



# MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

## Maple-Brown Abbott Diversified Investment Trust

Monthly Commentary - 31 January 2022

### 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.<br>31 May 1988 |
|------------------------|---------|----------|--------|--------------|--------------|--------------|-------------------------------------|
| Fund <sup>2</sup>      | -1.3    | 0.6      | 11.3   | 7.5          | 5.4          | 5.9          | 8.8                                 |
| Benchmark <sup>3</sup> | -3.1    | -0.8     | 10.3   | 8.5          | 6.4          | 7.2          | N/A                                 |

### Market commentary

The Australian equity market sold off heavily in January, with the S&P/ASX300 Index (Total Return) excluding property falling 6.2%. Australia underperformed global markets, which were also uniformly weak. The key driver of markets was rising bond yields, in response to growing inflationary pressures and hawkish comments from the US Federal Reserve suggesting an increase in official interest rates as early as March. The US Government 10-year yield increased by 0.27% to close at 1.78%, and the Australian 10-year increased 0.22% to close at 1.89%. Local economic data was mixed, with activity generally sound, but the rise in Omicron cases weighed somewhat on sentiment. Notably, Q4 CPI came in well ahead of expectations. The prices for key commodities strengthened, including a steep rise in oil and a recovery in iron ore. Looking at performance by sector, Energy (+8%) was strongest, followed by Utilities (+3%) and Materials (0%). Information Technology (-17%) was weakest, followed by Health Care (-12%) and Consumer Staples (-10%).

International equities were weak, with the MSCI AC World Index falling 4.9% in USD terms. Of the major regions, Asia ex-Japan (-3%) performed best, then Europe (-5%), Japan (-5%) and the USA (-6%). The Australian dollar fell against the US dollar, increasing the return of the AUD-denominated MSCI AC World Index benchmark to -1.9%. A-REITs performed poorly, with the S&P/ASX300 A-REIT Index (Total Return) falling 9.4%. Fixed interest was also soft, with the Bloomberg Australian Composite Bond Index falling 1.0%.

### Portfolio commentary

The Trust returned -1.3% in January, outperforming the benchmark by 1.8%.

The Trust's Australian equities holdings returned -2.1%, materially outperforming the benchmark. There was a global rotation from 'growth' towards 'value' stocks during the month, providing a tailwind to our

performance. This shift was consistent with the increase in bond yields, which tends to favour the value style. Energy stocks were among our best performing positions, reflecting strength in the oil price and the value rotation. This included holdings in Woodside Petroleum (+14%) and Origin Energy (+7%). The Brent Oil price rose US\$13 to close at US\$91 per barrel, largely due to concerns around the global supply outlook. Our decision not to hold several poorly performing growth stocks also supported our relative performance. The key names were CSL (-10%) and Afterpay Touch Group (-20%), which were impacted by the rotation noted above. The key negative contributors to relative performance included strongly performing resources stocks not held, such as Santos (+13%) and Fortescue Metals Group (+3%). Our overweight position in Metcash (-12%) also detracted. Underperformance was consistent with its supermarket peers, with concerns around the impact of Omicron and associated staff absenteeism on supply chain and other costs. While Omicron clearly poses risks, we observe that Metcash is well placed relative to the major supermarkets to benefit from a cautious consumer preferring to shop in neighbourhood stores rather than large shopping centres.

The Trust's international equities holdings returned 0.0%. Outperformance was supported by value style tailwinds and an underweight exposure to the USA. The Trust's A-REIT holdings returned -7.7%. Relative performance was supported by our decision not to hold the highly rated Goodman Group (-12%) and more modest declines across our value-oriented REIT holdings. The Trust's fixed interest holdings returned -0.6%.

The Trust's exposure to alternative assets, through its holding in the Maple-Brown Abbott Global Listed Infrastructure Fund (GLIF), returned 1.5%. Holdings in North American gas infrastructure companies Cheniere Energy (+10%) and Williams Companies (+15%) were among our best performers. These companies were seen as beneficiaries of rising geopolitical tensions in Europe, with the US well placed to fill any supply shortfall from Russia.

### 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 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?

Contact our Client Service team by:

Email: [mba@unitregistry.com.au](mailto:mba@unitregistry.com.au)

Telephone: 1300 097 995

Website: [maple-brownabbott.com.au](http://maple-brownabbott.com.au)

Signatory of:



# Maple-Brown Abbott Diversified Investment Trust

Monthly Commentary - 31 January 2022

## Outlook

We have been encouraged by the improved relative performance from our Australian equities portfolio over the past year or so and that of the value style more generally. Many economies have recovered strongly from the lows generated by the pandemic, and this is seeing supply constraints flow through to higher inflation and rising interest rates. This has driven strong performance from many out-of-favour cyclical and led to increased scrutiny around valuations for some of the premium-rated growth stocks. While these trends have been evident across markets, the relative performance of our international equities portfolio has been constrained by regional weightings, with an underweight exposure to the strongly performing USA and overweight exposure to Asia ex-Japan a material headwind.

Notwithstanding the recent rotation towards value, the valuation dispersion within equity markets remains very elevated. We also observe that the valuation dispersion between regions is unusually large. While there will undoubtedly be more volatility ahead, with Omicron or new COVID variants

potentially a factor, this gives us confidence that the opportunity for value to outperform is significant. The eventual normalisation of social and economic conditions is also likely to support our relative performance.

The A-REIT asset class continues to present opportunities. Many of the diversified, office and retail REITs trade at discounted valuations despite having good longer-term prospects as economic and social conditions normalise.

We are significantly underweight the fixed interest asset class. Despite recent increases, prevailing yields remain low by historical standards and are 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. As life returns to 'normal' and travel restrictions ease, we continue to see opportunities in the toll-road subsector and similar infrastructure assets such as Getlink. However, we remain cautious about international air travel with some countries still maintaining strict border policies.

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, AIB and Target Market Determination (TMD) for the Fund issued by MBA and available at [maple-brownabbott.com.au/document-library](http://maple-brownabbott.com.au/document-library) or by calling 1300 097 995. This information is current as at 31 January 2022 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](http://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](mailto:mba@unitregistry.com.au)

Telephone: 1300 097 995

Website: [maple-brownabbott.com.au](http://maple-brownabbott.com.au)

Signatory of:

