Aberdeen Leaders Limited

Monthly factsheet - performance data and analytics to 31 March 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]	3.22	-1.79	-7.25	4.26	3.83
Benchmark[2]	4.73	-2.75	-9.59	5.40	5.70
NAV pre-tax (dividends reinvested)	3.45	-3.24	-12.73	3.50	2.83
NAV post-tax (dividends reinvested)	2.37	-1.78	-7.26	4.22	3.37
Share Price (dividends reinvested)	4.59	-0.95	-10.65	-2.73	2.03

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 3.22% in March (net of fees), underperforming the benchmark by 1.51%.

Holdings which contributed to Fund performance include:

AMP Limited- The diversified financial services company was a top performer over the month. There was no stock-specific news out, however AMP had been weak after its most recent result and recovered some of this weakness in March. We remain attracted to AMP's vertically integrated platform, strong capital position and exposure to the long-term growth expected in the superannuation industry.

BHP Billiton- The diversified material exploration, production and processing company was one of our strongest performers during the month. Positive news was released when Samarco and its shareholders, BHP Billiton and Vale, entered into an agreement with Brazilian authorities regarding compensation and restoration following the Samarco dam failure incident. The agreement is a positive in that it reduces uncertainty around the obligations for the case and potentially paves the way for Samarco returning to operations. In addition to this, and what was probably more material to the stock price, was the rally seen in oil prices as well as that seen in iron ore. The attractions for us in BHP remain given its world class reserves across a number of commodities, the ability to continue to cut costs (placing BHP in the lowest quartile of the cost curve) and balance sheet strength; these features should ensure the company is cash-generative through the cycle.

Holdings which detracted from Fund performance include:

Resmed- The developer and manufacturer of medical equipment for sleep disordered breathing conditions was one of our biggest detractors from performance during the month. Larger-than-expected continuous positive airway pressure (CPAP) reimbursement cuts were introduced by the Centre for Medicare and Medicaid Services (CMS) from July 2016. The latest cuts prompted market nervousness about increased price pressure on suppliers. Resmed is an attractive proposition given its leverage to a structurally growing market underpinned by increasing trends of global obesity, and its relationship to sleep disordered breathing conditions. The business continues to innovate, has market-leading products, a strong balance sheet which has seen continued shareholder returns as well as a stable management team delivering growth on growth.

Australian Stock Exchange- The primary national stock exchange and equity derivatives market was a significant detractor from performance during the month. In a very surprising move, Elmer resigned as ASX CEO with the chairman, Rick Holliday-Smith, taking on an executive chairman role as they hunt for a new CEO. The release refers to Elmer wanting to direct his full focus to the investigations into the Tabcorp matter, where the Federal Police are investigating Tabcorp's payments to Cambodia from 7 years ago when Elmer was the CEO. ASX will search globally for a new CEO. The attractions to the ASX remain given its quasi-monopoly in equity securities, a strong market proposition in derivatives and fixed income securities as well as advanced computer systems for both trading and settlement.

Net tangible assets

NTA[3]	$69.2 million
Shares on Issue	61.6 million
NTA per Share (pre tax)	1.12
NTA per Share (post tax)	1.10
Share Price	1.025
(Discount)/Premium to NTA (pre tax)	-8.42%
(Discount)/Premium to NTA (post tax)	-6.96%
Dividend Yield (100% franked)[4]	4.88%

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	6.2	3.5
Westpac	5.8	7.6
Commonwealth Bank	5.7	9.6
ASX	5.5	0.6
Telstra	4.9	4.9
Rio Tinto	4.7	1.4
AGL Energy	4.4	0.9
Westfield Group	4.4	1.4
AMP	4.4	1.3
Scentre Group	4.0	1.8
Total	**50.0**	**33.0**

Sector breakdown (%)

	Fund	Index
Financials ex Property	28.9	38.2
Materials	17.2	13.0
Health Care	14.5	6.9
Property	8.6	8.2
Utilities	7.7	2.4
Energy	5.8	4.0
Teleco Services	5.0	5.6
Consumer Staples	3.2	7.2
Consumer Discretionary	2.6	4.9
Industrials	1.4	8.4
Information Technology	0.0	1.1
Cash	5.1	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

Client Services: 1800 636 888
aberdeenasset.com.au

Important information overleaf

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Portfolio Movements: During the month, we increased our exposure to Tatts after a positive result and meeting with management that showed the company was performing in line with our expectations.

Market review

Despite the uncertainty across global economies, March was generally a strong month for equity investors on the back of a slew of positive economic data such as strong non-farm payroll data out of the US, upward trending US Consumer Price Index (CPI) stats, a recovery in oil prices from February lows, a cut in the European Central Bank (ECB) deposit rate and easier Chinese monetary policies (despite downgrading growth targets to 6.5-7%). Towards the end of the month however news of the Brussels attack and uncertainty over future Federal Open Market Committee (FOMC) policy kept market volatile.

In Australia 4Q Gross Domestic Product (GDP) showed the economy expanded by 0.6% in the quarter, equating to 3% year-on-year (yoy) and a growth average of 2.5% over 2015. The result was driven by consumer spending and public investment, partially offset by a sharp fall in mining and related investment. Additionally the Australian unemployment rate fell to 5.8% from 6%. Earlier investment and mortgage loan repricing initiatives have begun to cool Australia's housing market, with prices rising just 0.2% q/q to make it 8.7% annualised, a slowdown from the September quarter's annualised rate of 10.7%. We've started to see major banks increase bad and doubtful debt expenses, suggesting that the loan loss cycle has begun.

Over in New Zealand the Reserve Bank of New Zealand (RBNZ) surprised the market by cutting the overnight cash rate by 25bps to 2.25%, citing weaker global growth, inflation growth close to zero and a strengthening NZ dollar. The RBNZ also signalled that they could cut the rate to 2% and lower in the coming year to fend off deflation. The local economy however continues to be supported by record migration with a 67,400 net gain in the 12 months to February 2016, which is driving economic growth. Over the month NZ consumer confidence fell slightly to 118 but remained in line with historical averages.

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 lower interest rates spur on consumption and employment stabilises. We are encouraged that the balance sheets of our holdings remain in solid shape with many having taken the difficult decisions to cut costs earlier into this economic transition. We remain up-beat on tourism, which will be aided by the lower domestic currency, housing, healthcare, education and information technology. Meanwhile, those sectors we remain more cautious on include mining, mining services and banks. The key risk remains political uncertainty, and consumer and corporate confidence, although we are starting to see retail sales turn positive. We expect greater privatisation and infrastructure spend to stimulate the economy, as supported by an upward revision in the government's capital expenditure plans for the coming year.

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Contact us

Telephone:
1800 636 888 or +61 2 9950 2853
if calling from outside Australia

Email:
client.service.aust@aberdeen-asset.com

Website:
aberdeenasset.com.au