



MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Australian Share Fund Wholesale

Monthly Commentary - March 2021

FUND PERFORMANCE (%) ¹

	1 month	3 months	1 year	3 years p.a.	4 years p.a.	5 years p.a.	Inception p.a. 31 May 1998
Fund ²	3.6	8.9	44.8	6.4	4.6	8.6	7.9
Benchmark ³	2.4	4.3	37.5	9.7	7.8	10.2	8.5

MARKET COMMENTARY

The Australian equity market had a solid month, with the S&P/ASX 200 Index (Total Returns) rising 2.4%. Australia underperformed what were buoyant global markets, driven higher by increased optimism around the emergence from the COVID-19 pandemic and associated economic recovery. Local economic data was positive, with highlights including 4th quarter GDP above expectations, improvement in the labour market and continued strength in housing. Global bond yields rose over the month, however, local yields fell slightly after their sharp rise in February. The AUD edged lower against the USD and commodity prices also fell modestly. Looking at performance by sector, Consumer Discretionary (+7%) was strongest, followed by Utilities (+7%) and A-REITs (+7%). Financials (+4%) also outperformed. Materials (-3%) was weakest, followed by Information Technology (-3%) and Energy (0%).

PORTFOLIO COMMENTARY

The portfolio returned 3.6% in March, outperforming the benchmark by 1.2%.

Recent months have seen a global rotation away from 'growth' and defensive stocks towards cyclicals and other out of favour 'value' stocks, supported by expectations of stronger economic growth, inflation and interest rates. This shift, which has been supportive to our performance, was less evident in the local market during March

and consistent with the fall in local bond yields. Despite this, our portfolio continued to outperform. Our overweight position in Telstra Corporation (+10%) was a key positive contributor. Earnings headwinds from the NBN are now largely behind them and the mobile market is continuing to show signs of recovery. The stock further benefited from an update on the separation of its towers business. Our overweight holding in Incitec Pivot (+9%) outperformed, reflecting a recovery in fertiliser prices and associated improvement in earnings outlook. Our decision not to hold Fortescue Metals Group (-12%) contributed positively. Fortescue is particularly leveraged to iron ore and underperformance reflects a softening in prices over the month, albeit from very high levels. Our decision not to hold Afterpay Touch Group (-15%) was also supportive. Whilst growth stocks generally performed fairly over the month, Afterpay and several others on particularly extreme valuations continue to be tested. Technology stocks also underperformed globally.

Our overweight holding in BHP Billiton (-5%) contributed negatively. The stock was impacted by softer prices for key commodities including iron ore and oil. Similarly, our holding in Woodside Petroleum (-2%) was weighed down by the oil price. Our decision not to hold a number of strongly performing growth and yield stocks also detracted materially. The key names were Wesfarmers (+7%), Macquarie Group (+7%), Aristocrat (+13%) and Goodman Group (+9%).

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 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 Returns).

WANT TO FIND OUT MORE?

Contact our Client Service team by:

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OUTLOOK

We have been encouraged by the rebound in our relative performance in recent months and that of the 'value' style more generally. Increased optimism around an emergence from the COVID-19 pandemic and associated economic recovery has driven strong performance from out-of-favour cyclicals and other stocks particularly impacted by COVID-19. Expectations of higher inflation and rising bond yields have further supported the rotation towards 'value' and many growth and yield stocks have started to come under pressure. These trends have clearly been supportive to our performance.

Whilst the recent value rotation has been welcome, we believe it is only in its early stages. The extreme divergence in valuations across the market of which we have previously written was built over many

years and the reversion to date has been relatively modest. Many of our out-of-favour holdings remain below their past highs and we would expect a recovery in earnings to support their performance. We are also yet to see a material de-rating amongst the well-held growth stocks that drove the market to its last peak. The valuation dispersion between these groups remains at extreme levels that cannot be sustained indefinitely and we believe a further rotation is inevitable. Whilst timing is always difficult and there will undoubtedly be volatility ahead, we would expect the progressive normalisation of economic and social conditions, potentially coupled with higher inflation and bond yields, to be supportive to our relative performance.

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

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Units in the Fund are issued by MBA. Before making a decision whether to acquire, or to continue to hold an investment in the Fund, you should obtain and consider the current PDS and AIB for the Fund available at maple-brownabbott.com.au or by calling 1300 097 995. This information is current as at 31 March 2021 and is subject to change at any time without notice.

WANT TO FIND OUT MORE?

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