MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Diversified Investment Trust

Monthly Commentary – 30 June 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 1988
Fund [2]	0.2	-1.5	6.7	5.0	8.6	5.5	8.6
Benchmark [3]	0.9	-0.6	10.1	3.7	7.5	5.4	N/A

Market commentary

The Australian equity market had a fair month, with the S&P/ASX 300 Total Return Index excluding property rising 1.0%. Australia underperformed global markets, which were supported by strong performance from technology stocks. Bond yields fell, with the US Government 10-year yield down 0.15% to 4.36% and the Australian 10-year yield down 0.11% to 4.31%. The fall in local yields came despite May inflation data exceeding expectations, with the RBA's preferred measure of trimmed mean CPI increasing by 4.4%. Other local economic data was soft, including first quarter GDP growth of only 0.1%. Commodity prices were mixed, including gains in oil and declines in iron ore and base metals. Looking at performance by sector, Financials (+5%) was best, followed by Consumer Staples (+5%) and Utilities (+5%). Materials (-7%) was weakest, followed by Energy (-2%) and Industrials (0%).

International equities performed well, with the MSCI AC World Index rising 2.2% in USD-terms. Of the major regions, Asia ex-Japan (+4%) performed best, followed by USA (+4%), Japan (-1%) and Europe (-2%). The AUD strengthened against the USD, reducing the AUD return of the MSCI AC World Index to +1.8%.

A-REITs were steady, with the S&P/ASX 300 A-REIT Total Return Index rising 0.2%. Fixed interest rose, with the Bloomberg Australian Composite Bond Index up 0.8%.

Portfolio commentary

The Trust returned 0.2% for the month, underperforming its benchmark by 0.7%.

The Trust's Australian equities holdings returned 0.9%, modestly underperforming the market index. Our overweight position in Ansell (+9%) was a key positive contributor. Trends across both the Industrial and Healthcare divisions remain supportive, with global PMIs generally showing positive (albeit muted) growth and competitor results indicating that de-stocking within the healthcare segment appears to be nearing an end. The acquisition of Kimberly-Clark's personal protective equipment business in April also continues to be viewed favourably by the market. Our overweight holding in Insurance Australia Group (+15%) also outperformed. The company provided a market update during the quarter, at which it upgraded full year earnings guidance and detailed a new reinsurance arrangement that should lower earnings volatility over the coming years. Our overweight holding in Alumina (-11%) detracted from performance. Alumina's share price is largely tied to that of its US suitor Alcoa, given market expectations the scrip-based takeover will proceed, which was impacted by weaker aluminium prices.

The Trust's international equities holdings returned 0.7%, underperforming the international market index in AUD terms. Value-style headwinds, including very strong performance of premium-rated technology stocks, were a drag on performance.

The Trust's A-REIT holdings returned -1.4%, underperforming the A-REIT index. There was significant divergence within the sector. Premium-rated industrial REIT Goodman Group (+4%), not held by the Trust, materially outperformed its peers and was the key driver of relative performance.

The Trust's fixed interest holdings returned 0.7%, modestly below the bond market index.

The Trust's exposure to alternative assets, through its holding in the Maple-Brown Abbott Global Listed Infrastructure Fund (GLIF), returned -3.2%. French infrastructure stocks were generally weak during June, after President Macron called a surprise general election, raising the prospect of a victory for the far right Rassemblement National party and with it risk of nationalisation of infrastructure assets. This impacted French motorway operator and fund holding Vinci (-14%), which was a key detractor for the month.

Please see next page for Outlook

Notes:

1 Past performance is not a reliable indicator of future performance. Source: Maple-Brown Abbott Ltd, Morningstar as at 30 June 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 and foreign tax credits are not included in the performance figures. Performance start date from 1 January 1989.

3 The benchmark to 31 May 2008 is the Standard & Poor's Multisector 80 Wholesale Index and from 1 June 2008 is the Morningstar Australia Fund Multisector Growth category average.

Want to find out more?
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Outlook

Global equity markets remain at or near to record levels. We have seen a rotation into cyclicals, as investors have positioned themselves for a 'goldilocks' scenario whereby we avoid recession, inflation falls to acceptable levels and interest rates can be reduced. The technology sector has been a standout globally, buoyed by speculation around growth in artificial intelligence as well as the questionable narrative of falling rates, which particularly supports the valuation of growth stocks. This rotation came at the expense of defensive sectors such as consumer staples, as well as resources, particularly in an Australian context. As we look ahead, we remain somewhat cautious given record index levels for global equities against a backdrop of economic uncertainty, geopolitical instability and 'higher for longer' interest rates. Nevertheless, we continue to observe opportunities within Australian and international equity markets and observe that the valuation dispersion between regions is unusually large. We believe this environment is well suited to our contrarian investment approach.

We are modestly underweight the A-REIT asset class. However, we continue to hold select exposures, with many of the diversified, office and retail REITs trading at discounted valuations despite having good longer-term prospects.

Risks in the fixed interest asset class appear balanced, with bond yields having returned to more 'normal' levels.

We believe the outlook for global listed infrastructure is positive. Our focus remains on attractively valued infrastructure assets with inflation protection, low cashflow volatility, high standards of management and strong ESG performance.

For latest Fund factsheet [click here.]

Want to find out more?

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Principles for Responsible Investment