



**MAPLE-BROWN ABBOTT**  
INVESTMENT MANAGERS SINCE 1984

# Maple-Brown Abbott Australian Sustainable Future Fund

Monthly Commentary – 30 April 2024

## Fund performance (%)<sup>1</sup>

	1 month	3 months	1 year	3 years p.a.	4 years p.a.	5 years p.a.	Since inception p.a. 16 Sep 2009
Fund <sup>2</sup>	-1.5	3.9	9.3	10.7	15.8	8.1	7.2
Benchmark <sup>3</sup>	-2.9	1.2	9.0	7.1	12.7	8.0	7.8

## Market commentary

The Australian equity market had a weak month, with the S&P/ASX 300 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 -1.5% over the month, outperforming the benchmark by 1.4%.

Our overweight position in Alumina (+14%) was a key positive contributor to performance. Alumina is a major producer of bauxite and alumina which are used to make aluminium, a key enabler of decarbonisation. 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. Similarly, our overweight holding in Rio Tinto (+7%) outperformed. Commodity prices were again the key driver, including for iron ore, aluminium and copper. 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 Brambles (-9%) contributed negatively. The market was disappointed by a quarterly trading update released during the month, despite management's reaffirmation of full-year guidance. Our overweight holding in Ramsay Health Care (-7%) also detracted, with its interest in French hospital group Sante the main drag. An unfavourable regulatory announcement during the month indicated a fee increase of only 0.3%, well below cost inflation. Ramsay is conducting a strategic review that could result in the divestment of the problematic French exposure, allowing management to re-focus efforts on its market-leading domestic operations.

Please see next page for Outlook

## Notes:

<sup>1</sup> Past performance is not a reliable indicator of future performance. Source: Maple-Brown Abbott Ltd, S&P as at 30 April 2024.

<sup>2</sup> The Fund'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.

<sup>3</sup> The benchmark is S&P/ASX 300 Total Return Index.

## Want to find out more?

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## Sustainable future case study

### IPH Limited

The Fund recently added intellectual property services group IPH Limited (IPH) to the portfolio. IPH owns a group of intellectual property (IP) and associated companies offering a wide range of IP services and products including management of patents, designs and trademark filings, provision of IP data and analytics software and patent attorney and lawyer services. Based on the number of filings IPH is the top patent group in Australia, Canada, New Zealand and Singapore and the top trademark group in Australia and New Zealand.

IPH is aligned with our sustainable investment theme of Innovation and Technology. The provisions of IP services is critical to the development of new technology, allowing companies to protect their inventions, discoveries and research and generate a financial return on their research and development costs. Continued innovation is critical to driving economic growth and brings benefits not only to the companies delivering it but to society more broadly. To safeguard its commercial advantage, services firms such as IPH are heavily reliant on the talent and experience of their personnel. In this regard IPH has a strong focus on its human capital, with three of its sustainability strategic priorities focused on diversity and inclusion, education and training, and wellbeing and flexibility.

## 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. A number of market segments with strong sustainability performance are well placed, including providers of essential services, food and infrastructure and enablers of decarbonisation. 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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