



MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

# Maple-Brown Abbott Australian Share Fund Wholesale

## Monthly Commentary - April 2021

### FUND PERFORMANCE (%) <sup>1</sup>

	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 <sup>2</sup>	0.7	8.0	33.7	5.2	4.8	7.9	7.9
Benchmark <sup>3</sup>	3.5	7.5	30.8	9.5	8.5	10.3	8.6

### MARKET COMMENTARY

The Australian equity market had a strong month, with the S&P/ASX 200 Index (Total Returns) rising 3.5%. International equity markets were generally buoyant, with Australia performing in line on a local currency basis. Global markets were supported by improved control of the COVID-19 pandemic in key developed nations including the USA and UK, increasing confidence in the economic recovery. COVID-19 continues to be well-contained in Australia and local economic data was also largely positive, with further improvement in the labour market, strength in housing and robust retail activity. Despite improving economic fundamentals, bond yields fell globally, with the Australian 10-year government yield declining 0.1% to 1.69%. Commodities performed well, with the iron ore price pushing above US\$180/t and oil also reporting solid gains. The AUD rose against the USD. Looking at performance by sector, Information Technology (+10%) was strongest, followed by Materials (+7%) and Industrials (+4%). Energy (-5%) was weakest, followed by Consumer Staples (-2%). Financials (+3%) modestly underperformed the benchmark.

### PORTFOLIO COMMENTARY

The portfolio returned 0.7% in April, underperforming the benchmark by 2.8%.

The broad rotation into 'value' stocks seen globally over the last 6 months retraced somewhat during April, providing a headwind to our performance. This shift was unexpected given the continued economic improvement, which tends to favour 'value' stocks, but should be viewed in the context of what has been a sharp swing

towards value in recent times. Our energy holdings were amongst the key negative contributors, with the shift in market sentiment and some company specific issues overwhelming strength in the oil price. Our position in Origin Energy (-11%) was impacted by a downgrade to earnings guidance, relating to further weakness in wholesale electricity markets and an unfavourable arbitration outcome on a gas supply price review. Our holding in Woodside Petroleum (-5%) was impacted by the accelerated departure of its CEO and increased cost guidance for its Sangomar project. Our overweight position in Incitec Pivot (-9%) contributed negatively, with the company announcing a delay in re-opening its Waggaman Ammonia Plant that will weigh on 2021 earnings. Our decision not to hold strongly performing technology stocks such as Afterpay Touch Group (+16%) and Xero Limited (+12%) also detracted.

Our overweight position in Boral (+13%) was a key positive contributor to performance. The company announced an on-market buyback during the month, following completion of the sale of its stake in the USG Boral JV. Subsequently, the company announced a review of its US fly ash business, increasing the prospect of divestment and further capital management. Activist investor Seven Group Holdings also increased its stake to 23% of the company. Our overweight position in Suncorp Group (+6%) outperformed. The company announced the divestment of its loss-making Australian Wealth business during the month, without incurring net exit costs. Our decision not to hold Woolworths (-4%) also contributed positively. The stock was impacted by a disappointing Q3 sales release, which showed market share gains against Coles have been slowing and reversed somewhat in early Q4 trading. This forced the market to reassess the premium multiple on which it trades.

### 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 April 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](http://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:  
**Email:** [mba@unitregistry.com.au](mailto:mba@unitregistry.com.au)  
**Telephone:** 1300 097 995  
**Website:** [www.maple-brownabbott.com.au](http://www.maple-brownabbott.com.au)

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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 cyclical 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. Timing is always difficult and there will undoubtedly be volatility ahead, as was seen during April. However, 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](http://maple-brownabbott.com.au) or by calling 1300 097 995. This information is current as at 30 April 2021 and is subject to change at any time without notice.

## WANT TO FIND OUT MORE?

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**Email:** [mba@unitregistry.com.au](mailto:mba@unitregistry.com.au)

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