



MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Australian Share Fund Wholesale

Monthly Commentary - July 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	1.1	4.3	33.9	5.3	6.6	8.2	8.0
Benchmark ³	1.1	5.8	28.6	9.5	10.7	10.0	8.8

Market commentary

The Australian equity market had a good month, with the S&P/ASX 200 Index (Total Returns) rising 1.1%, but underperformed global markets in constant currency. Local economic data was generally positive, however, a growing COVID outbreak in Sydney increased uncertainty around the outlook. Similarly, there was a risk-off shift in sentiment abroad, reflecting concerns that vaccines may not deliver the clear pathway out of the pandemic that was expected. Bond yields fell globally, with the Australian Government 10-year yield recording a 0.35% decline. The AUD also fell against the USD. Commodity prices were broadly stable, with oil and iron ore remaining at elevated levels. Looking at performance by sector, Materials (+7%) was strongest, but defensives tended to outperform and Industrials (+4%) and Utilities (+2%) were the next best. Information Technology (-7%) was weakest, followed by Energy (-3%). Financials (-1%) also underperformed.

Portfolio commentary

The fund returned 1.1% in July, in line with the benchmark.

Our overweight position in Spark Infrastructure Group (+24%) was a significant positive contributor to performance. There was heightened corporate activity in the listed infrastructure sector during the month, including a takeover bid for Spark from a consortium consisting of Ontario Teachers' Pension Plan Board and private equity firm KKR. After initial rejections from the Spark board, the bid was revised up to \$2.89, a 26% premium to the pre-bid share

price, and access for due diligence was granted. Our overweight holding in Incitec Pivot (+13%) contributed positively. Having experienced a series of issues at its Waggaman ammonia plant in recent months, the stock was buoyed by news that the plant was back in operation and well placed to benefit from the cyclical recovery we have seen in fertiliser prices. Our overweight position in BHP Billiton (+10%) also outperformed. Prices for key commodities including iron ore and oil remained elevated during the month and the announcement of a record dividend from Rio Tinto highlighted the level of cash generation in the sector and scope for capital management at BHP's August full-year result.

Our overweight holding in Origin Energy (-9%) detracted from performance. While benefiting from elevated oil prices and strong performance from its LNG business, the company provided financial year 2022 earnings guidance for its electricity and gas retail business that disappointed the market. The guidance reflects a cyclical low in profitability for Origin's electricity generation assets which have been squeezed by low wholesale prices and higher fuel costs. While we were surprised by the extent of earnings pressure, electricity futures markets point to a material recovery in 2023 and valuations remain compelling. Stocks particularly impacted by COVID tended to underperform, consistent with the deteriorating situation in NSW. This included our overweight holdings in The Star Entertainment Group (-7%) and Scentre Group (-5%). Our decision not to hold Sydney Airport (+35%) also detracted, after the company received a takeover offer from a consortium led by IFM Investors.

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 July 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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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 pandemic and an economic recovery, along with expectations of higher inflation and interest rates, has driven strong performance from many out-of-favour cyclicals and led to increased scrutiny around valuations for many of the premium-rated growth and yield stocks.

We have observed a moderate reversal in this trend in recent months, fuelled by renewed uncertainty and a risk-off shift in sentiment. Whilst there will undoubtedly be more volatility ahead, the significant valuation dispersion across the market that currently exists gives us confidence 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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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 July 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

Website: www.maple-brownabbott.com.au

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