MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Australian Share Fund Retail

Monthly Commentary – 30 April 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 1986
Fund [2]	-1.9	3.4	8.5	9.7	15.0	7.0	9.2
Benchmark [3]	-2.9	1.0	9.1	7.3	12.7	8.0	9.4

Market commentary

The Australian equity market had a weak month, with the S&P/ASX 200 Total Return Index falling 2.9%. Performance was broadly in line with global markets, which were impacted by rising bond yields. This followed higher than expected US inflation, leading investors to push out expectations of rate cuts and even contemplate the possibility that the next move could be up. The US Government 10-year yield rose 0.48% to 4.68% and the Australian 10-year rose 0.46% to 4.42%. Local economic data was mixed, including higher than expected Q1 CPI suggesting inflation is also proving sticky in Australia. Commodity markets tended to perform well, including rising prices for iron ore and gold. Looking at performance by sector, Utilities (+5%) was strongest, followed by Materials (+1%) and Health Care (-2%). A-REITs (-8%) was weakest, followed by Consumer Discretionary (-5%) and Communication Services (-5%).

Portfolio commentary

The Fund returned -1.9% over the month, outperforming the benchmark by 1.0%.

Our overweight position in Alumina (+14%) 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 aluminium prices, which rallied along with other base metals on an improving demand outlook. Our overweight holding in Origin Energy (+6%) outperformed. Robust commodity prices were a tailwind, including for oil and wholesale electricity. Origin also announced the acquisition of a large wind farm development asset during the month, which will support the transition of its generation portfolio to renewables. Speculation that it will reach agreement with the NSW Government to extend the life of coal-fired generator Eraring further supported the stock, with any agreement likely to contribute to medium-term earnings. Our overweight holding in Ansell (+4%) was another positive. Ansell acquired Kimberly-Clark's Personal Protective Equipment business for US$640m during the month. The acquisition is a good strategic fit and management expect it to be low-teens EPS accretive.

Our overweight position in Nine Entertainment Co. (-11%) detracted from performance. Poor advertising market sentiment weighed on the stock, exacerbated by concerns around 'higher for longer' interest rates. The looming expiration of the Facebook licensing deal is an additional headwind. Our overweight holding in Woodside Energy Group (-7%) contributed negatively, lagging the broader energy sector. Investor sentiment has softened as attention focuses on the delivery of the Scarborough project, including the risk of capital expenditure increases and regulatory or environmental issues. Woodside's relatively greater exposure to spot LNG prices has also been seen as a negative. Our overweight holding in Brambles (-9%) also detracted. The market was disappointed by a quarterly trading update released during the month, despite sound operating performance and management's reaffirmation of full-year guidance.

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 April 2024.

2 The Fund's performance relates to retail investors only. If you are a wholesale investor, you can obtain up to date returns at maple-brownabbott.com.au. Total return is based on the movement in withdrawal price per unit plus distributions and is before tax and after all fees and charges. Imputation credits, foreign income tax offsets and entry fees, are not included in the performance figures.

3 Benchmark: S&P/ASX 200 Total Return 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.

Want to find out more?
Contact our Client Service team by:
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