



MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Diversified Investment Trust

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 1988
Fund ²	1.3	3.8	20.2	6.1	6.2	7.3	8.9
Benchmark ³	1.9	5.8	19.9	7.6	7.8	8.0	N/A

Market commentary

The Australian equity market had a solid month, with the S&P/ASX 300 Index (Total Returns) excluding property rising 2.0%. 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 (+11%) was strongest followed by Communication Services (+6%). Energy (+3%) also modestly outperformed. Financials (-1%) and Materials (0%) were weakest.

International equities performed well, with the MSCI AC World Index rising 1.3% in USD terms. Of the major regions, the USA was strongest (+3%), followed by Asia ex-Japan (0%), Japan (0%) and Europe (-1%). The weaker AUD increased the return of the AUD-denominated MSCI AC World Index benchmark to 4.5%. A-REITs were very strong, with the S&P/ASX300 A-REIT Index (Total Returns) rising 5.6%. Fixed interest was sound, with the Bloomberg Australian Composite Bond Index rising 0.7%.

Portfolio commentary

The Trust returned 1.3% in June, underperforming the benchmark.

The Trust's Australian equities holdings returned 1.1%, below 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 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.

The Trust's international equities holdings returned 1.9%, underperforming the benchmark. The Trust's A-REIT holdings returned 4.3%, also below the benchmark. The Trust's fixed interest holdings returned 0.4%, below the benchmark. The Trust's exposure to alternative assets, through its holding in the MBA Global Listed Infrastructure Fund, returned 1.3% for the month. This exceeded the 0.0% return of its benchmark, the RBA cash rate.

Please see next page for Outlook

Notes

¹ Past performance is not a reliable indicator of future performance. Source: Maple-Brown Abbott Ltd, Morningstar as at 30 June 2021.

² The Fund's performance is based on the movement in net asset value per unit plus distributions and is before tax and after all fees and charges. Imputation and foreign tax credits are not included in the performance figures. Performance start date from 1 January 1989.

³ The benchmark to 31 May 2008 is the Standard & Poor's Multisector 80 Wholesale Index and from 1 June 2008 is the Morningstar Australia Fund Multisector Growth category average.

Want to find out more?

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Signatory of:



Maple-Brown Abbott Diversified Investment Trust

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Outlook

We have been encouraged by the rebound in relative performance from our Australian and international equities portfolios 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 the relative performance of our equities portfolios.

We are modestly overweight the A-REIT asset class. We note that many of the diversified, office and retail REITs remain at discounted valuations despite having good longer-term prospects, as economic and social conditions normalise.

We are significantly underweight the fixed interest asset class. Prevailing yields remain low by historical standards and are highly unlikely to provide a positive real return over most timeframes. Should inflation emerge, downside risks exist.

We believe the outlook for global listed infrastructure is positive. As global leaders and individual countries commit to net zero carbon emission targets, corporate responsibility and environmental awareness continue to gain traction as investment themes. Our strategy and in-house ESG analytical expertise have a focus on companies whose ESG credentials are impressive, in addition to providing inflation protection and lower cashflow volatility.

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, investors 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.

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