Aberdeen Leaders Limited

Monthly factsheet - performance data and analytics to 31 March 2015

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 (%)

				Per annum	
	1 Month	3 Months	1 Year	3 Years	5 Years
Portfolio (net)[1]	-0.55	11.22	15.61	12.18	5.40
Benchmark[2]	-0.06	10.33	14.13	15.82	8.59
NAV pre-tax (dividends reinvested)	-1.65	14.41	17.72	14.82	4.99
NAV post-tax (dividends reinvested)	-1.09	11.45	15.08	11.80	4.57
Share Price (dividends reinvested)	-3.23	10.58	-3.05	10.96	3.35

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 -0.55% in March (net of fees), underperforming the benchmark by 0.49%.

Holdings which contributed to Fund performance include:

ResMed (RMD) – The developer and manufacturer of medical equipment for sleep-disordered breathing conditions was a top performer over the month. There was minimal stock specific news out, however results from recent product launches have helped give the business positive earnings momentum. Additionally, at least some of its recent outperformance has been correlated to its revenues being largely generated and reported in US Dollars, with the continued depreciation of the Australian dollar relative to the US dollar helping to give its share price added momentum. ResMed remains 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, and a stable management team delivering growth on growth.

Singapore Telecommunications (SGT) – The integrated communications service provider was one of our strongest performers during the month, even though there was minimal news flow out. 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.

Holdings which detracted from Fund performance include:

Rio Tinto (RIO) – The diversified global miner was one of our biggest detractors from performance during the month. Despite there being no material news out, the prolonged weakness in iron ore prices continue to weigh on the market's perception of long-term profitability expectations for Rio, which translates into stock price weakness. The attractions for us in Rio remain undiminished given its significant ore reserves, low cost mines with significant mine lives, and diversification across metals, minerals and geographies. This should see it continue to benefit from global urbanisation and development trends driven by emerging market growth.

Australian Stock Exchange (ASX) – The primary national stock exchange and equity derivatives market was a significant detractor from performance during the month. ASX announced its involvement in discussions around reducing the price of cash equity clearing with customers and other stakeholders in conjunction with a review by the Council of Financial Regulators. The Council's review is expected to be completed in the first half of 2015 and has the potential to adversely impact the ASX's monopoly on domestic cash equity clearing. Despite this, the attractiveness of the business remains given its quasi-monopoly in equity securities, a strong market proposition in derivatives and fixed income securities, and its advanced computer systems for both trading and settlement.

Net tangible assets

NTA[3]	$82.6 million
Shares on Issue	61.6 million
NTA per Share (pre tax)	1.34
NTA per Share (post tax)	1.24
Share Price	1.2
(Discount)/Premium to NTA (pre tax)	-10.45%
(Discount)/Premium to NTA (post tax)	-3.2%
Dividend Yield (100% franked)[4]	4.17%

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	7.9	6.6
Commonwealth Bank	6.7	10.3
ANZ	6.6	6.8
Singtel	5.8	0.0
CSL	5.5	3.0
ASX	5.4	0.5
Rio Tinto	5.3	1.7
Westpac	4.7	8.3
AMP	4.3	1.3
Westfield Group	4.2	1.3
Total	**56.4**	**39.8**

Sector breakdown (%)

	Fund	Index
Financials ex Property	31.8	41.8
Materials	16.9	14.3
Health Care	11.2	6.0
Teleco Services	7.9	5.7
Property	7.3	6.9
Utilities	6.8	1.9
Energy	5.5	4.4
Consumer Staples	5.5	6.8
Information Technology	1.9	0.7
Consumer Discretionary	1.7	4.1
Industrials	0.0	7.3
Cash	3.5	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

As flagged, Australia continues to transition away from an economy dependent on exporting resources to one driven by domestic investment and demand. We do not expect these adjustments to be smooth or linear, but see it as healthy for the country longer term. In March, employment grew by a better-than-expected 15,600 jobs, reversing the previous month's 14,000 fall, with the unemployment rate falling to 6.3% (previous: 6.4%). In addition, fourth quarter GDP came in at 0.5%; a touch behind the 0.6% consensus but up on the previous period's 0.3% growth. Private sector credit outstanding grew 6.2% year-on-year, the fastest since January 2009. Positively for domestic manufacturers and exporters, we continued to see the Australian dollar depreciate, down another 2.5% against the US dollar in March. This should hopefully help to stimulate domestic economic activity.

Outlook

We remain cautiously optimistic for the next 12 months. Underpinning this is an accommodative macro backdrop of low interest rates, cheaper AUD (relative to the USD), lower fuel costs that benefit the consumer, and strong corporate balance sheets. The key risk that we see is political uncertainty, which hampers the consumer and corporate confidence required for the economy's next phase of growth. We remain optimistic that once resolved, privatisation and infrastructure spending may spur further growth. China's outlook and its reduced demand for resources also remains a risk to the Australian economy, but we expect the lower growth will be managed by the Chinese authorities.

We continue to be defensively positioned in our portfolio, investing in companies that provide sustainable earnings growth over the longer term. Given the low interest rate environment, and the quantitative easing programs we are seeing across many countries, we believe yield will be a significant driver of equities over the next 12 months; hence focus remains on cash generative companies with solid balance sheets. That said, we will not be chasing yield at any expense and will continue to look for opportunities to take profits from company valuations that have become stretched, and to add to positions in those companies where valuations appear reasonable.

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