MAPLE-BROWN ABBOTT
INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Australian Share Fund Wholesale

Monthly Commentary – 31 December 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. 31 May 1998
Fund [2]	-2.7	-2.3	10.8	8.8	11.3	7.9	8.1
Benchmark [3]	-3.2	-0.8	11.4	7.4	9.8	8.1	8.6

Market commentary

The Australian equity market had a weak end to the year, with the S&P/ASX 200 Total Return Index falling 3.2% 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 Industrials (0%) and Energy (0%). A-REITs (-6%) was weakest, then Materials (-5%) and Information Technology (-4%).

Portfolio commentary

The Fund returned -2.7% over the month, outperforming the benchmark by 0.5%.

Our overweight 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 outperform in a weak market, including our overweight holdings in Coles Group (+2%), Telstra Group (+2%) and Metcash (+2%). Metcash also 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 energy holdings also performed well in a weak market, including overweight positions in Woodside Energy Group (0%) and Santos (+1%), supported by a rising oil price.

Our exposure to the major banks detracted. While we were underweight the underperforming sector, our holdings tended to be in the worse performing banks. In particular, our overweight holding in ANZ Group (-8%) lagged, impacted by the resignation of its CEO Shayne Elliott. Our overweight 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 overweight holding in Ramsay Health Care (-13%) 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. Our decision not to hold several outperforming defensives also detracted, including Transurban Group (+7%) and CSL (0%).

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 relates to wholesale investors only. If you are a retail investor, you can obtain up to date returns at 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 The benchmark is S&P/ASX 200 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 remains well underweight those segments.

For latest Fund factsheet click here.

Want to find out more?

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Principles for Responsible Investment