MAPLE-BROWN ABBOTT
INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Australian Value Opportunities Fund

Monthly Commentary – 31 December 2024

Fund performance (%) [1]

	1 month	3 months	1 year	3 years p.a.	Since inception p.a. 01 Apr 2021
Fund [2]	-3.4	-4.0	10.1	8.7	10.0
Reference Benchmark [3]	-3.1	-0.8	11.4	7.1	9.1

Market commentary

The Australian equity market had a weak end to the year, with the S&P/ASX 300 Total Return Index falling 3.1% in December. Australia materially underperformed global markets in constant currency, noting the AUD fell 5% against the USD over the month. Bond yields increased globally, as a stronger US economy deferred expectations for rate cuts. The US Government 10-year yield rose 0.40% to close at 4.57% and the Australian 10-year a more modest 0.03% to 4.37%. Prices for most key commodities tended to soften, with oil an exception. Looking at performance by sector, Consumer Staples (+1%) was best, then Utilities (0%) and Industrials (0%). A-REITs (-6%) was weakest, then Materials (-5%) and Financials (-4%).

Portfolio commentary

The Fund returned -3.4% over the month, underperforming the benchmark by 0.3%.

Our position in Ansell (+2%) was a key positive contributor to performance. Industry conditions continue to improve, with pandemic-related oversupply and customer destocking for its Healthcare division now largely worked through. The decline in the AUD was also supportive to the translation of its largely foreign earnings. Defensives tended to hold up well in a weak market, including our positions in Metcash (+2%) and Orora (+1%). Metcash released a half-year result during the month, reporting earnings in line with expectations. Its food and liquor divisions continue to perform well and there are signs that recent cyclical and competitive pressure in the hardware division is starting to abate. Our holding in Beach Energy (+13%) also contributed positively, supported by a rising oil price.

Our holding in ANZ Group (-8%) detracted from performance. The banking sector was broadly weaker, with ANZ lagging further following the resignation of its CEO Shayne Elliott. Our holding in Amcor (-9%) contributed negatively. US packaging peers also traded weaker during the month with uncertainty over consumer resilience weighing on the sector. Our holding in Ramsay Health Care (-13%) also underperformed. Volume weakness and funding pressures continue to hinder the Australian private hospital sector, with political turmoil in France creating further uncertainty for Ramsay's French joint venture

Please see next page for Outlook

Notes:
1 Past performance is not a reliable indicator of future performance. Source: Maple-Brown Abbott Ltd, S&P as at 31 December 2024.
2 The Fund's performance is based on the movement in net asset value per unit plus distributions and is before tax and after all fees and charges. Imputation credits are not included in the performance figures.
3 The reference benchmark is S&P/ASX 300 Total Return Index.

Want to find out more?
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Outlook

Notwithstanding recent volatility, global equity markets remain buoyant, supported by the start of the interest rate cutting cycle in the US, UK and Europe. Within the Australian market, we have seen a rotation into cyclicals, notably the banks. This reflects a growing consensus view that we will achieve a 'goldilocks' scenario whereby we see continued solid corporate earnings and inflation falls to acceptable levels, allowing interest rates to be reduced. The narrative of falling rates has also supported many growth stocks, particularly in the technology sector. This rotation has come at the expense of defensive sectors such as consumer staples and communication services. Resources have also lagged.

Looking ahead, we are of the view that markets are not fully pricing in the economic and geopolitical risks that exist. In Australia, the growth picture is mixed but with inflation still elevated, rate cuts are unlikely in the near term. In the US, economic growth appears stronger and bond markets suggest the trajectory of rate cuts will be slower than previously expected. Within equity markets, the rotation noted earlier has presented opportunities, with many defensives now offering attractive valuations and some protection against equity market uncertainties. We continue to see appeal in the energy sector and selected resources, given discounted valuations and strong balance sheets. That said, we observe that many cyclical, technology and other premium-rated industrial stocks appear expensive, and our portfolio has limited exposure to those segments.

For latest Fund factsheet click here.

Want to find out more?

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