



# Maple-Brown Abbott Diversified Investment Trust

Monthly Commentary – 30 June 2023

## Fund performance (%)<sup>1</sup>

	1 month	3 months	1 year	3 years p.a.	4 years p.a.	5 years p.a.	Since inception p.a. 31 May 1988
Fund <sup>2</sup>	1.0	1.0	10.3	9.3	5.1	5.3	8.7
Benchmark <sup>3</sup>	1.3	1.9	9.0	6.6	4.2	4.7	N/A

## Market commentary

The Australian equity market had a good month, with the S&P/ASX 300 Total Return Index excluding property rising 1.8%. Australia underperformed strong global markets, which rallied despite rising interest rate expectations. The US Government 10-year bond yield rose 0.17% to close at 3.81%. Australian yields rose more sharply, up 0.43% to 4.03%, following an unexpected increase to the Reserve Bank of Australia's cash rate and a hawkish pivot to its outlook commentary. Local economic data was mixed, with ongoing strength in the labour market and resilience in retail sales contrasting weaker than expected March quarter GDP. Underlying inflation is also proving sticky. Commodity markets tended to improve, including higher prices for oil and iron ore. Looking at performance by sector, Materials (+5%) was best, followed by Financials (+3%) and Utilities (+3%). Health Care (-6%) was weakest, followed by Communication Services (-1%).

International equities performed very well, with the MSCI AC World Index returning 5.8% in US dollar (USD) terms. Of the major regions, the USA (+7%) was best, then Europe (+5%), Japan (+4%) and Asia ex-Japan (+3%). The Australian dollar (AUD) rose against the USD, reducing the AUD return of the MSCI AC World Index to 2.9%.

A-REITs were soft, with the S&P/ASX 300 A-REIT Total Return Index falling 0.1%. Fixed interest was also down, with the Bloomberg Australian Composite Bond Index falling 2.0%.

## Portfolio commentary

The Trust returned 1.0% in June, underperforming its benchmark by 0.3%.

The Trust's Australian equities holdings returned 1.8%, in line with the market index. Our holdings in the general insurers, including

overweight positions in Insurance Australia Group (+10%) and QBE Insurance Group (+7%), were among the top positive contributors to performance. Strong performance was driven by the rise in bond yields, which supports investment income, as well as high rates of price growth across the industry. Our overweight position in Rio Tinto (+7%) also performed well. The stock benefited from stronger pricing for key commodities including iron ore, which rallied on expectations of increased Chinese stimulus. Our overweight position in Link Administration Holdings (-13%) detracted from performance. The company disclosed the loss of a major client for its fund administration services business, which also raised concerns around intensified competition in the sector. Our decision not to hold Fortescue Metals Group (+15%) also contributed negatively, with Fortescue particularly leveraged to the stronger iron ore price.

The Trust's international equities holdings returned 3.8%, exceeding the international market index in AUD terms, reflecting manager outperformance and benefits from currency hedging.

The Trust's A-REIT holdings returned -0.3%, underperforming the A-REIT index. Our decision not to hold premium-rated industrial REIT Goodman Group (+3%) was the largest detractor from performance.

The Trust's fixed interest holdings returned -2.0%, in line with the bond market index.

The Trust's exposure to alternative assets, through its holding in the Maple-Brown Abbott Global Listed Infrastructure Fund (GLIF), returned -0.9%. There was weakness in the UK utility sector during the month, following financial difficulties at Thames Water (not held). Despite our view that the issues are company specific, this impacted our fund holdings in Severn Trent and United Utilities.

## 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 2023.

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:



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## Outlook

Markets remain volatile, largely driven by uncertainty around the outlook for inflation, interest rates and economic growth. We remain cautious that markets have not yet fully adjusted to the new normal whereby inflation and interest rates will remain structurally higher than what we have seen in recent years. We also see risks to company earnings, as tighter lending conditions continue to flow through and economic conditions potentially deteriorate. While the extreme divergence in valuations both across and between equity markets that existed prior to the pandemic has contracted somewhat, we believe we are still in the early stages of a process of normalisation. It also seems very unlikely that we will see a return to the conditions that drove markets over the past decade and inflated the prices of many 'growth' stocks. In our view, it is more likely we will see a stock picker's market in which past excesses continue to be addressed, an environment that should suit our equities investment approach.

We are underweight the A-REIT asset class. However, it continues to present select opportunities, with many of the diversified, office and retail REITs trading at discounted valuations despite having good longer-term prospects.

We have become somewhat more positive on the fixed interest asset class, with bond yields having returned to more 'normal' levels.

We believe the outlook for global listed infrastructure is positive. Our focus remains on attractively valued infrastructure assets with inflation protection, low cashflow volatility, high standards of management and strong ESG performance.

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

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