

Aberdeen Leaders Limited

Monthly factsheet - performance data and analytics to 30 June 2017



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	5 Years
Portfolio (net) ¹	0.93	-0.62	12.09	7.76	9.61
Benchmark ²	0.17	-1.58	14.09	6.63	11.81
NAV pre-tax (dividends reinvested)	1.29	-0.74	15.91	7.52	10.68
NAV post-tax (dividends reinvested)	0.97	0.01	13.64	7.58	9.26
Share Price (dividends reinvested)	2.62	3.06	16.40	2.87	8.97

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 0.93% in June (net of fees), outperforming the benchmark by 0.76%.

Contributors to Fund performance include:

Healthscope - The private hospital operator was our top performer, as its share price rallied on speculation that the sale of its medical centres is gathering momentum, with final bids due soon. Its shares were also supported by Australian Medicare data for May, which showed a solid recovery. Healthscope's long-term prospects remain robust, being the second largest private hospital operator, with favourable tailwinds of an ageing population and a budget-constrained public system. It has a significant amount of brownfield developments due over the next few years, which will drive earnings.

ASX - The primary national stock exchange and equity derivatives market was one of our best performers. It made significant improvements in activity for May, posting its highest monthly turnover for cash equities since August 2011 and neutralising April's weakness. ASX's attractiveness is unchanged, given its quasi-monopoly in equity securities, a solid market proposition in derivatives, fixed-income securities, as well as advanced computer systems for both trading and settlement.

Detractors from Fund performance include:

Woodside Petroleum - The oil-and-gas explorer and developer was our biggest detractor. Although the weaker oil price contributed to Woodside's underperformance, its Senegalese joint-venture partner, FAR Ltd, also played a part, after it withdrew support that Woodside needed to start development at a local offshore oilfield. This not only inhibits Woodside from operating the oilfield but also risks hindering the development schedule. The impasse stems from an ongoing pre-emptive rights dispute between FAR and Woodside, which is likely to be subject to arbitration proceedings. However, Woodside is still an attractive investment proposition because of its strengths, such as its substantial reserves as well as the long-term contracts underpinning production of Pluto and the North West Shelf. We are also encouraged by management's focus on improving cashflow and dividends.

Westfield - The shopping centre-focused property investor and developer was a significant detractor. Westfield weakened in line with the broader REIT sector, as Australian bond yields followed global yields higher. Westfield's long-term prospects remain attractive: it has a portfolio of quality assets, high occupancy levels, long-term rental agreements, diversification across geographies and is led by a proven management.

Major Portfolio Movements:

Net tangible assets

NTA ³	\$75.8 million
Shares on Issue	59.4 million
NTA per Share (pre tax)	1.27
NTA per Share (post tax)	1.21
Share Price	1.170
(Discount)/Premium to NTA (pre tax)	-8.09%
(Discount)/Premium to NTA (post tax)	-3.52%
Dividend Yield (100% franked) ⁴	4.27%

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
ASX	6.0	0.7
Commonwealth Bank	5.9	9.5
CSL	5.8	4.2
Rio Tinto	5.3	1.8
Westpac	5.0	6.8
BHP Billiton	4.6	5.0
AGL Energy	4.2	1.1
Woodside Petroleum	3.9	1.4
Amcor	3.8	1.2
Telstra	3.8	3.4
Total	48.3	35.1

Sector breakdown (%)

	Fund	Index
Financials	28.0	37.4
Materials	19.3	16.1
Health Care	15.8	7.6
Real Estate	7.5	8.1
Utilities	7.3	2.3
Energy	6.7	4.0
Consumer Staples	5.0	7.0
Teleco Services	3.9	3.8
Industrials	1.6	7.3
Consumer Discretionary	0.7	5.0
Information Technology	0.0	1.3
Cash	4.3	0.2
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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During the month, we took some profits from CSL and Cochlear, both which have substantially outperformed in the year-to-date.

Market review

Australian equities fell in June for a second month, led by energy stocks as oil prices fell. The rise in bond yields led to a sell-off in REITs, whereas the Australian dollar appreciated against its US counterpart.

In view of its outlook for gradual growth over the next few years, the Reserve Bank of Australia left the cash rate unchanged at 1.5%. There were signs that house prices in some markets were starting to ease. April retail sales rose by 1.0%, its largest monthly gain since 2015, whereas the unemployment rate, driven by full-time jobs, dropped to 5.5%, its lowest level since 2013.

In New Zealand, first-quarter GDP growth missed expectations, with weaker export volumes and residential construction partially overshadowing improved consumption. House price inflation moderated further, especially in Auckland, reflecting loan-to-value ratio restrictions and tighter lending conditions. The growth outlook remains positive, supported by robust population growth, high terms of trade and accommodative monetary policy, with the central bank holding the official cash rate unchanged at 1.75%.

Outlook

Some risks to growth are emerging, with credit tightening following banks raising mortgage rates in response to macro-prudential tightening. The environment for consumers is weakening with still-soft wage growth and rising cost pressures, particularly for gas and electricity. While we have been optimistic about miners, our enthusiasm has cooled somewhat given the recent pull-back in commodity prices. However, we still see upside, given the global reflation trend and ongoing supply discipline in key commodity markets. While non-residential building construction is subdued, the increase in approvals over the past year across a range of sectors, along with substantial amounts of public infrastructure unfolding in New South Wales and Victoria, suggests that these will provide a growing tailwind. We expect market sentiment to continue to be weak towards bond-proxy stocks (including REITs and telcos). Market volatility will be increasingly triggered by political headlines, given significant US policy uncertainty. For Australia, the topmost concern will be any impact on key trading partner, China, and on commodity prices. Given the limited macro-economic catalysts (aside from offshore exposed companies that are being buoyed by improving global growth), we expect to see companies relying more heavily on their own initiatives to achieve earnings growth, including technology and automation upgrades, acquisitions, market-share gains and cost-reduction programmes.

Overall we remain cautiously optimistic about the domestic economy. We will continue to make the most of market volatility, taking the opportunity to initiate positions in companies that we have been tracking; add to those we already hold; or shift towards others that possess better risk-versus-rewards fundamentals. Our focus remains on cash-generative businesses with solid balance sheets, run by prudent management.

Important information

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Contact us

Telephone:
1800 636 888 or +61 2 9950 2853
if calling from outside Australia
Email:
client.service.aust@aberndeen-asset.com
Website:
aberndeenasset.com.au