Aberdeen Leaders Limited

Monthly factsheet - performance data and analytics to 29 February 2016

Aberdeen

Investment objective

Aberdeen Leaders Limited is a geared listed investment company, which invests primarily in companies within the S&P/ASX 200 Accumulation index.

Performance (%)

	1 Month	3 Months	1 Year	Per annum 3 Years	Per annum 5 Years
Portfolio (net)[1]	-0.49	-2.90	-10.65	2.16	3.31
Benchmark[2]	-1.76	-4.61	-13.73	3.01	4.87
NAV pre-tax (dividends reinvested)	-0.33	-4.81	-17.03	0.27	1.87
NAV post-tax (dividends reinvested)	0.00	-3.08	-10.39	1.86	2.71
Share Price (dividends reinvested)	-2.00	-4.85	-17.33	-3.68	0.73

1. Calculated based on the change in the value of the total portfolio (excluding the loan and tax liabilities), after standard fees.
2. S&P/ASX 200 Accumulation Index. Prior to 1 April 2004 the portfolio had a composite index - 95% S&P/ASX 50 Leaders and 5% UBSA Bank Bill Index.
Past performance is not a reliable indicator of future results.

Performance review

The Fund returned -0.49% in February (net of fees), outperforming the benchmark by 1.27%.

Holdings which contributed to Fund performance include:

Rio Tinto- The diversified global miner was a top performer over the month. Rio released its financial year 2015 (FY15) results which were heavily impacted by lower commodity prices, and management scrapped its progressive dividend policy in favour of a payout ratio policy to protect the balance sheet. The share price rally however was driven by a rebound in commodity prices, particularly iron ore's 18.9% rise. The attractions for us in Rio remain unabated given its significant ore reserves, low cost mines with significant mine lives, operational discipline, and strong balance sheet. This should see it continue to benefit from global urbanisation and development trends driven by emerging market growth.

Cochlear- The hearing implant specialist was one of our strongest performers during the month. Outperformance was driven by a first half 2016 financial result that was ahead of forecasts, with strong underlying sales results from 5 product releases in the last 12 months and management upgrading guidance for the full year result. The many strengths of Cochlear remain given a structurally growing market, significant IP, continued research and development, its distribution network, and the embedded relationships with surgeons.

Holdings which detracted from Fund performance include:

Woodside Petroleum- The oil and gas explorer and developer was one of our biggest detractors from performance during the month. The share price was volatile given swings in the oil price, and the release of FY15 results which were impacted by an impairment from an acquisition made in the prior year. The strengths of Woodside continue to make it an attractive investment proposition given substantial reserves and long-term contracts underpinning production at Pluto and the North West Shelf. We are also encouraged by management's focus on improving cash flow and dividends.

Incitec Pivot- The diversified mining services company was a significant detractor from performance during the month. Underperformance was due to weak fertiliser prices and low gas prices which have an impact on demand for the company's explosives products. We continue to be confident in Incitec Pivot's longer-term prospects given its geographical reach in explosives and strong market share in significant mining geographies including North America, that should see it benefit from a recovery in mining sentiment.

Major portfolio model changes:

During the month we lowered our weighting to ANZ Bank following the release of a first-quarter 2016 trading update that confirmed our concerns about relative credit quality. We increased our holding in Amcor given good line of sight to earnings growth and valuations not being stretched.

Net tangible assets

NTA[3]	$66.8 million
Shares on Issue	61.6 million
NTA per Share (pre tax)	1.08
NTA per Share (post tax)	1.08
Share Price	0.980
(Discount)/Premium to NTA (pre tax)	-9.42%
(Discount)/Premium to NTA (post tax)	-8.94%
Dividend Yield (100% franked)[4]	5.10%

3. before provision for tax on unrealised gains.
4. based on dividends paid over previous 12 months and using share price at period end.

Top ten holdings (%)

	Fund	Index
CSL	6.5	3.7
ASX	6.1	0.6
Westpac	5.6	7.5
Commonwealth Bank	5.4	9.4
Telstra	5.0	5.0
Westfield Group	4.9	1.5
Rio Tinto	4.7	1.3
AGL Energy	4.5	1.0
AMP	4.3	1.2
BHP Billiton	4.2	3.9
Total	**51.2**	**35.1**

Sector breakdown (%)

	Fund	Index
Financials ex Property	28.7	37.6
Materials	17.5	12.7
Health Care	15.1	7.3
Property	9.1	8.4
Utilities	8.0	2.5
Energy	5.7	4.0
Teleco Services	5.0	5.7
Consumer Staples	3.3	7.3
Consumer Discretionary	1.9	4.9
Industrials	1.7	8.5
Information Technology	0.0	1.0
Cash	3.9	0.0
Total	**100**	**100**

Figures may not always sum to 100 due to rounding.

Key information

ASX Code	ALR
Benchmark	S&P / ASX 200 Accumulation Index
Date of launch	July 1987

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Important information overleaf

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Market review

The equity market's weak and volatile start to 2016 continued into February, driven by worries of a slowdown in China, plunging oil prices and the ability of banks in Europe and Japan to operate in an environment of negative interest rates. Markets reached a low mid-month before recovering somewhat, buoyed by a rally in oil (Brent up 8.3% to US$35.94/bbl) on hopes of a deal to freeze production. Other commodities were also up, notably iron ore (up 18.9% to $49.62/t) given supply disruptions and restocking in China. Most markets, however, ended the month in negative territory, with the US S&P 500 down 0.4%. US economic data released during the month was mixed, with the unemployment rate falling and brisk retail sales balanced by soft capital good orders. Faring worse was Japan's Nikkei, down 8.5%. The S&P/ASX 200 closed down 2.5% for the month, with the Resources sector the strongest performing, up 10.5%, while the Bank sector registered another sharp fall, down 9.1%. The NZ50 closed up almost 1% for the month.

Australian economic data was on balance stable in February. Business confidence and conditions slowed in January amid a backdrop of financial market turbulence, and the unemployment rate ticked up to 6% from 5.8%. On the other hand consumer confidence actually improved somewhat in February. Against this backdrop and at its first board meeting of the year the Reserve Bank of Australia (RBA) sounded somewhat optimistic, while also acknowledging the scope available to ease policy further in light of low inflation. February in Australia is reporting season, with a large proportion of listed companies report on their financials, and this year on average earnings were better than expected. Significant developments included BHP's decision to cut its dividend, and Woolworths appointing a new CEO while announcing impairments on its Home Improvement division.

New Zealand data was weak, with building consents falling 8.2% and business confidence down to 7.1 in January from 23 in December. This fuelled speculation that the Reserve Bank of New Zealand (RBNZ) would cut interest rates. In addition, dairy prices continued to fall and were down 2.5% over the month.

Outlook

We expect market volatility to continue over the next 12 months, driven mainly by macro events and sovereign concerns. Specifically for Australian equities, however, we remain cautiously optimistic as there has been progress made in rebalancing the economy towards the services sectors and away from mining investment, likely spurred on by the depreciation of the Australian dollar. While the currency remains at current levels the recovery in services such as tourism and education will continue to gain momentum and pick up the slack left from mining investment. We anticipate that the housing market will add to growth this year and we expect greater privatisation and infrastructure spend to stimulate the economy. In addition, the steady gains in employment will underpin consumption growth. We remain upbeat on healthcare and information technology. Meanwhile, those sectors we remain more cautious on include mining, mining services and banks. The key risk is a significant drop in house prices, although the interest rate environment remains supportive.

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