MAPLE-BROWN ABBOTT
INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Australian Equity Trust

Monthly Commentary – 31 March 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]	5.0	8.1	12.0	11.5	19.2	9.2	10.8
Benchmark [3]	3.3	5.4	14.4	9.4	16.0	9.2	9.7

Market commentary

The Australian equity market had a strong month, with the S&P/ASX 300 Total Return Index rising 3.3%. Performance was in line with global markets, driven by hopes of a soft landing in the US. Bond yields softened somewhat, with the US 10-year Government yield falling 0.04% to 4.2% and the Australian 10-year down 0.17% to 3.97%. Local economic data showed a slowing economy, with anaemic Q4 GDP growth and subdued retail sales. Commodity markets were mixed, with gains in oil and weaker iron ore the key price moves. Looking at performance by sector, A-REITs (+10%) was best, followed by Energy (+6%) and Utilities (+5%). Communication Services (-1%) was weakest, followed by Consumer Discretionary (+1%) and Health Care (+2%).

Portfolio commentary

The Trust returned 5.0% over the month, outperforming the benchmark by 1.7%.

Our overweight holding in Alumina (+35%) was a key positive contributor. Sentiment has been improving since the approval of its mine plan in December and the scrip-funded takeover proposal from joint-venture partner Alcoa Inc. in February has further supported the stock. With Alumina signing an Implementation Deed in March, the stock now trades in lockstep with its suitor Alcoa and performance over the month benefited from aluminium sector tailwinds. Our overweight position in Healius (+19%) performed well. Having been under pressure in recent times due to weak pathology volumes and elevated cost growth, the market reacted favourably to the announcement of a change in CEO and a strategic review of its assets and structure. Our overweight holding in Scentre Group (+9%) also contributed positively. The key driver was REIT sector tailwinds, including from falling bond yields.

Our decision not to hold premium-rated Goodman Group (+13%) detracted from performance. The stock benefited from REIT sector tailwinds, as well as an emerging view that Goodman's data centre development business will be a material beneficiary from the growth in artificial intelligence. Our overweight position in Westpac Banking Corp (-1%) underperformed. It lagged the broader banking sector, releasing an underwhelming strategic update detailing elevated spending for a technology simplification program over the next four years. Our overweight holding in Telstra Group (+1%) detracted, consistent with a rotation away from defensives. Strong performance from gold miners not held by the Trust also dragged, including Newmont Corporation (+18%), Northern Star Resources (+13%) and Evolution Mining (+21%), given strength in the gold price.

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 March 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.

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 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.

Want to find out more?

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