MAPLE-BROWN ABBOTT
INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Australian Equity Trust

Monthly Commentary – 31 May 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]	0.1	3.2	12.3	9.7	15.0	8.0	10.7
Benchmark [3]	0.9	1.1	12.8	6.5	11.7	7.8	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 saw a tech-driven rally based on speculation around the potential of artificial intelligence. Falling bond yields also supported markets, with the US Government 10-year yield down 0.19% to 4.49%. Australian yields held up, however, with the Australian Government 10-year falling only 0.01% to 4.41%. This followed a monthly CPI print above expectations, further deferring the prospect of cuts to the cash rate. Other local economic data was mixed. Commodity markets were also mixed, with prices for most base metals improving, iron ore stable and oil a notable laggard. Looking at performance by sector, Information Technology (+5%) was best, followed by Utilities (+3%) and Financials (+3%). Communication Services (-3%) was weakest, followed by Consumer Staples (-1%) and Consumer Discretionary (-1%).

Portfolio commentary

The Trust returned 0.1% over the month, underperforming the benchmark by 0.8%.

Our overweight position in Alumina (+17%) was a key positive contributor to performance. Alumina's share price is largely tied to its US suitor Alcoa, given market expectations the scrip-based takeover will proceed. Alcoa's strong performance over the month reflected strength in both aluminium and alumina prices. Alumina prices were supported by supply disruptions to Rio Tinto's Queensland operations, which are facing gas supply issues. Our overweight position in Amcor (+9%) outperformed. The company delivered a third quarter earnings release ahead of market expectations. Improving volume momentum suggests headwinds from customer destocking are abating and management upgraded full year guidance. Our overweight holding in Incitec Pivot (+6%) also contributed positively. The company delivered a half-year result ahead of expectations, underpinned by strong performance from the explosives division. They also updated the market on the sale process of the fertiliser business, which is well progressed.

Our overweight holding in Endeavour Group (-7%) detracted from performance. Key shareholder Woolworths sold a 5% stake in the company during the month, which weighed on the share price. Operating momentum appears sound, however, with a quarterly sales release suggesting market share gains in retail and positive gaming industry data supporting the hotels division. Our overweight holding in Ansell (-4%) underperformed. Industry conditions remain subdued, with the company facing additional headwinds from rising raw materials costs. Our overweight position in Sims (-12%) also detracted. The company provided a weak trading update during the month, guiding to a modest decline in profit in the second half from already depressed levels. While disappointing, scrap margins are at a cyclical low and we are confident in an earnings recovery over the medium-term. Sims' strong balance sheet should also help it weather short-term volatility.

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 May 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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Outlook

Markets remain volatile and, despite some positive signs, there is significant uncertainty around the global macroeconomic outlook, including for inflation, interest rates and growth. We remain cautious that equity markets are not fully pricing in these risks, seemingly assuming both a moderation in interest rates and continued solid economic growth.

We observe that many defensives now offer attractive valuations and offer some protection against economic and 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. Underperformance of select industrials has also presented opportunities. That said, we observe that valuations of many key stocks in sectors including health care and information technology are stretched and we expect they will deliver disappointing returns. We expect this to support our relative performance.

For latest Fund factsheet click here.

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