



Maple-Brown Abbott Australian Equity Trust

Monthly Commentary – 30 June 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 Dec 1992
Fund ²	1.3	-0.4	11.8	9.8	14.8	7.8	10.7
Benchmark ³	0.9	-1.2	11.9	6.1	11.3	7.2	9.6

Market commentary

The Australian equity market had a fair month, with the S&P/ASX 300 Total Return Index rising 0.9%. Australia underperformed global markets, which were supported by strong performance from technology stocks. Bond yields fell, with the US Government 10-year down 0.15% to 4.36% and the Australian 10-year down 0.11% to 4.31%. The fall in local yields came despite May inflation data exceeding expectations, with the RBAs' preferred measure of trimmed mean CPI increasing by 4.4%. Other local economic data was somewhat soft, including first quarter GDP growth of only 0.1%. Commodity prices were mixed, including gains in oil and declines in iron ore and base metals. Looking at performance by sector, Financials (+5%) was best, followed by Consumer Staples (+5%) and Utilities (+5%). Materials (-7%) was weakest, followed by Energy (-2%) and Industrials (0%).

Portfolio commentary

The Trust returned 1.3% over the month, outperforming the benchmark by 0.4%.

Our overweight position in Ansell (+9%) was a key positive contributor. Trends across both the Industrial and Healthcare divisions remain supportive, with global PMIs generally showing positive (albeit muted) growth and competitor results indicating that de-stocking within the healthcare segment appears to be nearing an end. The acquisition of Kimberly-Clark's personal and protective equipment business in April also continues to be viewed favourably by the market. Our overweight holding in Insurance Australia Group (+15%) outperformed. The company provided a market update during the quarter, at which it

upgraded full year earnings guidance and detailed a new reinsurance arrangement that should lower earnings volatility over the coming years. Our overweight position in Treasury Wine Estates (+10%) contributed positively. The company held two investor briefings during the month. The first, a US site visit, saw them reaffirm full-year guidance and reinforce the growth potential of their US luxury brands, including the recently acquired DAOU Vineyards. This was followed by an update on Penfolds later in the month, at which they disclosed global price increases averaging 6%, supported by a recovery in Chinese imports. They also provided Penfolds earnings targets over the next three years, expecting solid growth facilitated by a strong vintage intake in 2024.

Our exposure to the major banks detracted from performance. We were both modestly underweight the outperforming sector and do not hold the strongly performing Commonwealth Bank of Australia (+7%). Sector outperformance largely reflected renewed investor optimism around the economic outlook. Our overweight holding in Alumina (-11%) contributed negatively. Alumina's share price is largely tied to that of its US suitor Alcoa, given market expectations the scrip-based takeover will proceed, which was impacted by weaker aluminium prices. Our overweight position in Metcash (-4%) also detracted. Metcash released its full-year result during the month. While the result was broadly in line with market expectations, deterioration in the Total Tools business was poorly received. While facing cyclical headwinds, we view some of Total Tools' margin pressure as transitory. The recovery from which, combined with continued solid performance from the Food and Liquor divisions, should deliver robust earnings growth for the group.

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 30 June 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 credits are not included in the performance figures.

3 The benchmark is S&P/ASX 300 Total Return Index. Up to 31 March 2000 the Benchmark was the All Ordinaries Accumulation index.

Want to find out more?

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Maple-Brown Abbott Australian Equity Trust

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Outlook

Global equity markets remain at or near to record levels. Within the Australian market, we have seen a rotation into cyclicals, as investors have positioned themselves for a 'goldilocks' scenario whereby we avoid recession, inflation falls to acceptable levels and interest rates can be reduced. This rotation came at the expense of defensive sectors such as consumer staples and communication services, as well as resources. The questionable narrative of falling rates also tended to support the valuation of many growth stocks, particularly in the technology sector.

Looking ahead, we observe that markets may not be fully pricing in the economic and geopolitical risks that exist. The rotation noted above has presented opportunities, however, with many defensives now offering attractive valuations and some protection against equity market uncertainties. We continue to see appeal in the energy sector and certain resources, given discounted valuations, strong balance sheets and the likelihood of some protection from inflation. That said, we observe that many cyclical, technology and other premium-rated industrial stocks appear expensive and tend to be underweight those segments.

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

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