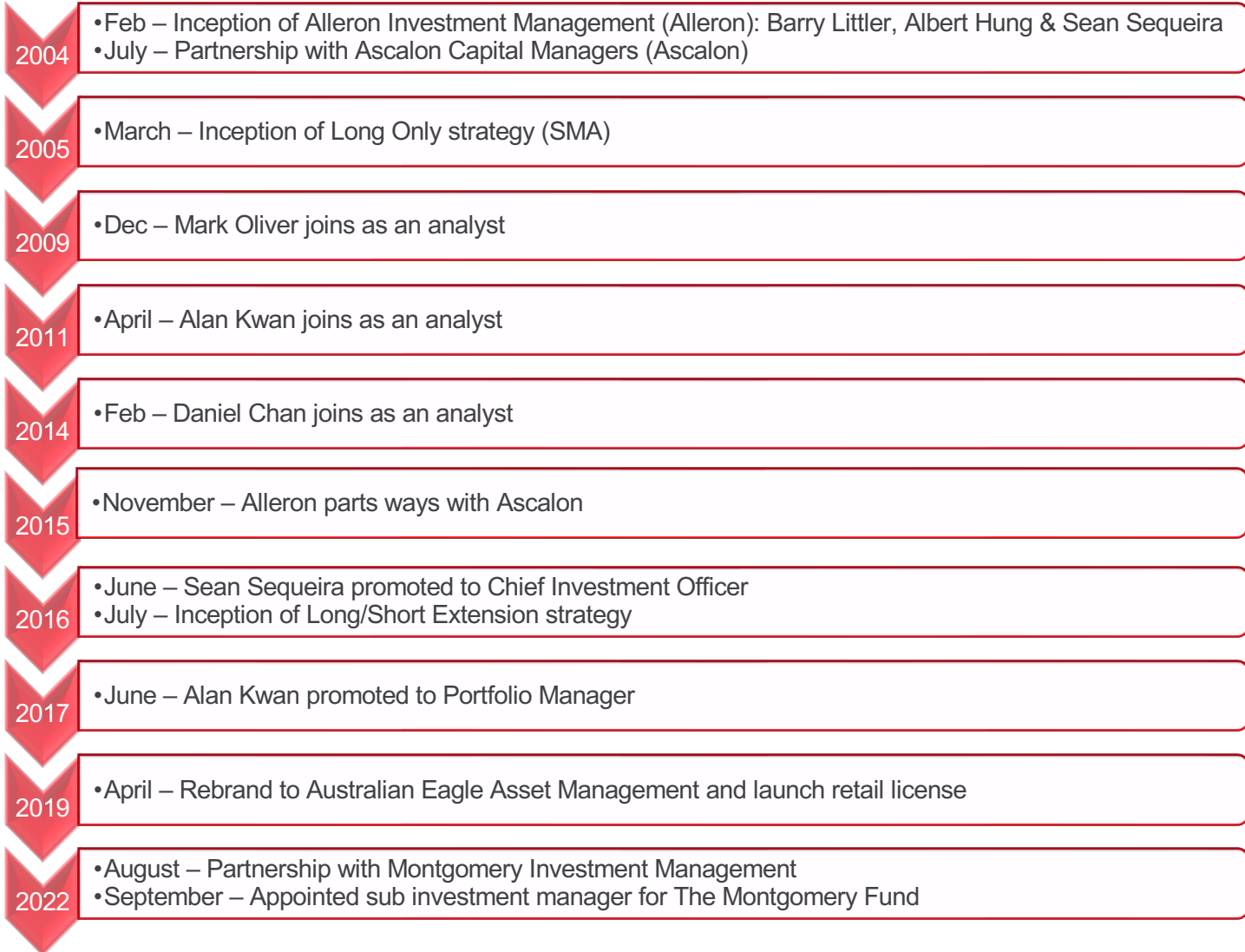
- The Montgomery Fund
- The Montgomery [Private] Fund
- Australian Eagle Trust (150/50) Fund

- Montgomery Small Companies Fund

- Polen Capital Global Growth Fund
- Polen Capital Small and Mid Cap Fund

- Aura High Yield SME Fund
- Aura Core Income Fund

CORPORATE HISTORY



INTRODUCING OUR TEAM



Name	Position	Years with Australian Eagle	Years in Industry	Academic Qualifications	Experience
Barry Littler	Co-founder & Chief Executive Officer	19 years	42 years	Masters of Commerce; Bachelor of Commerce	GIO (Head of Derivatives & Fixed Income); Tower Asset Management; Westpac; Société Générale Treasury
Mark Oliver	Senior Portfolio Risk Manager	15 years	33 years	Bachelor of Engineering / Science; University Medal	Société Générale (software design - Derivatives & Fixed Interest; Commodity Trading); Macquarie Bank (software design - trading systems)
Sean Sequeira	Co-founder & Chief Investment Officer	19 years	32 years	CFA; Bachelor of Business	Tower Asset Mgt (Equity Analyst); Chase Futures and Options Ltd; Société Générale Treasury; Citibank
Albert Hung	Co-founder & Chairman of Investments	19 years	41 years	CA (Chartered Accountant); Masters of Commerce; Bachelor of Social Sciences	Tower Asset Management (Head of Equities); Legal & General; Allianz
Alan Kwan	Senior Portfolio Manager	13 years	31 years	CFA; Actuary with AIAA; Bachelor of Commerce	Director Investment Mgt, Work Cover (Director of Investment Mgt); Allianz Dresdner Asset Mgt (Senior PM)
Daniel Chan	Investment Analyst	10 years	10 years	CFA; CPA; Bachelor of Business; Bachelor of Arts	Moore Stephens (Auditor, Hong Kong)
Total		95 years	189 years		



Barry Littler
Chairman / CEO



Sean Sequeira, CFA®
Chief Investment Officer



Daniel Chan, CFA®
Investment Analyst



Albert Hung
Chairman of Investments



Alan Kwan, CFA®
Senior Portfolio Manager



Mark Oliver
Senior Portfolio Risk Manager

AUSTRALIAN EAGLE TRUST – OUR INVESTMENT PROCESS

INVESTMENT ESSENCE



Investment Philosophy

What stocks do we invest in?

Seek to buy superior quality companies with a sensible risk buffer and hold those investments until their longer-term advantages manifest in a superior rate of return. Return risk is mitigated by identifying the market's underappreciation of a quality company's **emerging or forthcoming** change with respect to, for example, quality or its growth profile

Investment Process

How do we decide to invest?

Entirely reliant on **objective, fact-based research** – change in a company's fundamentals & the value upside therein presented

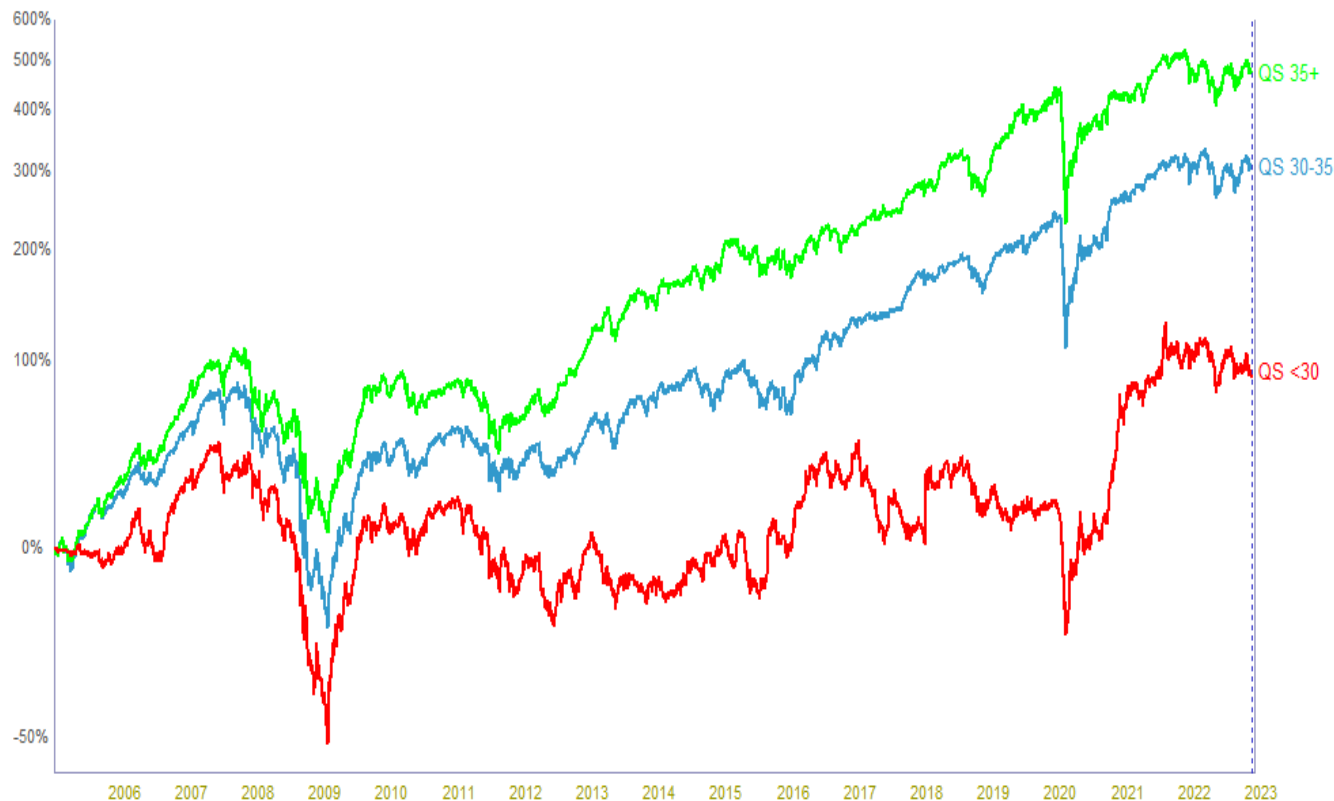
Portfolio Construction

How do we manage the portfolio?

A **high conviction portfolio** reflecting research & assessment of value gap, with an overriding & independent **risk management overlay**

UNIVERSE – QUALITY FIRST

Australian Eagle Quality Score Cohort Performance: Feb 05 – Dec 22

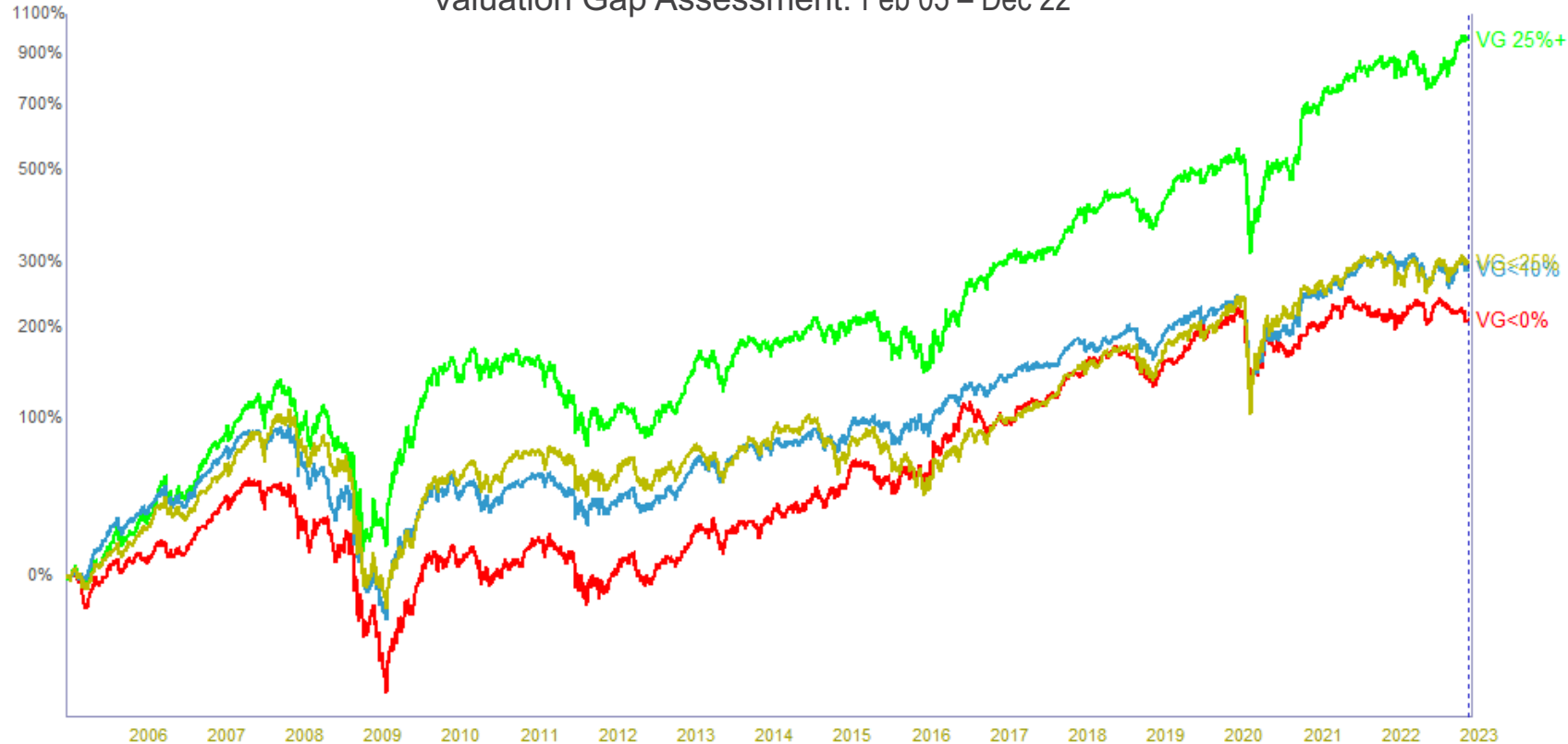


COH: 22 February 2022		
Qualitative analysis:	Score	Total
Industry: Three main participants, COH 70%.	4	
Barrier of entry: Very high, patent and technology.	4.5	
Organic growth: Long term global growth sustainable.	4.5	
Cyclicality: Low.	4.5	
Competitive advantage: Reliability, Installed base. ESG: S	4	
Growth in competitive advantage: Investment, China.	3.5	
Management track record: Good services strategy	4.5	
Capital deployment: Strong, buying distributors.	4	
Capital management: Dividend suspended. Good payout: G	4	
Financial Health: Raised Equity and now net cash.	4	41.5

QBE: 18 February 2022		
Qualitative analysis:	Score	Total
Industry: Many competitors, requires only capital.	3.5	
Barrier to entry: Competition increases as they are bigger.	3.5	
Organic growth: Brilliant basics benefit attritional claims	4	
Cyclicality: Premium rate rises are slowing Australia	4	
Competitive advantage: US hit by storms	3	
Growth in competitive advantage: Delivering on margin target.	3.5	
Management track record: Instability in management.	3	
Capital deployment: Reduced complexity and increased return.	4	
Capital management: Cut payout 40-60% from 65%	3.5	
Financial Health: PCA 1.75X	3.5	35.5

UNIVERSE – VALUE NEXT

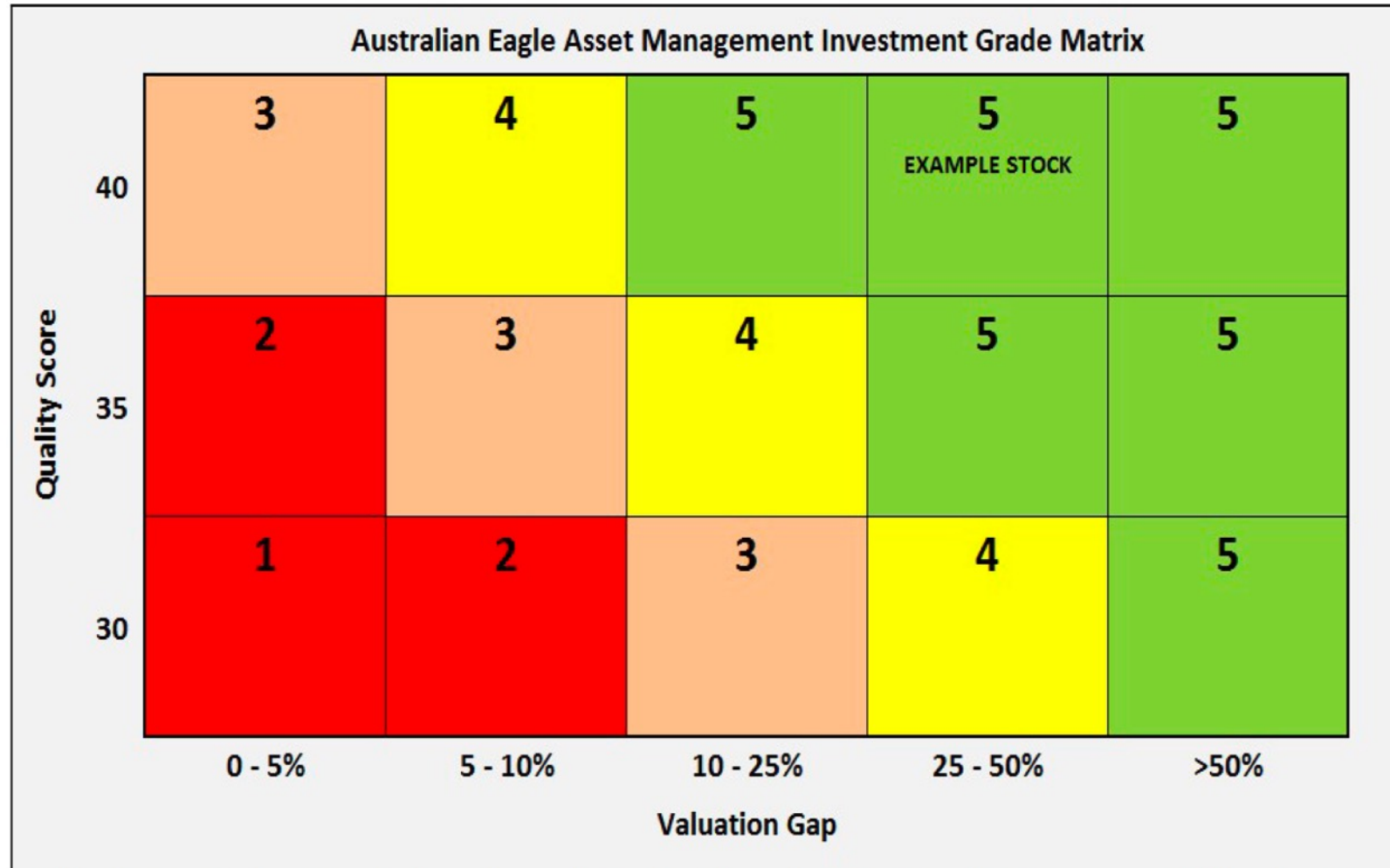
Valuation Gap Assessment: Feb 05 – Dec 22



The analyst determines a sensible valuation. Output of the valuation process is a set of valuation ranges to determine a **Valuation Gap** estimate.

The **Valuation Gap** provides a consistent tool for estimating the potential upside in each stock and is a primary metric in the segmentation and ranking of the research universe.

PORTFOLIO CONSTRUCTION



25 to 35 stocks
Max 10 outside ASX100
2.5% each

Investment Grade	Portfolio Weight
5	3% to 6% (or index weight if higher)
4	1% to 3%
3	0% to 1%
2	Nil
1	Nil

Table 1: Australian Eagle Investment Grade Allocation by Quality Score and Valuation Gap

WHY PURSUE CHANGE?

- **Market efficient at pricing-in the present ('Nowcasting')**
- Behavioural finance research shows investors have tendency to extrapolate present into future
- **Market often misses change or turning points**
- **Investors have difficulty anticipating and appreciating genuine change**
 - News flow dulls investors' discernment
 - Investors also disbelieve change until transpired
- **Consequently; market fails to 'price-in' emerging change**
 - This offers upside valuation gap which can be exploited
 - **Can exploit upside value of underappreciated change in all market conditions**

CHANGE THE MARKET CAN MISS

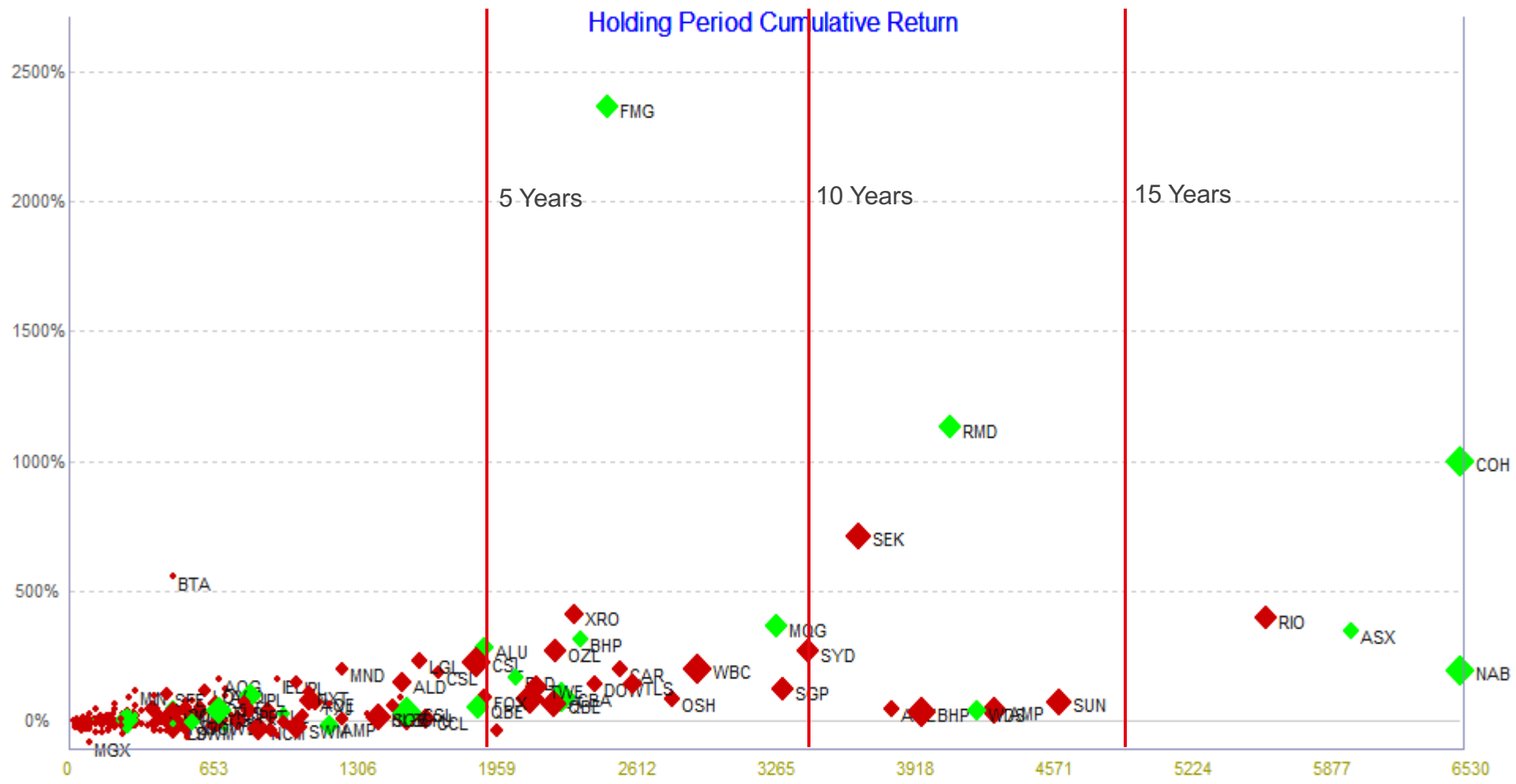
Growth Changes

1. Acceleration of earnings growth
2. Improvement in quality of earnings
3. Strengthening competitive position
4. Rising barriers to entry
5. Reduction in business risk
6. Strengthening balance sheet
7. Better CEO, CFO or others
8. Improving execution (operations or capital allocation)
9. Growing opportunity set for value-accretive investments
10. Growing market size or opportunity

Objective 'Triggers'

- **Acquisitions**
E.g. Altium expands product suite and target market via acquisition = accelerating growth rate
- **Asset or Business Restructure**
E.g. Ampol sells refinery; removes earnings volatility and improves earnings predictability
- **Strategic Emphasis**
E.g. Macquarie Group emphasises expansion of recurring revenue investment management division
- **New Products**
E.g. CSL steps-up earnings and faster long-term growth through new products via R&D
- **Sustainable Cost-Cutting**
E.g. Fortescue reduces mining cost structure, resultant cash flows repair balance sheet

HOLDINGS RETURN

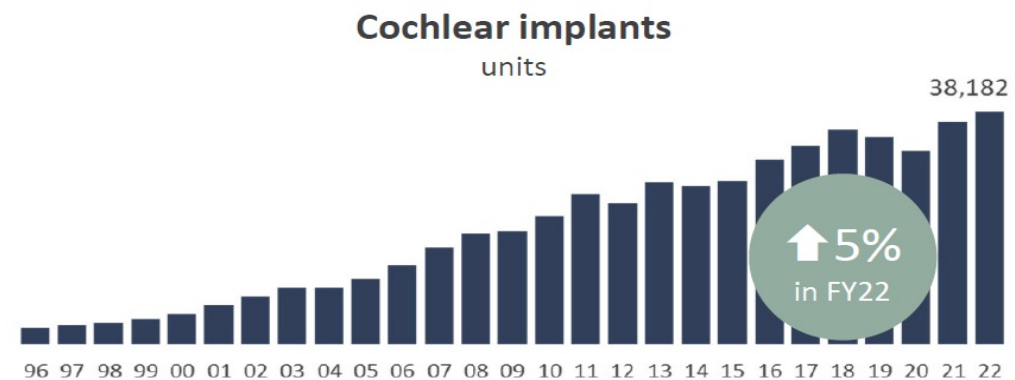


CASE STUDY: AMPOL LIMITED (ALD)

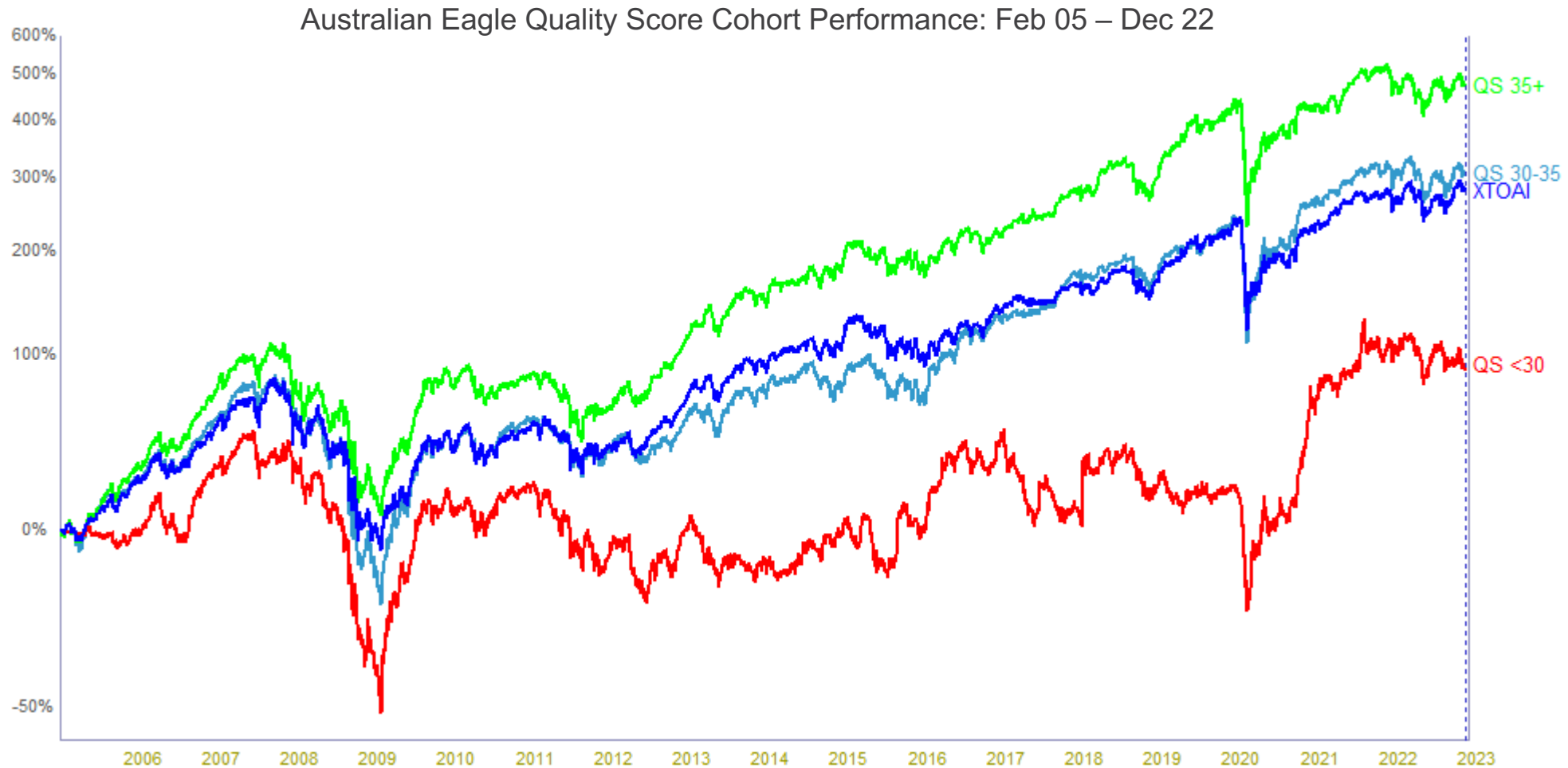


CASE STUDY: COCHLEAR (COH)

- A high-quality Australian company that is a manufacturer of cochlear ear implants
- The global leader, with significant investment in R&D to protect and further its product leadership and support its pipeline of new products
- **Objective Change:** Development of services division to installed base adds a new growth driver for earnings
- A reliable & very long-range growth profile based on growing sales of cochlear implants in a market that is 5% penetrated
- **Australian Eagle have held Cochlear since inception of their firm in 2005**



REVISITING SCORES – POOR QUALITY

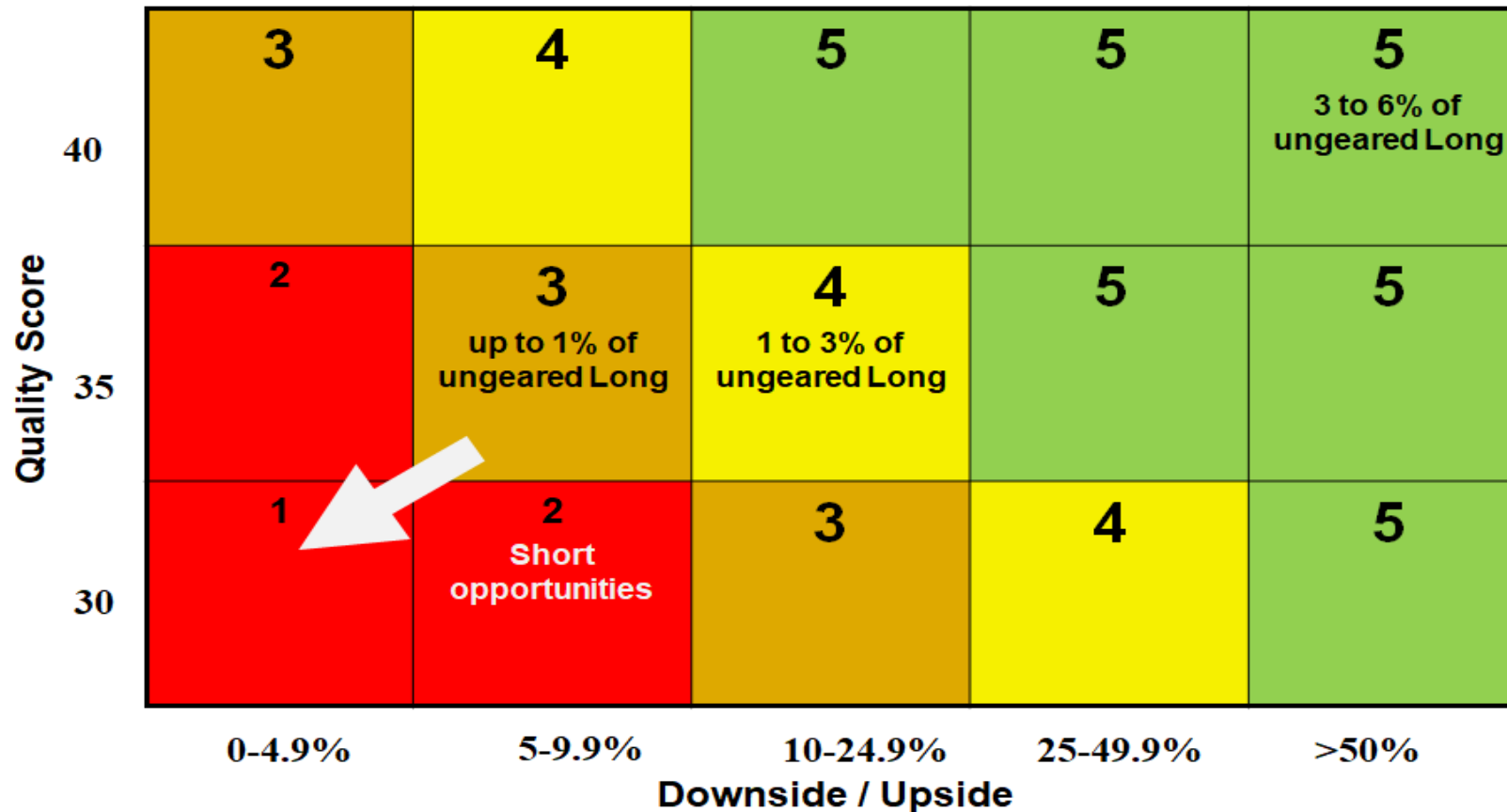


Past performance is not indicative of future performance.

Source: Australian Eagle AM with data supplied by ASX

PORTFOLIO CONSTRUCTION

Australian Eagle Asset Management Investment Grade Matrix



25 to 35 long positions

Max 10 outside ASX100

2.5% each

Investment Grade	Portfolio Weight
5	3% to 6% (or index weight if higher)
4	1% to 3%
3	0% to 1%
2	Nil
1	Nil

12 to 25 short positions

Drawn from categories 1, 2 & potentially 3

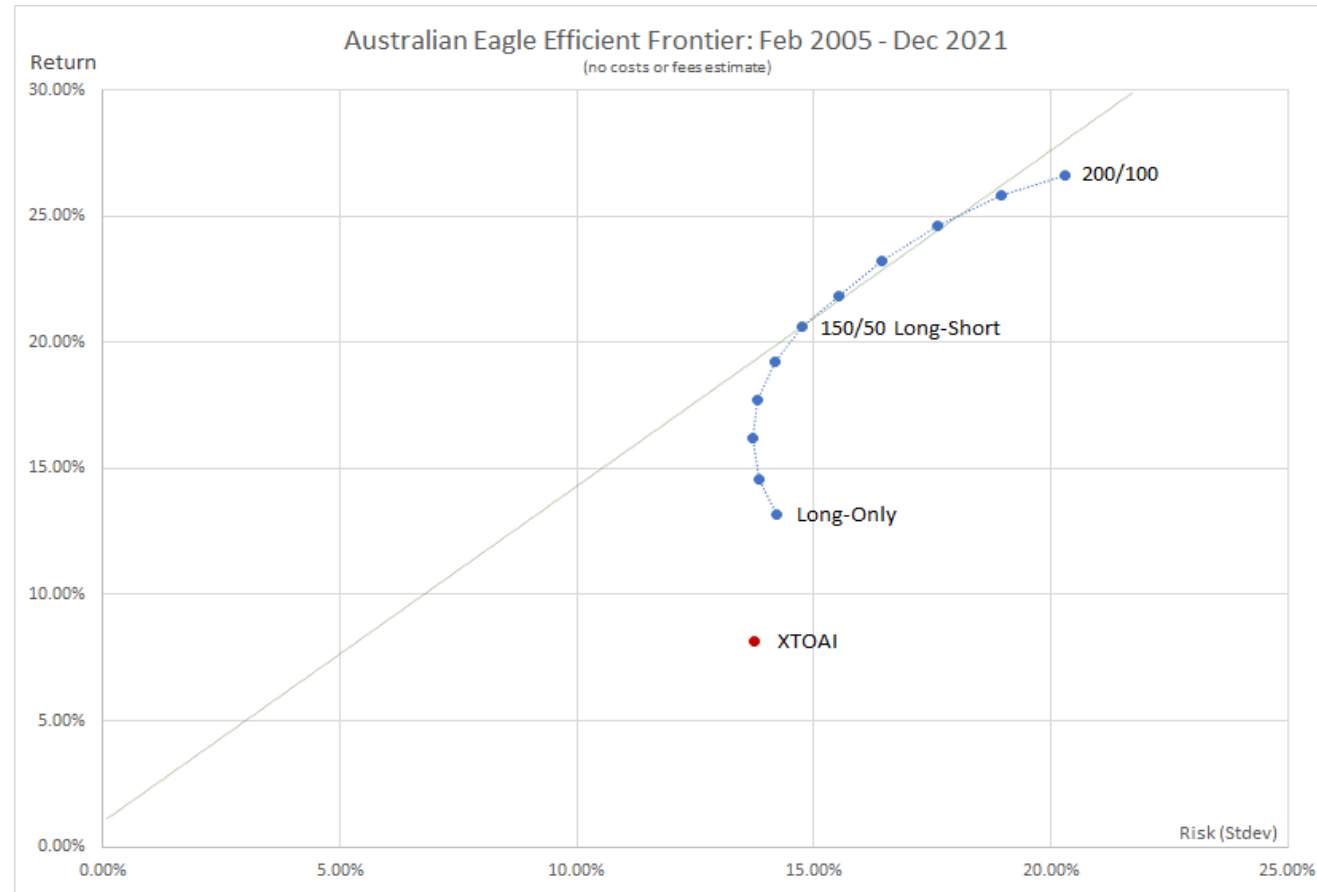
- **Short positions are in stocks that possess opposite fundamental attributes to long stocks**
 - Shorts are strategic in nature and are not targeted
 - Short stocks are deteriorating, low quality or over-valued companies
 - We believe these are the types of stocks that tend to underperform over time
- **We seek to initiate shorts only when the stock has already begun a downtrend**
 - We utilise quant-based and technical analysis to identify a downtrend has begun
 - This analysis leverages our firm's risk management processes and discipline
- **We remain vigilant to the possibility of positive change to company fundamentals that might change the shorted stock's prospects for the better**
 - Investment team's broader research effort complements the management of the Long-Short

CASE STUDY: XERO



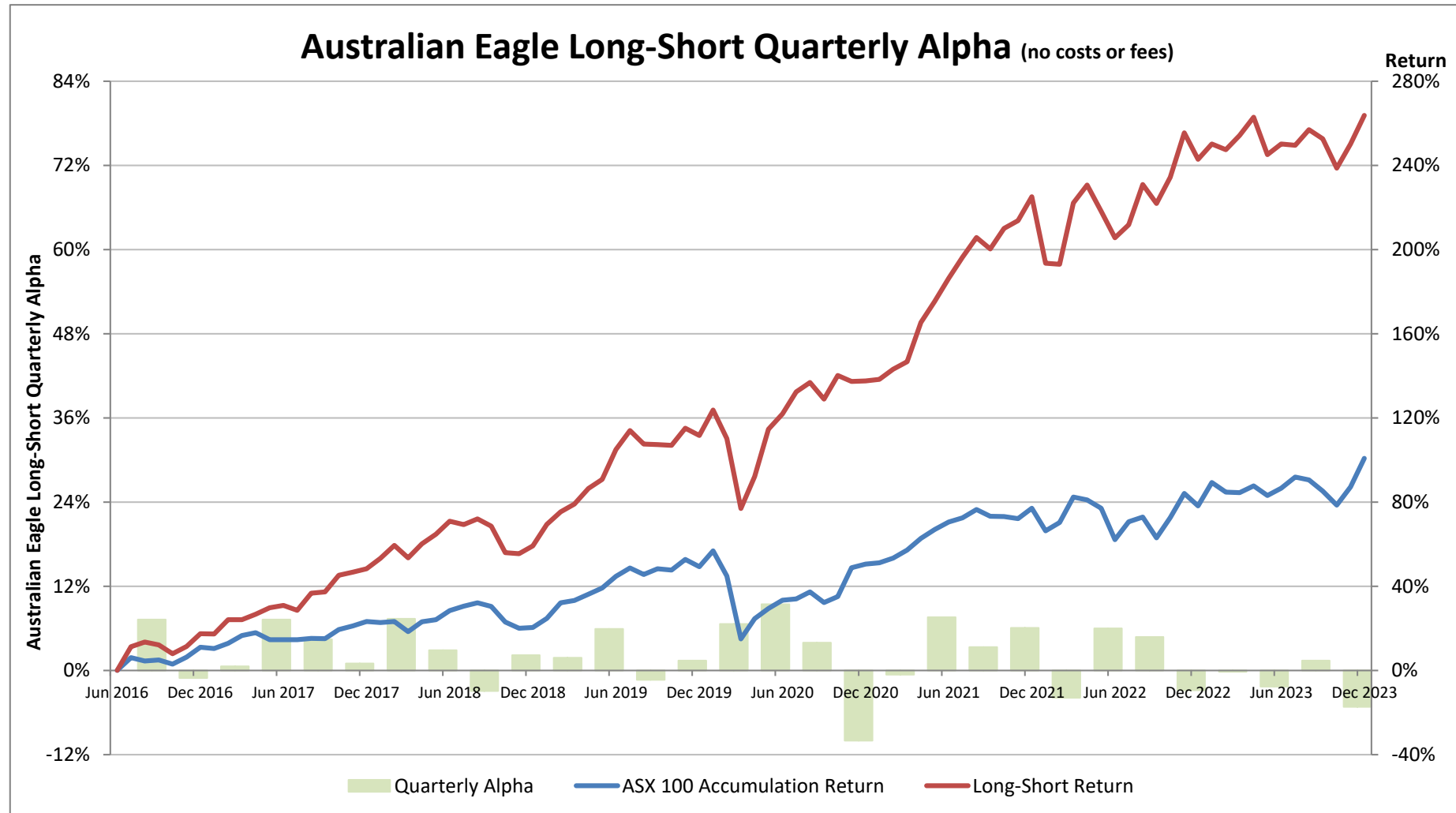
STRATEGY INCEPTION – WHY 150/50?

Long Short Efficient Frontier



Source: Australian Eagle AM with data supplied by ASX

THE RESULTS – CONSISTENT OUTCOMES



Past performance is not indicative of future performance.

Source: Australian Eagle AM with data supplied by ASX

PERFORMANCE – LONG/SHORT



	1 month	3 months	6 months	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	Since inception (p.a.)
Fund	3.22%	8.37%	6.17%	7.88%	13.48%	13.56%	13.85%	15.30%
Benchmark	0.89%	9.39%	7.50%	10.84%	10.12%	9.16%	8.89%	9.80%
Outperformance	+2.33%	-1.03%	-1.33%	-2.96%	+3.35%	+4.40%	+4.96%	+5.50%

SOURCE: AUSTRALIAN EAGLE, AS AT 29 FEBRUARY 2024.

FOR THE AUSTRALIAN EAGLE TRUST, PERFORMANCE IS NET OF FEES, BENCHMARK S&P/ASX 100 ACCUMULATION INDEX, INCEPTION DATE 30TH JUNE 2016

THE PDS AND TARGET MARKET DETERMINATION CAN BE OBTAINED BY CALLING 02 8252 7559 OR VISITING OUR WEBSITE [HTTP://AUSTEAGLE.COM/HOW-TO-INVEST/](http://AUSTEAGLE.COM/HOW-TO-INVEST/) FOR THE PDS OR [HTTPS://DOCUMENTS.FEPRECISIONPLUS.COM/TMD/PCT/TMD/P9IY-ALR2783AU.PDF](https://documents.feprecisionplus.com/TMD/PCT/TMD/P9IY-ALR2783AU.PDF) FOR THE TARGET MARKET DETERMINATION.

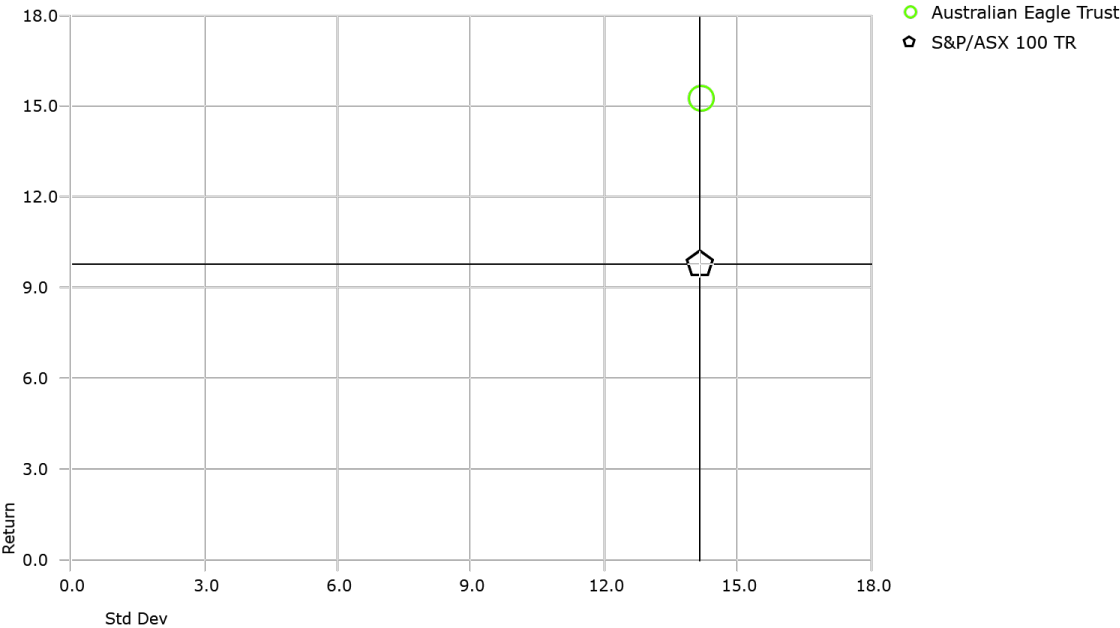
PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE. THE TRUST MAY BE OF A DIFFERENT RETURN AND RISK PROFILE THAN THE S&P/ASX 100 ACC INDEX.

STRATEGY RESULT – WHY 150/50?



Time Period: Since Common Inception (7/1/2016) to 2/29/2024

Peer Group (5-95%): Open End Funds - Australia - Equity Australia Large Blend



Risk

Time Period: Since Common Inception (7/1/2016) to 2/29/2024

	Return	Std Dev	Downside Deviation	Alpha	Beta	R2	Sharpe Ratio (arith)	Tracking Error
Australian Eagle Trust	15.26	14.19	5.75	5.71	0.87	83.52	0.82	8.45
S&P/ASX 100 TR	9.80	14.14	0.00	0.00	1.00	100.00	0.44	0.00
25th Percentile	9.50	14.79	3.25	-0.21	1.01	98.95	0.40	4.23
50th Percentile	8.70	14.31	2.20	-0.99	1.00	97.99	0.35	3.01
75th Percentile	7.62	13.92	1.70	-1.92	0.98	96.27	0.28	2.15

Source: Morningstar Direct

STRATEGY RESULT – WHY 150/50?

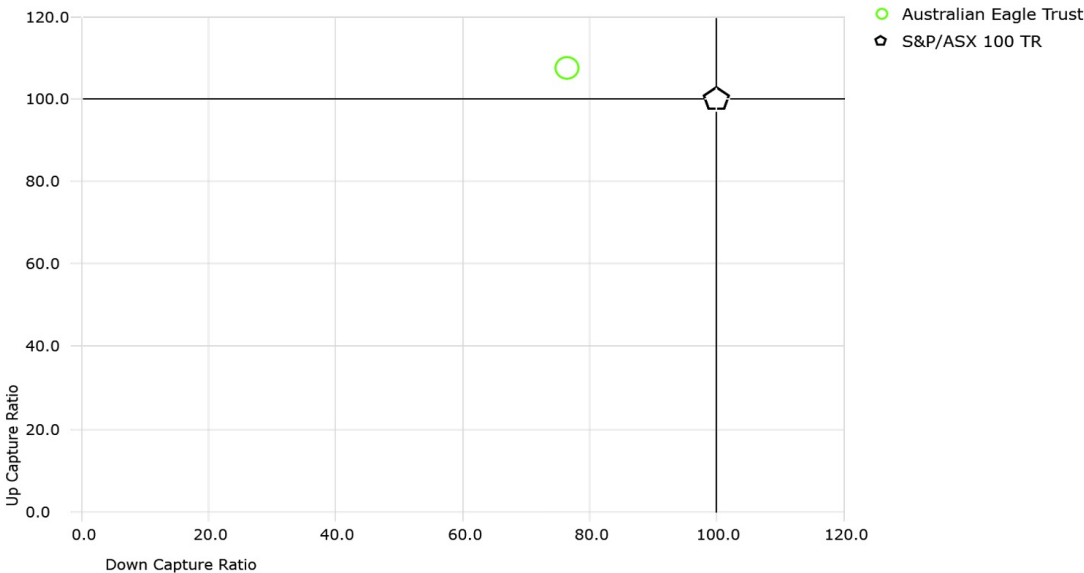


Manager Analysis

Upside-Downside Capture

Time Period: Since Common Inception (7/1/2016) to 2/29/2024

Peer Group (5-95%): Open End Funds - Australia - Equity Australia Large Blend



Market Performance

Time Period: Since Common Inception (7/1/2016) to 2/29/2024

	Up Period Percent	Down Period Percent	Best Month	Worst Month	Best Quarter	Worst Quarter	Up Capture Ratio	Down Capture Ratio	R2
Australian Eagle Trust	67.39	32.61	10.52	-16.23	23.11	-17.41	107.44	76.44	83.52
S&P/ASX 100 TR	65.22	34.78	10.22	-20.65	15.98	-23.01	100.00	100.00	100.00
25th Percentile	66.30	36.96	11.45	-19.26	17.34	-22.00	99.61	105.73	98.91
50th Percentile	65.22	34.78	10.19	-20.43	16.37	-23.21	95.49	102.34	97.94
75th Percentile	63.04	33.70	9.50	-21.24	15.47	-24.64	90.34	94.99	95.75

Source: Morningstar Direct

OUTLOOK & POSITIONING

- The key market drivers affecting relative performance of the portfolio over the past year were the significant easing in financial conditions, particularly after some dovish FOMC comments. Global equity markets surged as riskier companies outperformed. Historically, the Australian Eagle Trust has struggled to keep up in similar market conditions.
- These rallies tend to favour lower quality, riskier companies that are in our short portfolio, which has detracted from performance in the last 12 months.
- The market has refocused back on fundamentals during reporting season – earnings growth & quality. As interest rates stabilised, market participants and corporates have been willing to pay a premium for high quality, growing earnings, e.g. COH, ALU, WTC.
- Our long portfolio tends to have a strong earnings quality bias and tends to outperform during economic downturns and weaker equity markets. Currently, our portfolio is broadly positioned, with only a bias to healthcare.

CURRENT POSITIONING – LONG/SHORT



Australian Eagle Trust (Top 10 Longs)

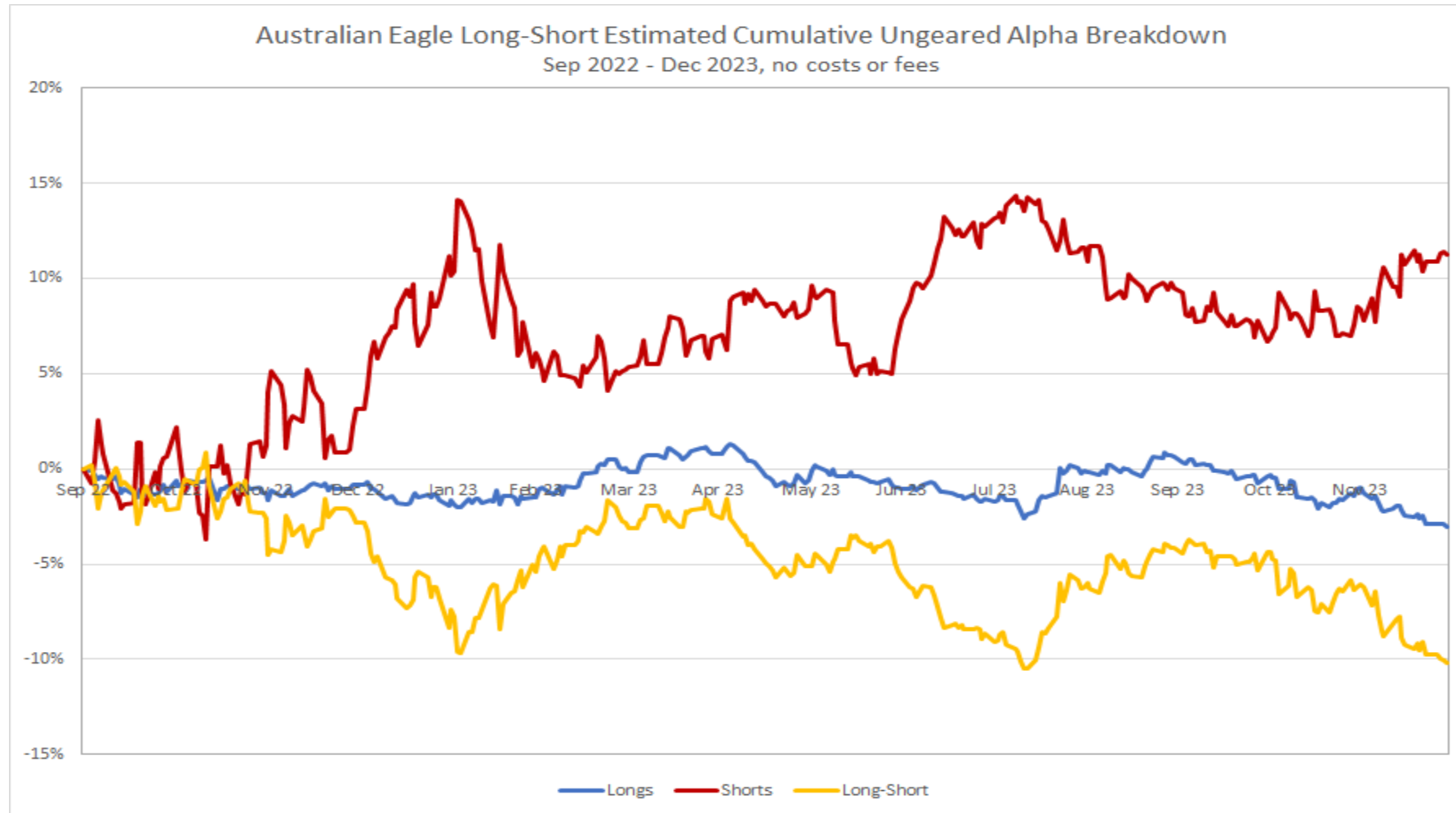
Code	Name	Sector	% Weight
CBA	COMMONWEALTH BANK OF AUSTRAL	Financials	10.75%
MQG	MACQUARIE GROUP LTD	Financials	9.00%
RIO	RIO TINTO LTD	Materials	9.00%
COH	COCHLEAR LTD	Health Care	9.00%
QBE	QBE INSURANCE GROUP LTD	Financials	7.75%
CSL	CSL LTD	Health Care	7.50%
TCL	TRANSURBAN GROUP	Industrials	7.50%
ALU	ALTium LTD	Information Technology	7.50%
BHP	BHP GROUP LTD	Materials	6.75%
RMD	RESMED INC.	Health Care	6.25%
Total Equity Weighting – Long			150.00%

Australian Eagle Trust (Top 5 Shorts)

Code	Name	Sector	% Weight
QAN	QANTAS LTD	Consumer Discretionary	-3.75%
AWC	ALUMINA LTD	Materials	-3.50%
A2M	THE A2 MILK COMPANY	Consumer Staple	-3.50%
LYC	LYNAS RARE EARTHS LTD	Materials	-2.75%
EDV	ENDEAVOUR GROUP LTD	Consumer Staple	-2.75%
Total Equity Weighting – Short			50.00%

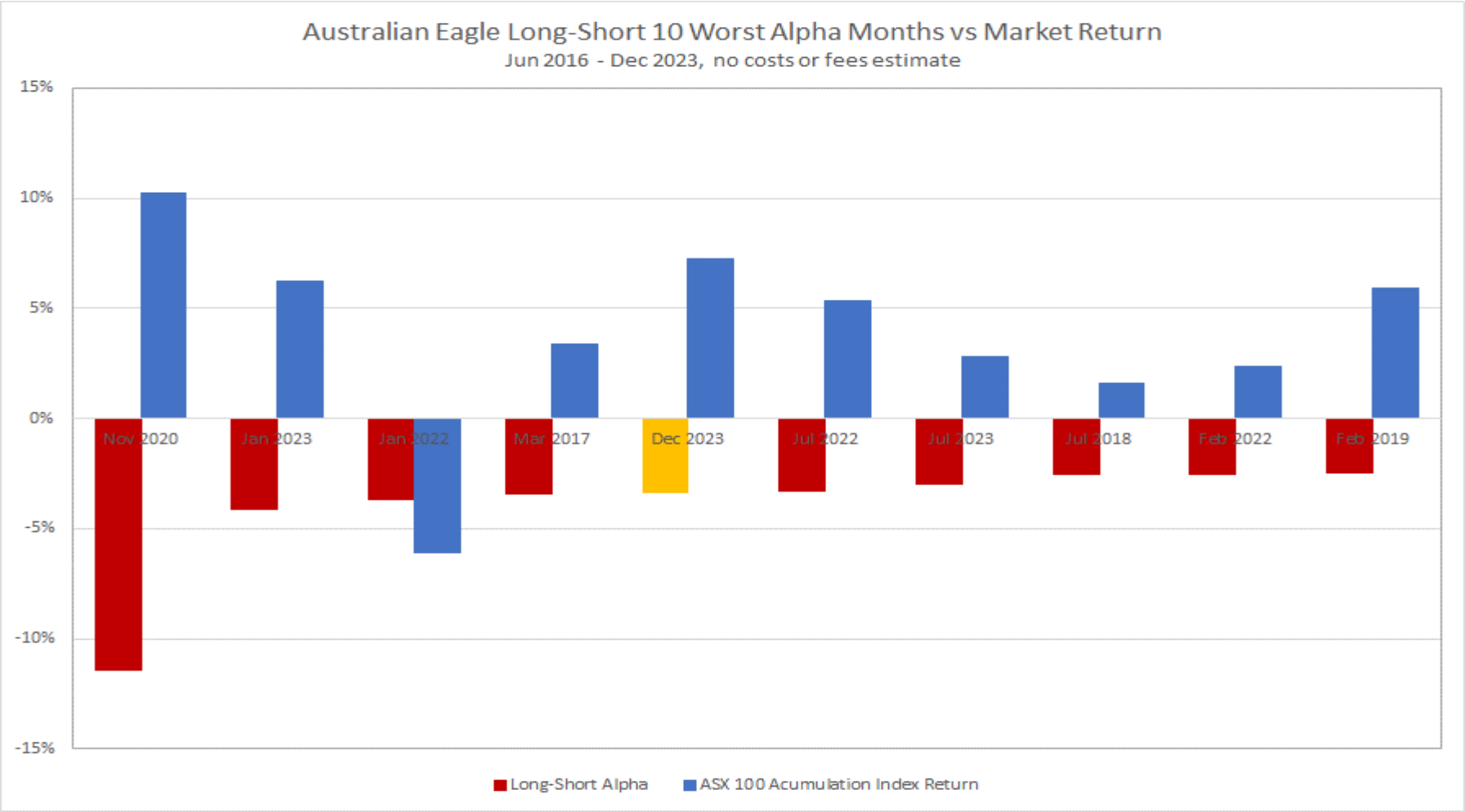
Source: Australian Eagle as at 29 February 2024

CY23: TOUGH FOR LONGS, TOUGH FOR SHORTS



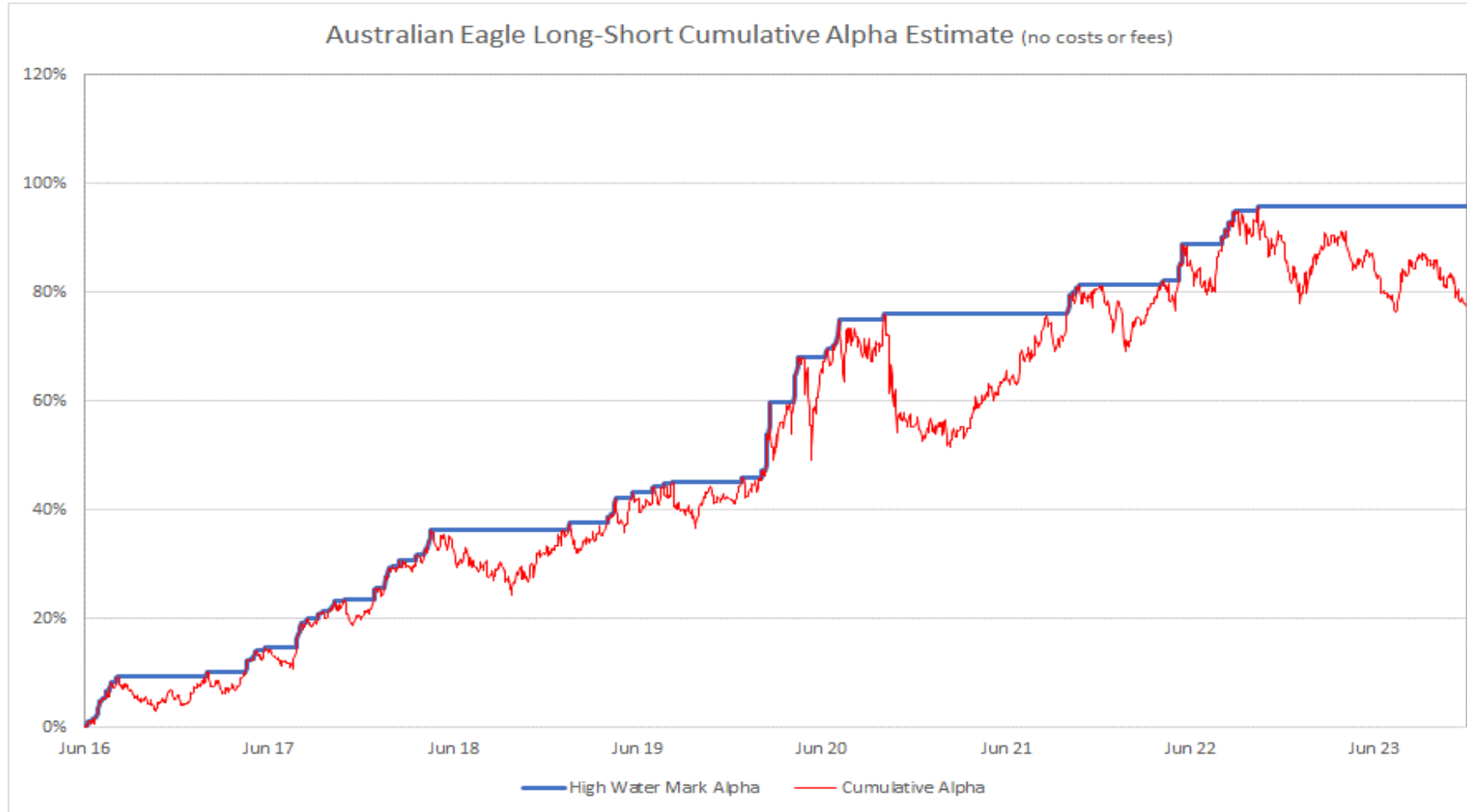
Source: Australian Eagle as at 31 December 2023

A REVIEW OF ALPHA DRAWDOWNS



Source: Australian Eagle as at 31 December 2023

A REVIEW OF ALPHA DRAWDOWNS



- **Last HWM:**
10 Nov 2022 (after an alpha gain starting in Aug 2022)
- **New HWM established:**
8% of the time
- **Post HWM alpha drawdowns >4%:**
33% of the time
- **Prior drawdowns >8%:**
Jun 20, Nov 20-May 21

Q&A



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Ask a question



Complete survey after webinar

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APPENDIX

FUND PARAMETERS

- **A Long-Short portfolio typically with similar market exposure/sensitivity as a Long-Only portfolio**
 - We typically target a net equity exposure of 90%-110%
 - As a typical example, the portfolio might be 150% long and 50% short for a net equity exposure of 100%
- **It seeks to augment returns by capturing the added benefit of investing against relative losers**
- **Managing this portfolio leverages and complements our management of the Long-Only portfolio**

Typical metrics			
	Minimum	Maximum	Typical
No. of long positions	25	35	~30
No. of short position	12	25	~20
Cash	-10%	100%	~5%
Net equity exposure	0%	110%	~95%
Gross equity exposure	0%	240%	~195%

ALPHA CONTRIBUTION – LONG/SHORT



Australian Eagle Trust Rolling 12 Month Attribution

Top 5	Contribution to Return (%)	Position Type (Long or Short)
ALU	4.13%	L
COH	3.84%	L
QBE	1.31%	L
WES	1.09%	L
RIO	0.79%	L

Bottom 5	Contribution to Return (%)	Position Type (Long or Short)
EVN	-1.71%	S
SQ2	-1.58%	S
JHX	-1.41%	S
DOW	-1.36%	S
IGO	-1.24%	L

MONTHLY & QUARTERLY ATTRIBUTION



Long-Short Performance – Feb 24

Top 3 Stocks

- ALU
- COH
- WES

Bottom 3 Stocks

- A2M
- CTD
- RIO

Long-Short Performance – Feb 24 Quarter

Top 3 Stocks

- ALU
- COH
- XRO

Bottom 3 Stocks

- A2M
- AWC
- EVN

Long-Only Performance – Feb 24

Top 3 Stocks

- ALU
- COH
- WES

Bottom 3 Stocks

- CTD
- RIO
- RMD

Long-Only Performance – Feb 24 Quarter

Top 3 Stocks

- ALU
- COH
- WES

Bottom 3 Stocks

- EVN
- CTD
- GMG/NAB