



Maple-Brown Abbott Diversified Investment Trust

Monthly Commentary – 31 October 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 1988
Fund ²	-1.3	0.8	16.4	6.1	9.6	6.2	8.7
Benchmark ³	-0.2	1.7	19.2	4.7	8.2	5.8	N/A

Market commentary

The Australian equity market had a weak month, with the S&P/ASX 200 Total Return Index excluding property falling 1.2%, consistent with soft global equity markets. Bond yields rose sharply, with the US Government 10-year up 0.50% to close at 4.28%, as resilience in the US economy and the perceived inflationary impact of a potential Republican election win pushed out expectations of US interest rate cuts. The Australian Government 10-year also moved materially higher, up 0.53% to close at 4.51%. Local economic data was fair, with continued strength in labour markets and steady momentum in retail sales. Uncertainty around Chinese stimulus and growth was another theme weighing on the local equity market. This was reflected in commodities, notably through a lower iron ore price. There was also a sharp drop in the AUD/USD exchange rate. Looking at performance by sector, Financials (+3%) were strongest, followed by Health Care (+1%) and Communication Services (+1%). Utilities (-7%) was weakest, followed by Consumer Staples (-7%), Materials (-5%) and Energy (-5%).

International equities were soft, with the MSCI AC World Index falling 2.2% in USD-terms. Of the major regions, USA (-1%) performed best, followed by Japan (-4%), Asia ex-Japan (-5%) and Europe (-6%). The weaker AUD increased the AUD return of the MSCI AC World Index to 3.5%.

A-REITs were weak, with the S&P/ASX 300 A-REIT Total Return Index falling 2.6%. Fixed interest was also down, with the Bloomberg Australian Composite Bond Index falling 1.9%.

Portfolio commentary

The Trust returned -1.3% for the month, underperforming its benchmark by 1.1%.

The Trust's Australian equities holdings returned -3.0%, below the market index. Underperformance over the month largely reflected our positioning in a few key sectors. Our underweight exposure to the premium-priced major banks was a key detractor. The sector benefited

from positive news flow, including a better than expected profit result from Bank of Queensland (not held). Commonwealth Bank of Australia (not held) was the strongest performing major bank (+5%) and the largest detractor for the month. Our overweight exposure to staples also detracted, a sector that has significantly derated. The sector is facing broad consumer headwinds, with a number of companies including Woolworths (not held) and Metcash (-14%) delivering soft earnings guidance during the month. Media and regulatory scrutiny also continues to hang over the grocery sector.

Positive contributors during the month included our overweight exposure to the general insurers, including overweight positions in QBE Insurance (+4%) and Insurance Australia Group (+2%). They key driver was higher bond yields, which supports investment income, and in the case of QBE the decline in the AUD/USD exchange rate. IAG also gave a trading update at its AGM, reiterating the FY25 guidance given in August. Our decision not to hold James Hardie Industries (-15%), impacted by US housing cycle concerns, and Wisetech Global (-14%), impacted by governance issues, was also supportive.

The Trust's international equities holdings returned 0.3%, underperforming the international market index in AUD terms. Regional weightings and currency hedging were headwinds.

The Trust's A-REIT holdings returned -3.7%, underperforming the A-REIT index. Our decision not to hold premium-rated Goodman Group (-1%) was the key detractor from performance.

The Trust's fixed interest holdings returned -1.8%, modestly above the bond market index.

The Trust's exposure to alternative assets, through its holding in the Maple-Brown Abbott Global Listed Infrastructure Fund (GLIF), returned 1.9%. GLIF's holding in US electric utility Entergy performed particularly well, finishing up 18% in local currency terms. The company's Q3 result was well received, at which it increased forecast revenue, earnings and capex due to higher volume projections.

Please see next page for Outlook

Notes:

¹ Past performance is not a reliable indicator of future performance. Source: Maple-Brown Abbott Ltd, Morningstar as at 31 October 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 and foreign tax credits are not included in the performance figures. Performance start date from 1 January 1989.

³ The benchmark to 31 May 2008 is the Standard & Poor's Multisector 80 Wholesale Index and from 1 June 2008 is the Morningstar Australia Fund Multisector Growth category average.

Want to find out more?

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Maple-Brown Abbott Diversified Investment Trust

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Outlook

Global equity markets remain near record levels, supported by the start of the interest rate cutting cycle in the US, UK and Europe, as well as recently announced stimulus in China. 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. Nevertheless, we continue to observe opportunities within Australian and international equity markets and observe that the valuation dispersion between regions is unusually large. We believe this environment is well suited to our contrarian investment approach.

We are modestly underweight the A-REIT asset class. However, we continue to hold select exposures, with many of the diversified, office and retail REITs trading at discounted valuations despite having good longer-term prospects. We are also underweight the fixed interest asset class.

We believe the outlook for global listed infrastructure is positive. Our focus remains on attractively valued infrastructure assets with inflation protection, low cashflow volatility, high standards of management and strong ESG performance.

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

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