



Maple-Brown Abbott Diversified Investment Trust

Monthly Commentary – 31 January 2023

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	3.7	6.1	4.4	4.8	6.7	5.2	8.7
Benchmark ³	3.8	4.5	-1.9	2.7	5.8	4.7	N/A

Market commentary

The Australian equity market had a very strong month, with the S&P/ASX 300 Total Return Index excluding property rising 6.2%. Performance was consistent with strong global equity markets, driven higher by optimism that central banks would be able to rein in inflation without driving major economies into recession – the so-called Goldilocks scenario. Bond yields fell sharply, with the US Government 10-year down 0.35% to 3.53% and the Australian Government 10-year down 0.50% to 3.55%. Local economic data was mixed, with a strong Q4 CPI release contrasting emerging softness in retail sales and weak credit growth. Commodity markets generally performed well, with gains in iron ore, base metals and gold. Energy was the laggard, with softness in oil prices and material declines in gas and coal. Looking at performance by sector, cyclicals and other sectors benefiting from lower interest rates tended to outperform. Consumer Discretionary (+10%) was best, followed by Materials (+9%) and Information Technology (+6%). Utilities (-3%) was weakest, followed by Energy (+1%) and Health Care (+4%).

International equities were strong, with the MSCI AC World Index rising 7.2% in US dollar (USD) terms. All major regions were up, led by Europe (+9%), then Asia ex-Japan (+8%), the USA (+7%) and Japan (+6%). A stronger Australian dollar (AUD) reduced the AUD return of the MSCI AC World Index to 3.1%. A-REITs were solid, with the S&P/ASX300 A-REIT Total Return Index rising 8.1%. Fixed interest also performed well, with the Bloomberg Australian Composite Bond Index rising 2.8%.

Portfolio commentary

The Trust returned 3.7% in January, underperforming the benchmark by 0.1%.

The Trust's Australian equities holdings returned 3.8%, underperforming the market index. Our overweight position in Nine Entertainment Co.

(+10%) was a key positive contributor to performance. Nine benefited from strong performance from Domain Holdings Australia (+18%), in which it holds a 60% stake. Domain's performance reflected improved sentiment towards the housing market and outlook for sales volumes, given the moderation in interest rate expectations. Nine was further supported by the improved economic sentiment and its implications for the advertising market. Our decision not to hold underperforming defensive CSL (+4%) and interest rate sensitive Computershare (-9%) also contributed positively. The shifting macroeconomic sentiment and fall in bond yields proved a broad headwind for the value style and our relative performance. Our overweight holding in Origin Energy (-3%) was a key detractor from performance. The stock is trading according to the prospects of Brookfield and EIG's takeover offer succeeding. This was further drawn into question during the month, with the exclusive due diligence period ending without a binding offer emerging. While clearly there is significant uncertainty around the deal, the underlying performance of the business continues to improve, with Origin materially upgrading earnings guidance for its Energy Markets division and its LNG trading contracts.

The Trust's international equities holdings returned 6.3%, outperforming the international market index in AUD terms. Regional weightings were a tailwind, as was hedging. The Trust's A-REIT holdings returned 6.4%, below the A-REIT index. Our decision not to hold Goodman Group (+15%) was the main detractor, with Goodman seen as a key beneficiary of lower interest rates. The Trust's fixed interest holdings returned 2.8%, 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 1.3%. Our holding in Cellnex Telecom (+16%) performed very well, reflecting strength in the tower sector and also media reports about a potential takeover by American Tower and Brookfield.

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 January 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?

Contact our Client Service team by:

T 1300 097 995

E mba@unitregistry.com.au

W maple-brownabbott.com

Signatory of:



Maple-Brown Abbott Diversified Investment Trust

Monthly Commentary – 31 January 2023

Outlook

As we start the new year, there is increasing optimism from market participants that inflation has peaked, that central banks will soon stop increasing interest rates and that major economies will avoid recession and see a 'soft landing'. While this is of course possible, it seems more of a 'best case' than a 'base case' scenario, with risks clearly to the downside. We are of the view that equity markets have not fully adjusted to the new normal, whereby inflation and interest rates are likely to remain structurally somewhat higher than what we have seen in recent years.

While the extreme divergence in valuations both across and between equity markets that existed prior to the pandemic has contracted somewhat, we believe that we are still only in the early stages of this process. It also seems very unlikely that we see a return to the ultra-low interest rates and easy money that drove markets in the past decade. 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, given the material rise in bond yields over the last year.

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](#).

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 must not be reproduced or transmitted in any form without the prior written consent of MBA. This document does not constitute investment advice or an investment recommendation 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 investment, legal, tax, accounting or other professional advice as appropriate. This document does not constitute an offer or solicitation by anyone in any jurisdiction. This document is not an advertisement and is not directed at any person in any jurisdiction where the publication or availability of the information is prohibited or restricted by law. Past performance is not a reliable indicator of future performance. 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 comments about investments are not a recommendation to buy, sell or hold. 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. The views and opinions contained in this document are those of the authors as at the date of publication and are subject to change due to market and other conditions. Such views and opinions may not necessarily represent those expressed or reflected in other MBA communications, strategies or funds. 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 compiled by the relevant source and this document does not purport to provide a complete description of all or any such assumptions and qualifications. 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, you should obtain and consider the current Product Disclosure Statement, Additional Information Booklet and Target Market Determination for the Fund issued by MBA and available at maple-brownabbott.com/document-library or by calling 1300 097 995. 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. This information is current as at 31 January 2023 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:

T 1300 097 995

E mba@unitregistry.com.au

W maple-brownabbott.com

Signatory of:

