



Maple-Brown Abbott Diversified Investment Trust

Monthly Commentary – 31 December 2022

Fund performance (%)¹

	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 ²	-2.0	7.1	-0.6	4.2	6.5	4.4	8.6
Benchmark ³	-2.8	4.6	-8.4	2.3	5.7	4.0	N/A

Market commentary

The Australian equity market had a weak end to the year, with the S&P/ASX 300 Total Return Index excluding property falling 3.2% in December. Performance was consistent with global markets, which fell as investors re-evaluated the outlook for interest rates. Bond yields rose, with the 10-year government yield increasing 0.18% in the US and a steep 0.52% in Australia. Local economic data was mixed, with GDP and inflation releases slightly below expectations, contrasting very strong jobs growth. Commodity prices were mixed, with iron ore a notable strength. Looking at performance by sector, Materials (-1%) was best, followed by Utilities (-1%) and Consumer Staples (-2%). Consumer Discretionary (-7%) was weakest, then Information Technology (-6%) and Industrials (-5%).

International equities were weak, with the MSCI AC World Index returning -3.9% in US dollar terms. Of the major regions, Japan (0%) was best, followed by Europe (0%), Asia ex-Japan (0%) and the USA (-6%). A stronger Australian dollar (AUD) reduced the AUD return of the MSCI AC World Index to -5.1%. A-REITs were soft, with the S&P/ASX300 A-REIT Total Return Index returning -4.0%. Fixed interest also fell, with the Bloomberg Australian Composite Bond Index returning -2.1%.

Portfolio commentary

The Trust returned -2.0% in December, outperforming the benchmark by 0.8%.

The Trust's Australian equities holdings returned -1.9%, outperforming the market index. Our overweight holding in Rio Tinto (+6%) was a key positive contributor to performance. The iron ore price rose during the

month, reflecting growing momentum around China's abandonment of its zero COVID policy. Similarly, improved sentiment to the mining sector supported our overweight holdings in Alumina (0%) and Orica (+2%). Our overweight position in QBE Insurance Group (+4%) also performed well, with QBE seen as a key beneficiary of higher rates. Our overweight holding in the Star Entertainment Group (-35%) was a key detractor from performance. The company continues to suffer fallout from investigations into money laundering at its casinos. In addition to fines and other disciplinary measures in NSW and Queensland, the NSW government has now announced an intention to raise the gaming tax rate for casinos.

The Trust's international equities holdings returned -3.0%, outperforming the international market index. Regional weightings were a tailwind, including an underweight exposure to the USA, as was hedging. The Trust's A-REIT holdings returned -1.3%, exceeding the A-REIT index. Our holding in Hotel Property Investments (+9%) was a key positive, with activist property investor 360 Capital taking a 14% stake and spurring speculation around corporate activity. The Trust's fixed interest holdings returned -1.9%, outperforming 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 -2.5%. In what was a weak month for the listed infrastructure sector, our holding in Portuguese listed utility and renewable energy developer EDP performed relatively well, up 3% in local currency. Other holdings with renewable portfolios including SSE PLC and Orsted also performed relatively well (flat and up 2% respectively).

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 December 2022.
- 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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Outlook

We have been encouraged by the improved relative performance from our equities portfolio in recent times and that of the value style more generally. The global economic recovery from the lows of the pandemic, supported by extraordinary fiscal and monetary stimulus, saw strong performance from many out of favour cyclicals and resource stocks. It also heralded the re-emergence of inflation which in turn raised expectations for higher interest rates. This tended to favour the value style, as it disproportionately impacted the valuations of premium-rated growth stocks with longer-dated cash flows.

The Russian invasion of Ukraine accelerated these trends, with dislocation in energy and agricultural commodity markets further feeding inflation and increasing the likelihood of central bank policy interest rate rises. This comes despite signs that the global economy is already starting to slow, raising the risk of recession. Valuations remain critical in this market, with the prospect of structurally higher inflation and interest rates likely to expose stocks trading on excessive multiples. We also observe that valuation dispersions, both within and between equity markets, remain elevated. While markets remain volatile, this gives us confidence that the opportunity for our Australian and international equities portfolios to outperform is significant.

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, given the material rise in bond yields in recent months.

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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