

Aberdeen Leaders Limited

Monthly factsheet - performance data and analytics to 30 September 2014



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	-3.69	0.72	3.58	10.36	3.74
Benchmark ²	-5.38	-0.60	5.93	14.77	6.82
NAV pre-tax (dividends reinvested)	-6.23	-0.84	3.89	12.89	2.58
NAV post-tax (dividends reinvested)	-4.43	-0.38	3.30	9.80	2.87
Share Price (dividends reinvested)	-4.92	-5.69	-7.93	12.15	4.32

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 Portfolio returned -3.69% in September (net of fees), outperforming the benchmark by 1.69%.

Holdings which contributed to Fund performance include:

Singapore Telecommunications (SGT) – The integrated communications service provider was our top performer over the month. The market reacted favourably to news that SingTel has appointed Allen Lew, the former head of the consumer and mobile businesses at Optus, to return to Australia as CEO to further strengthen the brand and its long term profitability. Mr Lew has been based in Singapore since 2006 in a variety of roles including (most recently) CEO of the Group Digital Life division and Country Chief Officer Singapore. We remain attracted to the defensive nature of SingTel's cash flows that are underpinned by very strong market positions across Singapore and Australia, along with significant exposure to emerging market growth trends through its associate companies.

QBE Insurance (QBE) – The global insurer was one of our strongest performers during the month. The company announced changes to their board of directors in September, the most noticeable and important being the addition of CFO Pat Regan. This overall appears to be part of the Chairman's efforts to refresh the board. We can see the logic in the decision to bring Pat Regan onto QBE's board given his previous experience as CFO and board member of Aviva Plc, as well as his intimate knowledge of QBE. We remain confident in the longer-term story of QBE, given the company's diversified product and geographic exposures as well as its disciplined global underwriting standards.

Holdings which detracted from Fund performance include:

Incitec Pivot Limited (IPL) – The diversified mining services company was our biggest detractor to performance during the month. There was no stock specific news out. 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 significant recovery in mining sentiment.

BHP Billiton (BHP) – The diversified material exploration, production and processing company was a significant detractor to performance. Although there was no specific news out during the month, BHP remained weak given soft commodity prices and some negative sentiment around their ongoing plans for portfolio simplification. The attractions for us in BHP remain given its low cost mines with significant mine lives, and diversification across metals, minerals, petroleum, potash and by geography. This should see it continue to benefit from global urbanisation and development trends being driven by emerging markets.

Market review

Falls in the value of the Aussie dollar and commodities combined to pull the local equity market down

Net tangible assets

NTA ³	\$70.9 million
Shares on Issue	61.5 million
NTA per Share (pre tax)	1.15
NTA per Share (post tax)	1.10
Share Price	1.16
(Discount)/Premium to NTA (pre tax)	0.87%
(Discount)/Premium to NTA (post tax)	5.45%
Dividend Yield (100% franked) ⁴	5.39%

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
BHP Billiton	10.4	8.3
Commonwealth Bank	6.0	9.3
ANZ	5.8	6.5
Woolworths	5.3	3.3
SingTel	5.2	0.0
Rio Tinto	5.1	2.0
CSL	5.0	2.7
AusNet Services	4.8	0.2
ASX	4.6	0.5
AMP	4.2	1.2
Total	56.4	34.0

Sector breakdown (%)

	Fund	Index
Financials ex Property	28.6	38.5
Materials	18.6	16.4
Health Care	10.3	5.1
Utilities	8.8	1.7
Consumer Staples	8.3	8.1
Energy	6.5	6.5
Property	6.3	6.5
Teleco Services	5.5	5.5
Information Technology	2.1	0.8
Consumer Discretionary	1.4	3.9
Industrials	0.0	7.0
Cash	3.8	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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in September, with both the large and small cap indexes off about 6%. The Aussie dollar suffered a weak month posting its biggest loss since May 2013, due largely to a resurgent US dollar. The US dollar was strong on a broad front as markets pondered the timing of a first US Federal Reserve (Fed) rate hike. Falling commodity prices also hit the Aussie dollar, as did concerns over the strength of the Chinese economy.

Locally, second quarter GDP suggested a weak transition to non-mining growth; and while housing data remained strong the RBA appeared to soften its stance on macro-prudential controls, which would take the pressure off monetary policy and assist economic growth in Australia. Unemployment numbers also came out at 6.1%, down from the previous month's 6.4% and below market expectations. The RBA kept the cash rate target unchanged at 2.5%.

Across the Tasman in New Zealand the incumbent government won a landslide victory to enter its third term in government. Most in New Zealand seem relatively happy given the strong economic growth they are seeing with unemployment continuing to trend downwards, coupled with net migration inflows and increasing construction activity. Investors reacted well to the news, and resulted in a weight being lifted off the recently privatised utility sector after this had been targeted for increased regulation by the opposition party.

Outlook

We remain cautiously optimistic investors. The recent correction and any future corrections will provide us with a good opportunity to accumulate further on a portfolio of high-quality companies. We're starting to see early signs of a recovery in certain non-resource sectors (such as housing), and are buoyed by the strength of our highly profitable and adequately capitalised banking sector (compared to both Europe and the US). The prospects for finding value in this market remains particularly encouraging for the remainder of 2014, as many of our companies have been able to successfully deleverage their balance sheets, implement cost efficiency programs and consolidate market share. We remain firm in our belief that investors in Australia will benefit in the long-term by sticking to well managed companies, which are underpinned by balance sheet strength and strong cash flows.

Important information

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