

Martin Currie Real Income Fund

AUG 2023 | Commentary

Investment objective

The Fund aims to provide a pre-tax income yield above the S&P/ASX 200 Index yield and to grow this income above the rate of inflation.

Performance (%)

| | 1 mth | 3 mths | 1 yr | 3 yrs pa | 5 yrs pa |
|------------|-------|--------|------|----------|----------|
| Fund (net) | -2.91 | 0.35 | 0.78 | 7.13 | 3.95 |

Calendar year performance (%)

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|------------|-------|-------|--------|-------|------|
| Fund (net) | -7.90 | 20.19 | -11.96 | 21.81 | 1.55 |

Fund details

| | |
|----------------|---------------|
| Inception date | November 2010 |
| APIR | SSB0026AU |

Monthly review

What happened in the market?

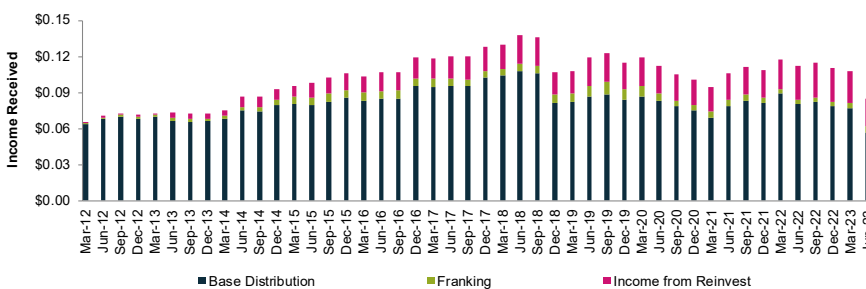
The Australian real asset universe outperformed the broader Australian equity market in August. The listed real estate market was up 2.2% in August (as measured by the S&P/ASX 300 A-REIT Accumulation Index). Infrastructure was down -2.8% in August (as measured by the S&P/ASX Infrastructure Accumulation Index). Utilities were down -3.8% in August (as measured by the S&P/ASX 300 Utilities Accumulation Index). In comparison, the Australian equity market fell -0.7% in August (as measured by the S&P/ASX 200 Accumulation Index).

What happened in the Fund?

The Fund was down 2.91% over the month of August. At the sector level, utilities were the largest detractor, followed by real estate and infrastructure. While at the stock level, Digital Realty Trust, HomeCo Daily Needs REIT and Contact Energy were the largest positive contributors, while AGL Energy, Region Group and Chorus were the biggest detractors.

Within the Fund, positives included US data centre REIT Digital Realty Trust (DLR) rose on the back of tech company Nvidia's strong second quarter earnings result, which beat expectations, and positive sentiment around AI. The AI boom is seeing increasing demand for Nvidia's capabilities, and DLR is well-positioned to leverage opportunities in generative AI through its global data centre footprint. HomeCo Daily Needs REIT also released a relatively strong FY23 result, with lower debt costs driven by hedge restructuring and no capital outlay. On the other side, electricity and gas retailer AGL Energy gave back following strength in recent months despite releasing an FY23 result that hit the very top of guidance. Supermarket landlord Region Group also released an in-line FY23 result which showed strong headline gross rents; however, the result was dragged down by growing property expenses and higher debt costs, with the Group's FY24 growth outlook also impacted.

Rolling 12 month distribution history (%)



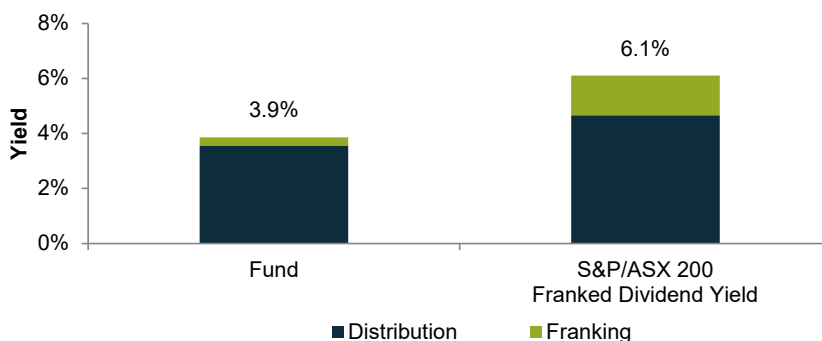
Next 12 months portfolio forecast (%)

Forecast dividend yield before franking 5.93

Forecast franked yield 6.09

Next 12 Months Dividend Forecast is calculated using the weighted average of broker consensus forecasts of each portfolio holding because of this, the forecast figures quoted are estimated figures and are therefore not guaranteed and may differ materially from the figures mentioned. The figures may also be affected by inaccurate assumptions or by known or unknown risks and uncertainties. In respect of the broker consensus data the number of brokers included for each individual stock will depending on active coverage of that stock by a broker at any point in time. A median of brokers is typically utilised. All estimates avoid stale forecasts which are removed after a certain number of days. Assumes zero percent tax rate and full franking benefits realised in tax return.

12 month yield comparison



Performance 1 year (gross) (%)

Distribution return (1) 3.57

Franking credit (2) 0.29

Income return (pre fees and post tax) 3.85

Growth return (incl re-invested cap gains) -1.97

Total return 1.88

1 The distribution return does not include capital gains. Otherwise the methodology is in accordance with FSC Guidance Note 46.

2. Franking credit is based on the Fund distribution and assumes a zero tax rate. It is not to be interpreted as the offset achieved by unit holders during this period. Past performance is not indicative of future performance.

Highlights

- The Fund invests in a diversified portfolio of listed Australian and global developed market companies owning real assets (such as REITs, utilities and infrastructure securities).
- A professionally managed active portfolio, with a strong focus on income growth.
- The Fund combines extensive bottom-up fundamental and quantitative research with disciplined portfolio construction to identify the most attractive income opportunities.

About us

Franklin Templeton

Franklin Resources, Inc., is a global investment management organisation, operating as Franklin Templeton, which is headquartered in California. Franklin Resources, Inc., provides, through its subsidiaries, deep investment expertise across all asset classes - including equity, fixed income, and multi-asset options. Franklin Resources, Inc. is listed on the New York Stock Exchange and has employees in over 34 countries.

Martin Currie

Martin Currie Australia (MCA) (a division of Franklin Templeton Australia) is a leading provider of active equity investment strategies in Australia. Based in Melbourne and led by CIO Reece Birtles, MCA's experienced team of specialist investment analysts use their proprietary, bottom-up fundamental research and a consistent investment philosophy and process to generate the best ideas for their extensive range of tailored investment options. Stewardship is a critical element of their investment philosophy, and MCA's "Active Ownership" approach, which includes a highly differentiated approach to Environmental, Social and Governance (ESG) analysis, integration, engagement and voting, is embedded in every part of the investment process to ensure they make better long-term decisions.

Meet the team

Martin Currie's investment process draws on a wide range of proprietary fundamental and quantitative research metrics. The Fund benefits from the close collaboration of the well-resourced and experienced team that includes Ashton Reid and Andrew Chambers.



Ashton Reid, CPA, CFA
Portfolio Manager
With firm since 1998



Andrew Chambers
Portfolio Manager
With firm since 2011

For enquiries, please contact Investor Services Team on 1800 673 776, email auclientadmin@franklintempleton.com or visit franklintempleton.com.au.

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Ratings

Qualitative



The Morningstar Analyst Rating™ for the Fund is 'Neutral' as at 30 September 2022.

