



MAPLE-BROWN ABBOTT
INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Australian Equity Trust

Monthly Commentary – 29 February 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	0.2	9.2	6.6	11.0	9.9	8.3	10.7
Benchmark ³	1.0	9.5	10.5	9.1	8.6	8.6	9.6

Market commentary

The Australian equity market had a sound month, with the S&P/ASX 300 Total Return Index rising 1.0%. Performance lagged global markets, which reported strong gains, supported by optimism around the outlook for tech giants such as Nvidia and Meta and the growth in artificial intelligence. While there have been some signs of cooling inflation both in the US and Australia, bond yields continued to rise, with the US Government 10-year yield up 0.29% to close at 4.24% and the Australian 10-year up 0.12% to close at 4.14%. The company reporting season was a key focus of the local market, delivering earnings results somewhat better than expectations. Commodities markets were mixed, with a decline in iron ore the key move. Looking at performance by sector, Information Technology (+20%) performed best, buoyed by some good financial results and offshore sentiment. Consumer discretionary (+10%) followed, then A-REITs (+5%) and Financials (+4%). Energy (-6%) was weakest, followed by Materials (-5%) and Health Care (-2%).

Portfolio commentary

The Trust returned 0.2% over the month, underperforming the benchmark by 0.8%.

Our overweight exposure to the major banks was a positive, including holdings in Westpac Banking Group (+9%) and ANZ Group (+5%). The sector was supported by some resilient earnings releases and trading updates, as well as easing concerns around recession and an associated bad debt cycle. Our underweight exposure to the iron ore miners, including an underweight position in BHP Group (-7%) and our decision not to hold Fortescue (-10%), contributed positively. The iron ore price

fell around 10% during the month, due largely to concerns around Chinese demand. We observe that prices remain above what we view as sustainable levels. Our overweight positions in general insurers QBE Insurance (+9%) and Suncorp (+10%) also outperformed. The sector was supported by higher bond yields and generally robust financial results. In the case of Suncorp, the overturning of the Australian Competition and Consumer Commission's decision to block ANZ's acquisition of Suncorp's banking business was an additional positive.

Our overweight holding in Alumina (-9%) detracted from performance. Alumina released its CY23 result during the month, with earnings below market expectations and a higher capital expenditure outlook. This was, however, overshadowed by a takeover proposal from joint-venture partner Alcoa Inc. While the proposed transaction would simplify Alumina's corporate structure and ease balance sheet pressure, the scrip merger ratio provides for a very modest premium to Alumina's heavily depressed share price. Our overweight position in Nine Entertainment Co. (-13%) contributed negatively. While Nine delivered a sound half-year result above market expectations, the stock was impacted by a soft outlook statement with further advertising market weakness expected in the second half. In our view, depressed earnings reflect cyclical factors and a recovery in the advertising market should support share price performance over the medium term. Our decision not to hold Wesfarmers (+16%) also detracted, with stock outperformance reflecting strong financial results from its Kmart and Bunnings divisions and generally improved sentiment towards the consumer.

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 29 February 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

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 markets are not pricing in these risks, seemingly assuming both a moderation in interest rates and continued solid economic growth.

We have added to defensive exposures where valuations are attractive. 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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