

Maple-Brown Abbott Asian Investment Trust

Monthly Commentary – 29 February 2024

Fund performance (%)¹

	1 month	3 months	1 year	3 years p.a.	4 years p.a.	5 years p.a.	Since inception p.a. 25 Oct 2002
Fund ²	6.6	3.6	7.3	1.0	4.5	4.2	9.0
Benchmark ³	7.2	5.2	8.7	-3.0	1.9	3.6	7.8

Market commentary

Asia ex-Japan equities rebounded over the month to record solid gains, driven by North Asian markets. The recovery in China was aided by robust travel and spending data over the lunar new year holiday, which were higher than pre-pandemic levels. Further pro-growth government policies continue to be supportive of the economic recovery, covering consumption, property and financial markets. The People's Bank of China unexpectedly cut the 5-year loan prime rate by 50 basis points to 3.95%, the benchmark rate for mortgages in China. In South Korea, investors were focused on the financial regulator's 'Value-Up' policy reform. The policies are aimed at reducing the persistent Korean valuation discount that exists due to poor corporate governance and capital management issues. Low price-to-book Korean companies such as financials, auto manufacturers and holding companies were decent outperformers. Meanwhile Taiwan's equity market continued to benefit from the AI thematic, given its heavy weighting to semiconductors. Elsewhere in the region, Indonesia held their general election, with former General Prabowo Subianto winning in the first (and final) round. The president-elect is expected to continue with the policy regime and structural reforms initiated under the previous administration.

Regionally, the best performing markets over the month were China (+8.4%), South Korea (+7.4%) and the Philippines (+5.5) in USD terms, while the worst performing markets were Thailand (+0.7%), Singapore (+0.9%) and Malaysia (+2.4%). On a sector basis, the best performing sectors were Consumer Discretionary (+10.8%), Industrials (+7.1%) and Information Technology (+6.2%), while the worst performing sectors were Materials (+2.0%), Real Estate (+2.5%) and Communication Services (+3.5%).

Portfolio commentary

The Trust returned 6.6% in AUD terms for the month, underperforming the benchmark by 0.6%.

A positive contributor to performance was the overweight position in Chinese mobile games developer NetEase. The company benefited from broader strength in Chinese equities as well as strong performance in key mobile games versus competitors. Korean automotive parts manufacturer Hyundai Mobis was another positive contributor to performance. Hyundai Mobis is part of the larger Hyundai group chaebol and trades at a deep discount to global peers. Hyundai Mobis is a prime example of a company which could materially benefit from South Korea's recent push to improve corporate governance and capital allocation. Chinese logistics operators ZTO also rebounded strongly, having been sold off over fears of rising price competition. Recent industry data points to ongoing industry volume growth while pricing remains rational.

A detractor from performance was the overweight position in Indian private bank HDFC Bank. Investors have been concerned about the pace of future loan growth being impeded by its ability to grow deposits. The portfolio's holding in Samsung Electronics was another detractor from performance. Despite decent gains in the Korea market, Samsung lagged on a weaker than expected earnings result. Despite the softer result, DRAM prices (a key commodity) are rising which is leading the earnings recovery. Not owning electric vehicle company Li Auto was a headwind to performance as the stock rallied sharply over the month after a better than expected result.

Please see next page for Outlook

Notes:

¹ Past performance is not a reliable indicator of future performance. Source: Maple-Brown Abbott Ltd, MSCI as at 29 February 2024.

² The Trust'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 and foreign tax credits are not included in the performance figures.

³ Benchmark: MSCI AC Asia ex-Japan Net Index AUD.

Want to find out more?

Contact our Client Service team by:

T 1300 097 995

E mba@unitregistry.com.au

W maple-brownabbott.com

Signatory of:



Maple-Brown Abbott Asian Investment Trust

Monthly Commentary – 29 February 2024

Outlook

After a challenging period, the outlook for Asia ex-Japan equity markets has improved markedly and there are several factors that point to better prospective returns.

Firstly, valuations are low. The region remains generally out of favour with investors as a combination of a strong US dollar, weak macro and geopolitical tensions (among other factors) have seen valuations compress to below long-term averages. At a stock level, there are many instances of companies trading well below their intrinsic value. Cognisant of the fact that a key driver of returns is the price one pays, we have a positive view on the region given starting valuations.

Secondly, earnings are set to recover. Earnings growth is returning to the region after a period of subdued profitability. The disappointing Chinese reopening has delayed this process however returns on equity remain low relative to history (consistent with the wider Asia ex-Japan region) and one does not need to make heroic assumptions about future profitability to see better earnings delivered.

Finally, capital allocation in the region continues to improve. It is an underappreciated fact that dividends make up around half the return for the region over the last 20 years. An increase in share buyback activity has been a feature in recent years, and we expect this trend to continue. With some of the strongest balance sheets globally and generally low payout ratios, many companies in Asia ex-Japan can materially increase capital returns to shareholders which would not only boost near term gains, but also lead to a sustainable increase in valuation multiples.

Meanwhile, the tailwinds for a value-oriented investment style remain present. A key feature of growth's dominance during the 2010s was the expanding valuation gap between the cheap and expensive parts of the market. This gap remains wide, and it is highly unlikely that relative valuations will expand from their current starting points to create a similar and sustained effect going forward. With inflation globally unlikely to return to the extremely low levels experienced in the 2010s, there is ample scope for this gap to narrow with higher interest rates seeing richly valued growth stocks come under further pressure.

For latest Fund factsheet [click here.](#)

Disclaimer

This document is prepared and issued by Maple-Brown Abbott Limited ABN 73 001 208 564, AFSL 237296 ("MBA"). It does not constitute advice of any kind and should not be relied upon as such. This document must not be reproduced or transmitted in any form without the prior written consent of MBA. This document does not constitute investment advice or an investment recommendation of any kind and should not be relied upon as such. This document contains general information only, and does not take into account your investment objectives, financial situation or specific needs. Before making any investment decision, you should seek independent investment, legal, tax, accounting or other professional advice as appropriate. This document does not constitute an offer or solicitation by anyone in any jurisdiction. This document is not an advertisement and is not directed at any person in any jurisdiction where the publication or availability of the information is prohibited or restricted by law. Past performance is not a reliable indicator of future performance. Neither MBA, nor any of its related parties, directors or employees, make any representation or give any guarantee as to the return of capital, performance, any specific rate of return, or the taxation consequences of, any investment. Any comments about investments are not a recommendation to buy, sell or hold. Any views expressed on individual stocks or other investments, or any forecasts or estimates, are not a recommendation to buy, sell or hold, they are point in time views and may be based on certain assumptions and qualifications not set out in part or in full in this document. The views and opinions contained in this document are those of the authors as at the date of publication and are subject to change due to market and other conditions. Such views and opinions may not necessarily represent those expressed or reflected in other MBA communications, strategies or funds. Information derived from sources is believed to be accurate, however such information has not been independently verified and may be subject to assumptions and qualifications compiled by the relevant source and this document does not purport to provide a complete description of all or any such assumptions and qualifications. To the extent permitted by law, neither MBA, nor any of its related parties, directors or employees, make any representation or warranty as to the accuracy, completeness, reasonableness or reliability of this information, or accept liability or responsibility for any losses, whether direct, indirect or consequential, relating to, or arising from, the use or reliance on this information. Units in the Trust are issued by MBA. Before making a decision whether to acquire, or to continue to hold an investment in the Trust, you should obtain and consider the current Product Disclosure Statement, Additional Information Booklet and Target Market Determination for the Trust issued by MBA and available at maple-brownabbott.com/document-library or by calling 1300 097 995. An investment in the Trust does not represent an investment in, deposit with or other liability of MBA, and is subject to investment risk including possible delays in repayment and loss of income and principal invested. This information is current as at 29 February 2024 and is subject to change at any time without notice.

MSCI: The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied upon as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. [www.msci.com].

Want to find out more?

Contact our Client Service team by:

T 1300 097 995

E mba@unitregistry.com.au

W maple-brownabbott.com

Signatory of:

