



MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Australian Share Fund Wholesale

Monthly Commentary – 31 August 2021

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 1998
Fund ²	2.4	4.8	32.5	6.3	7.1	8.7	8.1
Benchmark ³	2.5	6.0	28.1	9.9	11.2	10.9	8.9

Market commentary

The Australian equity market had a solid month, with the S&P/ASX 200 Index (Total Return) rising 2.5%. Australia modestly underperformed global markets in constant currency. Local economic data was mixed, with lockdowns in NSW and Victoria starting to weigh on activity and sentiment. The August company reporting season was a key focus of markets, delivering a robust recovery in corporate earnings somewhat ahead of market expectations. Global bond yields were broadly stable, following the sharp declines in recent months, and the Australian Government 10-year yield fell 2 basis points to close at 1.16%. The AUD edged lower against the USD. Commodity prices were mixed, with softness in oil and a sharp decline in iron ore in response to Chinese moves to curb steel production under emissions reduction policies. Iron ore closed the month below US\$160/t, well off its peaks but still at robust levels. Looking at performance by sector, growth and defensive stocks tended to outperform. Information Technology (+17%) was strongest, followed by Consumer Staples (+7%) and Health Care (+7%). Financials (+5%) also outperformed. Materials (-7%) was weakest, followed by Energy (-4%) and Utilities (+1%).

Portfolio commentary

The Fund returned 2.4% in August, underperforming the benchmark.

Our overweight holding in The Star Entertainment Group (+19%) was a key positive contributor to performance. The company released a sound full year result in difficult operating conditions, with particular strength from its Queensland assets. The stock also benefited from management disclosing plans to release capital through sale and leaseback of property assets, discussions with the NSW Government

to increase gaming machine numbers at the Sydney casino and speculation around potential options with Crown Resorts Limited assets. Our overweight holding in Suncorp Group (+12%) outperformed. The company released a full year result well ahead of expectations, with improving underlying performance from both the insurance and banking businesses and some provision releases. The market also reacted favourably to a sharp increase in the dividend, an 8c special dividend and a \$250m buyback. Our decision not to hold Fortescue Metals Group (-16%) also contributed positively. Whilst delivering a strong full year result in line with expectations, the stock was impacted by the lower iron ore price.

Our overweight holding in BHP Group (-15%) was a negative contributor to performance. The company delivered a strong full year result, with cash generation a highlight, but stock performance was largely driven by the weaker iron ore price. The company also announced some strategic changes, including the unification of its dual listed company structure and the sale of its petroleum division to Woodside Petroleum under a scrip deal, both of which were received with some apprehension. Our overweight holding in Woodside Petroleum (-9%) also underperformed, reflecting a weaker oil price as well as concerns of a stock overhang when BHP shareholders receive Woodside stock under the petroleum transaction. Our decision not to hold growth stocks Afterpay Touch Group (+39%) and CSL (+8%) also detracted. Whilst growth stocks generally outperformed, Afterpay's strong performance reflected a scrip takeover offer from US fintech Square. The offer valued Afterpay at A\$39bn and, if successful, will be the largest takeover in Australian history: this for a company that delivered a worse than expected FY21 loss of \$159m and indeed has never made a profit.

Please see next page for Outlook

Notes:

1 Past performance is not a reliable indicator of future performance. Source: Maple-Brown Abbott Ltd, S&P as at 31 August 2021.

2 The Fund's performance relates to wholesale investors only. If you are a retail investor, you can obtain up to date returns at maple-brownabbott.com.au. Total return is based on the movement in withdrawal price per unit plus distributions and is before tax and after all fees and charges. Imputation credits.

3 Benchmark: S&P/ASX 200 Index (Total Return).

Want to find out more?

Contact our Client Service team by:

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Signatory of:



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Outlook

We have been encouraged by the rebound in our relative performance over the past year and that of the 'value' style more generally. Increased optimism around an emergence from the pandemic and an economic recovery, along with expectations of higher inflation and interest rates, has driven strong performance from many out-of-favour cyclicals and led to increased scrutiny around valuations for many of the premium-rated growth and yield stocks.

We have observed a moderate reversal in this trend in recent months, fuelled by renewed uncertainty and a risk-off shift in sentiment. Whilst there will undoubtedly be more volatility ahead, the significant valuation dispersion across the market that currently exists gives us confidence the opportunity for 'value' to outperform is significant. The eventual normalisation of social and economic conditions is also likely to support our relative performance.

For latest Fund factsheet [click here](#).

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Want to find out more?

Contact our Client Service team by:

Email: mba@unitregistry.com.au

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