



# Maple-Brown Abbott Australian Share Fund Wholesale

## Monthly Commentary – 31 October 2023

### Fund performance (%)<sup>1</sup>

	1 month	3 months	1 year	3 years p.a.	4 years p.a.	5 years p.a.	Since inception p.a. 31 May 1998
Fund <sup>2</sup>	-3.8	-6.7	2.1	14.2	5.2	6.8	7.7
Benchmark <sup>3</sup>	-3.8	-7.2	3.0	8.9	4.3	7.2	8.1

### Market commentary

The Australian equity market had a weak month, with the S&P/ASX 200 Total Return Index falling 3.8%. Performance was consistent with global markets, which fell in response to geopolitical instability and rising interest rate expectations. The US Government 10-year yield increased 0.29% to close at 4.88%, reflecting a robust US economy and expectations of rising US bond issuance. Similarly, the Australian Government 10-year yield rose 0.44% to close at 4.93%. Local economic data also showed resilience, with better than expected retail sales, a surprise fall in unemployment and a re-acceleration of inflation in the third quarter. Commodities were mixed, with gold notably stronger, oil weaker and iron ore remaining elevated. Looking at performance by sector, Utilities (+2%) was best, followed by Materials (-1%) and Communication Services (-3%). Interest rate sensitive sectors were weakest, including Information Technology (-8%), Health Care (-7%) and Industrials (-6%).

### Portfolio commentary

The Fund returned -3.8% in October, performing in line with the benchmark.

Our overweight holding in Rio Tinto (+4%) was a key positive contributor to performance. Iron ore miners performed well over the month, with commodity prices remaining elevated and the announcement of further fiscal stimulus in China improving sentiment. Our overweight position in Origin Energy (+4%) outperformed. The stock is currently under takeover offer from a consortium led by Brookfield, which underpinned the share price. The deal also received clearance from the Australian Competition and Consumer Commission during the month,

reducing risks around completion. The key remaining hurdle is shareholder approval at the 23 November scheme meeting, which cannot be assumed given public dissent from key shareholders. We note that the offer price was increased subsequent to month end, but the required shareholder support remains uncertain. Our decision not to own CSL (-7%) also contributed positively. Higher bond yields were a headwind, disproportionately impacting the value of growth stocks such as CSL. CSL is also being judged as a potential loser from the growth in GLP-1 anti-obesity drugs. Specifically, its Vifor business, which produces drugs to treat chronic kidney disease, may see reduced demand.

Our overweight holding in Alumina (-18%) detracted from performance. Environmental challenges continue to delay the approval of their mine plan, resulting in negative free cash flow. While this creates uncertainty around the stock, we believe the environmental risks can be managed, and a resolution is likely. Our overweight position in Healius (-21%) contributed negatively. Medicare data released during the month showed continued weakness in pathology volumes, reinforcing market concerns around the outlook for the stock. Given elevated debt levels, rising interest rates provided an additional earnings headwind. While we acknowledge that risks exist, we expect a recovery in pathology volumes to support earnings over the medium term, underpinning the current valuation. Our overweight holding in Incitec Pivot (-13%) also detracted, likely relating to market uncertainty around the sale process for the fertiliser division.

### 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 October 2023.

2 The Fund's performance relates to wholesale investors only. If you are a retail investor, you can obtain up to date returns at [maple-brownabbott.com.au](http://maple-brownabbott.com.au). Total return is based on the movement in withdrawal price per unit plus distributions and is before tax and after all fees and charges. Imputation credits.

3 Benchmark: S&P/ASX 200 Total Return Index.

### Want to find out more?

Contact our Client Service team by:

T 1300 097 995

E [mba@unitregistry.com.au](mailto:mba@unitregistry.com.au)

W [maple-brownabbott.com](http://maple-brownabbott.com)

Signatory of:



# Maple-Brown Abbott Australian Share Fund Wholesale

Monthly Commentary – 31 October 2023

## Outlook

Markets remain volatile. Further increases in bond yields during the month highlight the significant uncertainty that exists around the persistence of inflation and the central bank rate tightening cycle. While the US economy continues to perform strongly, economic risks are elevated and history shows that 'soft landings' are rare. In Australia, economic signals are mixed, but inflation remains high and further rate increases from the Reserve Bank of Australia appear likely. We remain cautious that markets are not fully pricing in these risks, nor have they fully adjusted to the 'new normal' whereby inflation and interest rates will remain structurally higher than what we have seen in recent years.

In this environment, we are adding to defensive holdings where valuations are attractive. We continue to see appeal in the energy and broader resources sector, given discounted valuations, pristine balance sheets and the likelihood of some protection from inflation. We also see valuation support among the major banks, although acknowledge the sector faces heightened risks.

While the extreme divergence in valuations across the market that existed prior to the pandemic has retraced somewhat, we believe we are still in the process of normalisation. It seems unlikely we will see a return to the conditions that drove markets over the past decade and inflated the prices of many 'growth' stocks. In our view, it is more likely we will see a stock picker's market in which past excesses continue to be addressed, an environment that should suit our investment approach.

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 Fund are issued by MBA. Before making a decision whether to acquire, or to continue to hold an investment in the Fund, you should obtain and consider the current Product Disclosure Statement, Additional Information Booklet and Target Market Determination for the Fund issued by MBA and available at [maple-brownabbott.com/document-library](http://maple-brownabbott.com/document-library) or by calling 1300 097 995. An investment in the Fund 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 31 October 2023 and is subject to change at any time without notice.

## Want to find out more?

Contact our Client Service team by:

T 1300 097 995

E [mba@unitregistry.com.au](mailto:mba@unitregistry.com.au)

W [maple-brownabbott.com](http://maple-brownabbott.com)

Signatory of:

