



MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Australian Share Fund Wholesale

Monthly Commentary - June 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	1.2	3.8	31.0	5.5	6.7	9.1	8.0
Benchmark ³	2.3	8.3	27.8	9.6	10.4	11.2	8.8

Market commentary

The Australian equity market had a solid month, with the S&P/ASX 200 Index (Total Returns) rising 2.3%. Australia underperformed global markets in constant currency terms. Local economic data was strong, including first quarter GDP well ahead of expectations, improvement in the labour market and continued strength in retail and housing. Bond yields fell globally, including a 0.1% decline in the Australian Government 10-year which closed at 1.53%, and the AUD fell against the USD. Commodity markets were generally robust, with iron ore trading above US\$200 per tonne and oil exceeding pre-pandemic levels. Looking at returns by sector, Information Technology (+13%) was strongest followed by A-REITs (+6%). Energy (+4%) also modestly outperformed. Financials (0%) and Materials (0%) were weakest.

Portfolio commentary

The portfolio returned 1.2% in June, underperforming the benchmark.

June saw a broad rotation towards 'growth' and 'yield' stocks, providing a headwind to our performance. This shift was apparent across global markets and consistent with the decline in bond yields, which tends to favour such stocks. Our decision not to hold a number of strongly performing growth stocks materially detracted from performance, including Afterpay Touch Group (+27%), Goodman Group (+10%) and Resmed (+21%). Of stocks held in our portfolio, our

overweight position in The Star Entertainment Group (-9%) contributed negatively. The stock was impacted by the announcement that AUSTRAC had launched an investigation into potential anti-money laundering breaches. Our exposure to the banks also detracted. We were overweight the underperforming sector and materially underweight the premium-rated Commonwealth Bank of Australia (0%), which was the best performing bank.

Our overweight position in Origin Energy (+14%) was a key positive contributor to performance. The stock was supported by strength in the oil price and an improving outlook for wholesale electricity prices. Our overweight position in Metcash (+13%) performed well. The company released their full-year result during the month, with strong performance from their hardware division, cash generation and a better-than-expected net cash position among the highlights. They also surprised the market with a share buyback and gave a trading update for the first eight weeks of 2022 showing strong momentum across their grocery, liquor and hardware divisions. Our decision not to hold CSL (-2%) also contributed positively. The stock was impacted by concerns around US plasma supply, following a ruling that Mexican citizens will no longer be able to cross the border for paid plasma donations.

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 June 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:

Email: mba@unitregistry.com.au

Telephone: 1300 097 995

Website: www.maple-brownabbott.com.au

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 COVID pandemic and associated economic recovery has driven strong performance from many out-of-favour cyclicals and other stocks particularly impacted by COVID. Expectations of higher inflation and rising bond yields have further supported the rotation towards 'value'.

The moderate reversal in the value recovery seen in the June quarter is unsurprising. This was a global phenomenon, accompanied by a

retreat in bond yields. We note that bond market moves and the 'risk-off' shift in sentiment were somewhat at odds with the improving economic outlook and significant increases in reported inflation during the period. The preceding bull market for growth stocks lasted many years and the value recovery has so far done little to address the widespread valuation differentials that exist across the market. As we have seen this quarter, the recovery is unlikely to be smooth and COVID outbreaks may add additional volatility. However, the extreme valuation differentials that exist between stocks give us confidence that there is a long way to go in this process, and we expect this 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 30 June 2021 and is subject to change at any time without notice.

Want to find out more?

Contact our Client Service team by:

Email: mba@unitregistry.com.au

Telephone: 1300 097 995

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