



# Maple-Brown Abbott Diversified Investment Trust

Monthly Commentary – 31 March 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>	1.3	4.4	2.7	11.7	5.8	5.8	8.7
Benchmark <sup>3</sup>	1.1	4.1	-1.4	8.7	4.8	5.1	N/A

## Market commentary

The Australian equity market had a steady month, with the S&P/ASX300 Total Return Index excluding property rising 0.2%. Australia underperformed global markets, which strengthened in response to falling bond yields. Fears of a global banking crisis dominated the month, with the failure of Silicon Valley Bank and later the UBS acquisition of Credit Suisse. Given that aggressive interest rate tightening was seen as a key driver of banking sector instability, markets took the view that this would force central banks to stop increasing rates, thereby sending bond yields lower. The US 10-year Government bond yield fell 0.40% to 3.52% and the Australian 10-year fell 0.56% to 3.30%. While markets, both here and abroad, are anticipating an imminent end to the rate tightening cycle, economic signals remain mixed, with the inflation rate still elevated, unemployment low and economic activity generally robust. Commodities markets were also mixed, with gold performing strongly, iron ore remaining elevated and softness in energy. Looking at performance by sector, Materials (+6%) was best, followed by Communication Services (+3%) and Consumer Discretionary (+2%). Financials (-5%) was weakest, followed by Information Technology (-2%).

International equities were strong, with the MSCI AC World Index rising 3.1% in US dollar (USD) terms. Of the major regions, Japan (+4%) was best, then the USA (+4%), Asia ex-Japan (+3%) and Europe (+2%). The Australian dollar (AUD) fell against the USD, increasing the AUD return of the MSCI AC World Index to +3.8%. A-REITs performed poorly, with the S&P/ASX 300 A-REIT Total Return Index falling 6.8%, impacted by concerns around rising interest rates flowing through to cap rates. Fixed interest performed well, with the Bloomberg Australian Composite Bond Index rising 3.2%.

## Portfolio commentary

The Trust returned 1.3% in March, outperforming its benchmark by 0.2%.

The Trust's Australian equities holdings returned -0.5%, underperforming the market index. Our overweight position in Healius

(+15%) was a key positive contributor to performance. The company received a takeover offer during the month, from its smaller competitor Australian Clinical Labs. The offer was a nil-premium all-scrip offer which, in our view, is unlikely to proceed. However, it highlighted the value in Healius and potential synergies that might be available for any future transactions and is likely to further pressure management to improve performance. Our overweight holding in Brambles (+6%) performed well. Market expectations for earnings continue to increase following its strong half year result in February, supported by a constructive pallet pricing environment. Our holdings in the major banks were among the key detractors from performance, including overweight positions in Australia & New Zealand Banking Group (-7%) and Westpac Banking Corporation (-4%). The banking sector underperformed globally, reflecting heightened risks following the collapse of several banks during the month. While risks to the sector clearly exist, we observe that the Australian banks are very well capitalized and have been more tightly regulated than their US peers. In most cases, bank valuations are also attractive relative to historical metrics.

The Trust's international equities holdings returned 3.2%, underperforming the international market index in AUD terms, with hedging proving a drag on performance. The Trust's A-REIT holdings returned -6.7%, modestly above the A-REIT index. Our holding in residential focused Stockland (+4%) held up well, with housing undersupply and a potential central bank pivot supporting its outlook. The Trust's fixed interest holdings returned 3.1%, modestly below 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 4.8%. The fund's holding in telecommunication tower company Infrastrutture Wireless Italiane (+16%) was a key positive. Stock performance reflected reports that major shareholder Ardian was considering making a takeover offer.

## 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 March 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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## 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 that we are still in the early stages of this process. It also seems very unlikely that we 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, given the 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](#).

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