

# Aberdeen Leaders Limited

## Quarterly Report

Three months ended 31 March 2017





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# Quarterly Review

Dear Shareholder

The Australian share market, as measured by the S&P/ASX 200 Accumulation Index, ended the March quarter up 4.8%. Against this backdrop the Company's gross assets slightly out performed, returning 5.0%. The NAV pre-tax (dividends reinvested) over the three months returned 5.7%, accounted for by the effect of our gearing.

In January the emerging markets staged a comeback with the MXEF index gaining 5.5%, with developed markets lagging behind, with only the US in positive territory. In Australia our benchmark index declined by 0.8% over the month, with good gains from Resources, Healthcare and Materials more than offset by declines from REIT's, Industrials, Consumer Discretionary and Technology sectors. The iron ore price continued its recent strength with a rise of 5.7%, but was outstripped by copper price which rose by 8.2% , but Met coal endured another sell-off falling by 24.9%. Core inflation annualised was low at 1.6% and the A\$ recovered some of the previous months weakness ending the month at 0.7585 cents.

In February the Australian share market more than reversed January's decline with the ASX200 accumulation index improving by 2.3%, aided by a broadly positive reporting season with robust performance from the Consumer Staples sector and improvements in the Banking sector and REIT's, more than offsetting declines in share prices from both BHP and Rio. Brent crude price rose by 1.1% and we also saw rises in both Nickel, up 10.4%, and iron ore up 9.5%.. The Reserve Bank of Australia left rates unchanged at 1.25% and the A\$ rose by 0.9% against the US\$ to end the month at 0.7657c. The unemployment rate fell from 5.8% to 5.7%.

Domestically, in March, our benchmark index rose by 3.3%, as compared to the FTSE 100 which rose by 0.8% and the Euro Stoxx 50 which improved by 5.5%. Utilities were the best performing sector up by 6.3%, closely followed by the Healthcare sector which was up by 5.5%. The February employment report disappointed with unemployment rising from 5.7% to 5.9%. Brent crude declined by 5.8% over the month but this was exceeded by the decline in iron ore price which fell by 11.9%. The Resources and Materials sectors were barely in positive territory. The A\$ barely moved against the US\$ ending the month at 0.7629c.

The table below shows the key contributors and detractors over the quarter:

Key contributors – three months to 31 March 2017

Top 5 Contributors	Relative weight	Contribution
Stock	(%)	(%)
CSL	2.2	0.60
AGL Energy	3.6	0.56
Cochlear	3.0	0.21
Resmed	2.5	0.10
James Hardie (non-hold)	-0.6	0.07

Top 5 Detractors	Relative weight	Contribution
Stock	(%)	(%)
Westfield	3.0	-0.28
Scentre	2.2	-0.25
NAB (non-hold)	-5.8	-0.21
Wesfarmers (non-hold)	-3.3	-0.15
Healthscope	3.1	-0.14

During the quarter, transactions included increasing our model weighting to Treasury Wines Estates and AGL and reduced the weightings to Tatts Group, Scentre, CSL and Westfield. All other transactions were in the normal course of business.

As at 31 March the Company's NTA per share stood at \$1.31 representing a three-month return of 5.7%. Net of deferred tax on unrealised gains, the NTA was \$1.24 per share. The share price closed at \$1.165, representing a three-month return of 4.0%\*.

As at 31 March the share price was at a discount to both the pre and post-tax NTA.

\*after adding back dividends paid

## Interim Dividend

A fully franked dividend of 1.0 cents per share was declared on 23 March, payable on 4 May 2017. The Board continues to monitor the level of dividends received amongst other factors when determining our pay-out policy.

### **Dividend Reinvestment Plan**

I would like to remind investors of the Company Dividend Reinvestment Plan (DRP) which allows eligible shareholders to have their dividends automatically reinvested in the Company. If you would like to participate in the DRP or would like more information please phone 02 9290 9600 and we will mail you a DRP booklet containing the relevant information.

### **Outlook**

April got off to a relatively lacklustre start with heightened tension in relation to North Korea trialing missiles against the wishes of Western Nations and continued conflict in Syria impacting world stock markets. We envisage political headlines to increasingly influence market volatility, given substantial uncertainty surrounding US policy. We continue to monitor the holdings within the portfolio and look for other opportunities with well managed companies with sound prospects.

Aberdeen Asset Management Limited

May 2017

# Financial Record

## Net Tangible Assets

	At 31 March 2017
NTA per share (pre-tax)	1.31
NTA per share (post-tax)	1.24
Share Price	1.165
(Discount) / Premium to NTA (pre-tax)	(11.25)%
(Discount) / Premium to NTA (post-tax)	(6.23)%
Annualised dividend yield* (100% franked)	4.29%**

\* Using the share price at the end of the period

\*\* 6.13% gross of franking credits

## Performance Summary

	At 31 March 2017			
	3 Months	12 Months	3 Years	5 Years
	%	%	% pa	% pa
Total portfolio*	5.00	18.39	8.89	10.00
Benchmark**	4.82	20.49	7.53	11.10
Net Assets (pre-tax)	5.69	22.33	7.92	10.08
Net Assets (post-tax)	5.20	17.76	7.91	8.82
Share Price	3.99	19.04	1.03	7.76

\* All returns assume reinvestment of dividends.  
 \* Performance is calculated based on the change in the value of the total portfolio (excluding the loan and tax liabilities) before deduction of all other fees.  
 Past performance is not a guide to future performance.

\*\* Benchmark: S&P/ASX 200 Accumulation Index.

## Portfolio Composition

	At 31 March 2017
Equities	93.0
Cash	7.0
Total	100%

Asset allocation is on gross assets and excludes the loan facility liability.

## Dividend

A fully franked dividend of 1.00 cents per share payable for the March quarter was declared on 23rd March 2017, payable on 4 May 2017. Given the uncertain market conditions the Board will continue to review future dividends and will be closely monitoring corporate results, asset values and dividend statements in the months ahead.

## Franking Credits

As at 31 March 2017 the Company franking account had a franking credits balance of \$10.0 m

# Portfolio of Investments

The full portfolio of the Company at market value at 31 March 2017 is shown below:

Sector	Company	Quantity	Market value \$	%
Finance Ex Property Trusts	ANZ Banking Group	131,400	4,178,520	3.99
	ASX Ltd	114,300	5,749,290	5.49
	AMP LTD	641,200	3,315,004	3.17
	Commonwealth Bank	75,400	6,473,844	6.18
	Medibank Private Ltd	561,900	1,578,939	1.51
	Perpetual Limited	31,300	1,612,263	1.54
	Westpac Banking Corp	174,400	6,112,720	5.84
	Iress Limited	45,300	525,480	0.50
			<b>29,546,060</b>	<b>28.21</b>
Property Trusts	Westfield Corp Npv Stapled Units	500,500	4,424,420	4.22
	Scentre Grp Npv	932,900	3,992,812	3.81
			<b>\$8,417,232</b>	<b>8.04</b>
Consumer Discretionary	Tattersall's Limited	182,400	795,264	0.76
			<b>\$795,264</b>	<b>0.76</b>
Consumer Staples	Coca-Cola Amatil	195,900	2,115,720	2.02
	Treasury Wine Estate	90,800	1,107,760	1.06
	Woolworths Limited	86,100	2,280,789	2.18
			<b>\$5,504,269</b>	<b>5.26</b>
Health Care	Cochlear Limited	27,750	3,746,250	3.58
	CSL Limited	50,700	6,342,570	6.06
	Healthscope Ltd	1,584,300	3,580,518	3.42
	Resmed Inc	334,600	3,085,012	2.95
			<b>\$16,754,350</b>	<b>16.00</b>
Energy	Caltex Australia	90,900	2,677,005	2.56
	Woodside Petroleum	139,800	4,474,998	4.27
			<b>\$7,152,003</b>	<b>6.83</b>
Materials	Adelaide Brighton Ltd	347,900	1,965,635	1.88
	AMCOR Limited	276,300	4,158,315	3.97
	BHP Billiton Limited	199,000	4,781,970	4.57
	Incitec Pivot Limited	722,800	2,710,500	2.59
	Rio Tinto	85,600	5,161,680	4.93
	South32 Limited	390,100	1,072,775	1.02
			<b>\$19,850,875</b>	<b>18.95</b>
Industrials	Brambles Ltd	116,900	1,089,508	1.04
			<b>\$1,089,508</b>	<b>1.04</b>
Telecommunication Services	Telstra Corporation Limited	1,009,400	4,693,710	4.48
			<b>\$4,693,710</b>	<b>4.48</b>
Utilities	AGL Energy Limited	196,300	5,152,875	4.92
	Ausnet Services	1,814,300	3,057,096	2.92
			<b>\$8,209,971</b>	<b>7.84</b>
Equity Total			<b>\$102,013,242</b>	<b>97.41</b>
Net Liquidity including dtl			<b>\$2,713,761</b>	<b>2.59</b>
Total Assets excluding Debt			<b>\$104,727,002</b>	<b>100.00</b>
Loan Facility			<b>(\$30,000,000)</b>	<b>-28.65</b>
Total Equity			<b>\$74,727,002</b>	<b>71.35</b>

# Corporate Information

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Aberdeen Asset Management Limited, Australia, is the Manager of the Company. It is a subsidiary of Aberdeen Asset Management PLC ("Aberdeen") whose group of companies as at 31 March 2017 managed a combined A\$504 billion for institutions, unit trusts, listed investment companies, offshore funds and private clients.

Aberdeen has its headquarters in Aberdeen, Scotland, and operates 39 offices in 26 countries around the world. Clients access Aberdeen's investment expertise across the three asset classes of equities, fixed income and property as well as tailored solutions. Aberdeen follows a predominantly long-only approach, based on fundamentally sound investments. Aberdeen's investment teams are based in the markets or regions in which they invest.

## **Global reach, local understanding**

We know global markets from the local level upwards. We believe our focus, size and approach enable us to provide effective asset management and superior client service.

Our teams champion original thinking and knowledge, so investment decisions are based only on our own research.

As a group, we have the scale to provide global coverage of financial markets, yet we are small enough to focus on each and every portfolio decision.

Close-knit teams, clear investment processes and flat structures are important to us. We seek to grow our clients' assets in a way that is manageable and sustainable over the longer term.

## **Aberdeen in Australia**

Aberdeen commenced its Australian operations in December 2000, and as at 31 March 2017 had A\$11 billion in assets under management and advice. In addition to managing the investments of a number of Australian registered funds, Aberdeen in Australia also manages the Aberdeen Group's Australian and New Zealand assets for a range of global and domestic clients.

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