



MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Diversified Investment Trust

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 1988
Fund ²	0.9	3.6	21.7	6.0	6.4	6.8	8.9
Benchmark ³	1.2	4.6	20.3	7.6	8.2	7.6	N/A

Market commentary

The Australian equity market had a good month, with the S&P/ASX 300 Index (Total Returns) excluding property rising 1.2%, 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 (-6%) was weakest, followed by Energy (-2%). Financials (-1%) also underperformed.

International equities performed well, with the MSCI AC World Index rising 0.7% in USD terms. Of the major regions, the USA was strongest (+2%), followed by Europe (+2%) and Japan (-1%). Asia ex-Japan (-7%) materially lagged. The weaker AUD increased the return of the AUD-denominated MSCI AC World Index benchmark to 2.8%. A-REIT's were sound, with the S&P/ASX300 A-REIT Index (Total Returns) rising 0.5%. Fixed interest was strong, with the Bloomberg Australian Composite Bond Index rising 1.8%.

Portfolio commentary

The Trust returned 0.9% in July, underperforming the benchmark.

The Trust's Australian equities holdings returned 0.9%. 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.

The Trust's international equities holdings returned 1.3% and the exposure to Asia ex-Japan equities was a drag on overall performance. The Trust's A-REIT holdings were the worst performing asset class over the month, returning -2.6%. Our holdings in Scentre Group (-5%) and Stockland (-6%) were the main detractors. The Trust's fixed interest holdings returned 1.2%

The Trust's exposure to alternative assets, through its holding in the MBA Global Listed Infrastructure Fund (GLIF), returned 3.7% for the month. Two Australian listed infrastructure companies were the subject of take-over interest in July. Spark Infrastructure was up 24% after they received multiple price bids from a consortium of KKR and Ontario Teachers' Pension Plan Board. Sydney Airport also received a take-over offer and was up 35% over the month. Sydney Airport is not held in the GLIF partly due to our view on the risks of Australia's continued international border closures. Nonetheless, the high price initially offered for the airport highlights the scarcity of such infrastructure assets. Both take-overs were from unlisted bidders who seem willing to pay large premiums for such opportunities.

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 31 July 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?

Contact our Client Service team by:

Email: mba@unitregistry.com.au

Telephone: 1300 097 995

Website: www.maple-brownabbott.com.au

Signatory of:



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 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 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 are exceptionally 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. Since the onset of the pandemic, the asset class has significantly underperformed global equities. Against the backdrop of this relative underperformance, we see opportunity to further acquire well-managed companies that also offer inflation protection and have lower cashflow volatility for attractive prices.

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

Disclaimer

This document is prepared and issued by Maple-Brown Abbott Limited ABN 73 001 208 564, AFSL 237296 ("MBA"). It does not constitute advice of any kind and should not be relied upon as such. This document contains general information only, and does not take into account your investment objectives, financial situation or specific needs. Before making any investment decision, you should seek independent financial advice. This document does not constitute an offer or solicitation by anyone in any jurisdiction. Past performance is not a reliable indicator of future performance. An investment in the Fund does not represent an investment in, deposit with or other liability of MBA, and is subject to investment risk including possible delays in repayment and loss of income and principal invested. Neither MBA, nor any of its related parties, directors or employees, make any representation or give any guarantee as to the return of capital, performance, any specific rate of return, or the taxation consequences of, any investment. Any views expressed on individual stocks or other investments, or any forecasts or estimates, are not a recommendation to buy, sell or hold, they are point in time views and may be based on certain assumptions and qualifications not set out in part or in full in this document. Information derived from sources is believed to be accurate, however such information has not been independently verified and may be subject to assumptions and qualifications not described in this document. To the extent permitted by law, neither MBA, nor any of its related parties, directors or employees, make any representation or warranty as to the accuracy, completeness, reasonableness or reliability of this information, or accept liability or responsibility for any losses, whether direct, indirect or consequential, relating to, or arising from, the use or reliance on this information. 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 issued by MBA and 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.

Morningstar: © 2017 Morningstar, Inc. All rights reserved. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Some material is copyright and published under licence from ASX Operations Pty Ltd ACN 004 523 782 ("ASXO").

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:

