



MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Australian Share Fund Wholesale

Monthly Commentary – 30 September 2021

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 1998
Fund ²	1.0	4.6	40.3	6.5	7.5	8.4	8.1
Benchmark ³	-1.9	1.7	30.6	9.7	10.7	10.4	8.8

Market commentary

The Australian equity market had a soft month, with the S&P/ASX 200 Index (Total Return) falling 1.9%. Australia outperformed weak global markets in constant currency. Local economic data was mixed, with lockdowns in NSW and Victoria weighing on activity. However, progress in the vaccination program and a detailed government roadmap improved confidence around an economic reopening. Global bond yields rose sharply on growing inflationary pressure and signs the US Federal Reserve may soon taper its stimulus, with the Australian Government 10-year yield up 0.33% to close at 1.49%. Commodity markets were mixed, with a surge in energy prices and continued decline in iron ore the key themes. Looking at performance by sector, Energy (+16%) was the standout performer, followed by Utilities (+2%) and Financials (+2%). Materials (-9%) was weakest, followed by Health Care (-5%) and Information Technology (-4%).

Portfolio commentary

The Fund returned 1.0% in September, outperforming the benchmark by 2.9%

Our energy holdings were amongst the key positive contributors to performance, including overweight positions in Woodside Petroleum (+23%) and Origin Energy (+8%). The Brent oil price increased 10% over the month and closed at levels not seen since 2018. The recent price moves reflect strong demand from reopening economies against a backdrop of constrained investment in production, in part due to decarbonisation trends. Our overweight position in Alumina (+18%) contributed positively, reflecting a material increase in the alumina commodity price during the month. The price spike has been

driven by a range of factors, including a fire at a major alumina plant in Jamaica and the military coup in Guinea, which is a key bauxite producer. Our overweight holding in Incitec Pivot (+9%) also outperformed. The stock benefited from strength in fertiliser prices and the expectation that recent operational issues will soon be resolved.

Our overweight holding in BHP Group (-12%) was a negative contributor to performance. The weakness in the stock reflected a continued deterioration in the iron ore price during the month. The key driver of price decline was falling Chinese steel demand, due to a combination of factors including emissions reduction policies, power shortages and fears around the residential construction outlook relating to the troubled China Evergrande Group. While well off its highs, the current iron ore price of around US\$120 per tonne is robust by historical standards and remains highly profitable for Australian miners. For the portfolio as a whole, the move in iron ore was broadly neutral due to our underweight exposure to other key producers. Our overweight position in Brambles (-10%) detracted. The company held an investor day during the month at which it delivered FY22 earnings guidance below market expectations. Underlying operating performance remains sound, with softer near-term earnings largely reflecting the cost of transformation initiatives aimed at driving longer-term growth. Our decision not to hold Macquarie Group (+9%) also contributed negatively, with the company providing a positive trading update with earnings guidance above expectations.

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 September 2021.

2 The Fund's performance relates to wholesale investors only. If you are a retail 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.

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

Want to find out more?

Contact our Client Service team by:

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Signatory of:



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Outlook

We have been encouraged by the rebound in our relative performance over the past year and that of the 'value' style more generally. Increased optimism around an emergence from the pandemic and an economic recovery, along with expectations of higher inflation and interest rates, has driven strong performance from many out-of-favour cyclical and led to increased scrutiny around valuations for many of the premium-rated growth and yield stocks.

Notwithstanding the recent rotation towards value, the valuation dispersion across the market remains extremely elevated. While

there will undoubtedly be more volatility ahead, this gives us confidence that the opportunity for 'value' to outperform is significant. The eventual normalisation of social and economic conditions is also likely to support our relative performance.

For latest Fund factsheet [click here](#).

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Want to find out more?

Contact our Client Service team by:

Email: mba@unitregistry.com.au

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