MAPLE-BROWN ABBOTT
INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Australian Geared Equity Fund (Retail) as at 31 March 2017

Investment objective

The Fund aims to outperform (before fees) the S&P 200 Index (Total Returns) over rolling four-year periods.

Performance*

Return	1 Month %	3 Months %	1 Year %	3 Years % p.a.	4 Years % p.a.	5 Years % p.a.	10 Years % p.a.	Inception % p.a.
Growth	4.68	6.21	35.01	0.14	3.08	8.01	-12.66	-7.74
Distribution	0.00	0.00	10.28	6.89	6.54	6.26	6.87	11.98
Total	4.68	6.21	45.29	7.03	9.62	14.27	-5.79	4.24
Benchmark[1]	3.32	4.82	20.49	7.53	8.98	11.10	4.32	9.51

*The Fund performance relates to retail investors only. If you are a wholesale investor, you can obtain up to date returns at maple-brownabbott.com.au.
Inception date: 1 October 2002
[1]Benchmark: S&P/ASX 200 Index (Total Returns)

Market commentary

The Australian equity market had a solid quarter, with the S&P/ASX 200 Index (Total Returns) increasing 4.8%. Markets performed well globally, supported by growing evidence of improvement from most major economies. Local economic data was mixed, with stronger than expected gross domestic product (GDP) and jobs growth and continued strength in business confidence, contrasting with weaker than expected inflation, softening retail sales and residential building approvals and weakness in consumer confidence. Government bond rates fell slightly over the quarter and the Australian dollar strengthened against most major currencies. The February company reporting season was also generally well received. Commodity prices were mixed, with iron ore steady, most base metals and gold stronger and coal and oil weaker. Looking to performance by sector, defensives tended to perform better. This was consistent with international experience, whereby there has been a modest reversal in the recent rotation from 'expensive defensives' into out-of-favour cyclicals, despite the generally improved economic outlook. Health Care (+14.9%) was the best performing sector, followed by Consumer Staples (+10.8%), Utilities (+10.7%), and Financials (+5.9%). Telecommunication Services (-4.6%) was the weakest sector, followed by A-REITs (-0.3%), Materials (+1.8%) and Consumer Discretionary (+2.5%).

Fund commentary

The Fund had a positive return of 6.21% (after fees), outperforming the Benchmark by 1.39%.

Our overweight position in Nine Entertainment Co was a key positive contributor to performance. The company delivered a better than expected half-year result and is benefiting from improved programming and ratings. The stock was further supported by a very public boycott of Google by some of the country's largest advertisers, who are concerned about their advertisements appearing on inappropriate websites, which will likely see a greater share of advertising budgets flow into traditional media such as free-to-air TV. Our overweight holding in Woolworths was another notable positive, with the market surprised by the rate of improvement in the core supermarkets business evident in the half-year result. Our overweight holding in Coca-Cola Amatil also contributed, with the market reacting favourably to a full-year result that provided more evidence of a return to steady earnings growth, as well as strong cash flow and a share buyback. Our decision not to hold Brambles was a key positive, with the half-year result revealing deterioration in the North American pallets business and new management renouncing longer-term returns targets. Our underweight exposure to the A-REIT sector, and most notably our decision not to hold Scentre Group was also supportive.

Having benefited from the recent rotation from defensives into cyclicals, the reversal of this trend during the quarter provided a significant headwind to performance. Our decisions not to hold certain defensives including CSL, Transurban and Sydney Airport proved a drag. Similarly, overweight exposure to out-of-favour resource and related stocks, including BHP Billiton and Orica detracted. Our overweight position in Primary Health Care contributed negatively, with financial year 2017 earnings guidance downgraded at the half-year result due to weakness in the Medical Centres business. Our overweight position in Harvey Norman Holdings also detracted, with the stock impacted by concerns around its franchise structure accounting and the potential entry of Amazon.

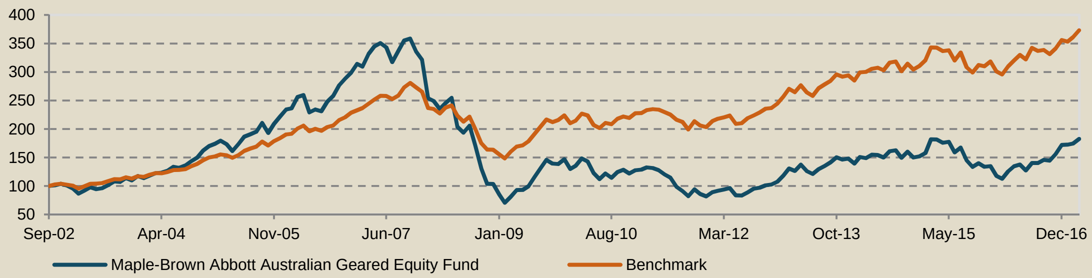
Actual asset allocation by sector

	Fund %	Benchmark %
Energy	8.0	4.1
Materials	20.5	15.7
Industrials	0.6	6.6
Consumer discretionary	4.8	4.7
Consumer staples	12.5	7.2
Healthcare	2.6	6.9
Financials	36.8	39.0
Information technology	2.1	1.1
Telecommunication services	4.1	3.9
Utilities	1.5	2.7
Real Estate	2.5	8.1
Cash	4.0	0.0
Total	100.0	100.0

Top 10 holdings

	Fund %	Benchmark %
Westpac Banking Corporation	9.8	7.6
BHP Billiton	8.7	5.0
Australia & New Zealand Banking Gp	8.5	6.0
National Australia Bank	7.2	5.8
Wesfarmers	5.0	3.3
Woodside Petroleum	4.5	1.5
Rio Tinto	4.2	1.7
Woolworths	4.1	2.2
Telstra Corporation	4.0	3.6
Origin Energy	3.5	0.8

Value of $100 invested at inception



Key features

Fund size	$24.0 million
APIR code	ADV0077AU
Date established	October 2002
Distribution frequency	June, December
Minimum investment	$1,500 ($1,000 with a regular savings plan)[1]
Minimum withdrawal	$500
Ongoing fee (MER)[3]	2.05% pa[2]
Distribution reinvestment	Yes
Buy/Sell spread (%)	0.38/0.38
Exit Fee	Nil

[1]Conditions apply
[2]Includes effect of GST
[3]The Maple-Brown Abbott Australian Geared Equity Fund charges an ongoing fee of 2.05% pa of the 'total assets' of the Fund, that is, your investment plus borrowings, instead of 'net assets', which is used for other Funds. If comparing on a net asset basis, assuming a gearing ratio of 50%, this would represent an ongoing fee of 4.10% pa.

Contact us

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