MAPLE-BROWN ABBOTT
INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Australian Value Opportunities Fund

Monthly Commentary – 31 March 2024

Fund performance (%) [1]

	1 month	3 months	1 year	Since inception p.a. 01 Apr 2021
Fund [2]	5.3	9.2	15.1	12.3
Reference Benchmark [3]	3.3	5.4	14.4	9.4

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 Fund returned 5.3% over the month, outperforming the reference benchmark by 2.0%.

Our 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 holding in Virgin Money UK (+35%) was another positive, with the company receiving a takeover offer from Nationwide Building Society during the month. The offer of 220 pence in cash represented a 38% premium to the last closing price and has received the support of the Virgin board. Our holding in ResMed Inc (+13%) performed strongly. The stock was supported by easing concerns around the impact of GLP-1 weight loss drugs and the market re-entry of competitor Phillips on demand for its sleep apnoea devices. Our holdings in energy producers Santos (+10%) and Beach energy (+15%) also contributed positively, supported by strength in energy prices and in the case of Beach the announcement of a strategic review and cost reduction program.

Our holding in McMillan Shakespeare (-7%) detracted from performance. The stock retraced some of its recent gains, with government moves to reform the NDIS also creating some uncertainty around its plan management division. The core salary packaging and novated lease business is performing very well, however, with tax incentives for electric vehicles purchased using a novated lease driving strong demand. Our position in Westpac Banking Corp (-1%) contributed negatively. 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 holding in G8 Education (-3%) also detracted. The company announced the settlement of a class action brought by shareholders claiming a breach of continuous disclosure obligations relating to an earnings downgrade in 2017. While G8 has not admitted fault, the settlement is expected to have a cash cost of $25m.

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 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.
3 The reference benchmark is S&P/ASX 300 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 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.

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Signatory of:

PRI Principles for Responsible Investment