

Aberdeen Leaders Limited

Monthly factsheet - performance data and analytics to 31 May 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 (%)

	1 Month	3 Months	1 Year	Per annum	
				3 Years	5 Years
Portfolio (net) ¹	0.90	-1.22	13.43	13.91	7.23
Benchmark ²	0.40	-1.37	9.93	17.43	10.31
NAV pre-tax (dividends reinvested)	0.87	-3.09	13.63	17.94	6.97
NAV post-tax (dividends reinvested)	0.76	-1.18	12.43	14.42	6.30
Share Price (dividends reinvested)	-2.50	-4.85	-2.78	10.86	5.46

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 0.90% in May (net of fees), outperforming the benchmark by 0.50%.

AGL Energy (AGL) – Towards month end, the generator and distributor of electricity and gas held a 2 day investor strategy where the new CEO, Andrew Vesey, outlined the company's strategic direction. This was well received by the market, and in particular the potential for cost out and asset sales as they simplify their portfolio of assets. Following the acquisition of the Macquarie Generation assets, the company now operates in the bottom end of the generation cost curve and is a dominant player in the retail space. Asset sales are expected to shore up the balance sheet to provide long term stability to the company.

QBE Insurance (QBE) – The global insurer was a standout again this month as S&P reaffirmed the company's core financial strength ('A+') and issuer credit rating ('A-') and revised the outlook to stable from negative. The market is starting to become confident of a return to earnings stability, as well as the prospect of increasing shareholder returns, and this is being reflected in the stock's share price re-rating. 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:

Resmed (RMD) – The developer and manufacturer of medical equipment for sleep-disordered breathing conditions was one of our biggest detractors from performance during the month. Its share price fell sharply on news the phase III SERVE HF trial failed to meet its primary endpoint, and that in fact the incidence of cardiac death was 33% higher in the treatment group relative to the control group. This part of the business, however, represents less than 3% of its earnings, so we took the opportunity to top-up our position given we felt the market had over-reacted to the news. It remains our view that longer term Resmed is an attractive proposition given its leverage to a structurally growing market underpinned by increasing trends of global obesity, and the company's relationship to sleep disordered breathing conditions. The business continues to innovate, and has market leading products, a strong balance sheet which has seen continued shareholder returns, and a stable management team delivering growth.

Market review

May was another volatile month for Australian equities, with the ASX200 closing 0.2% lower. The banks came under pressure following results which showed slowing loan growth, margins under pressure, plateauing impairment benefits and the start of the capital build ahead of likely higher capital requirements. The RBA cut rates by 25bps to 2% - the lowest level on record - driven by a weaker economic outlook despite a hot property market in Sydney and Melbourne. The RBA remains concerned about the lack of investment spending by Australian business and has called for Boards to lower their hurdle rates for expected profits on investment. The difficulty in transitioning Australia

Net tangible assets

NTA ³	\$80.8 million
Shares on Issue	61.6 million
NTA per Share (pre tax)	1.31
NTA per Share (post tax)	1.23
Share Price	1.17
(Discount)/Premium to NTA (pre tax)	-10.51%
(Discount)/Premium to NTA (post tax)	-4.85%
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
BHP Billiton	7.2	6.5
Commonwealth Bank	6.2	9.4
ANZ	6.0	6.2
CSL	5.6	3.0
ASX	5.5	0.6
Rio Tinto	5.5	1.7
AMP	4.6	1.3
Telstra	4.3	5.2
Westfield Group	4.2	1.2
AGL Energy	4.0	0.7
Total	53.1	35.8

Sector breakdown (%)

	Fund	Index
Financials ex Property	31.2	39.2
Health Care	12.2	6.1
Property	7.6	7.1
Utilities	7.2	2.0
Energy	5.9	5.2
Consumer Staples	5.2	6.8
Teleco Services	4.4	5.7
Information Technology	2.0	0.7
Consumer Discretionary	1.8	4.3
Industrials	1.6	7.4
Cash	3.3	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

Aberdeen Leaders Limited

Monthly factsheet - performance data and analytics to 31 May 2015

from mining-led investment to non-mining investment is seen in 2015/16 private capex investment intentions where spend is expected to fall 25% in the coming year. Elsewhere on the domestic front the 2015-16 Budget saw the Government's deficit forecast revised up to \$35.1 billion, more than double the estimate from 12 months ago. Overall, the Budget was widely considered to be a positive one for small businesses and households, with confidence likely to be boosted in the coming months by key measures including Jobs & Small Business and Families packages. While the Australia dollar declined to 76 cents to the US dollar, the RBA has signalled that further weakness is warranted.

Outlook

We remain cautiously optimistic over the next 12 months. Underpinning this outlook is an accommodative macro backdrop of low interest rates, cheaper AUD (relative to the USD), lower fuel costs which benefit the consumer, and strong corporate balance sheets. Sectors we expect to outperform include tourism, housing, healthcare, education and information technology. Meanwhile, those we are more cautious on include mining, mining services and consumer discretionary. The key risk that we see is political uncertainty which has hampered consumer and corporate confidence and is 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, while invested 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, and hence our focus remains on cash-generative companies with solid balance sheets. However, we will not be chasing yield at any expense and as such we will continue to look for opportunities to take profits from those companies where valuations have become stretched, and to add to positions in those companies where valuations appear reasonable.

Important information

This report has been prepared for information purposes only and should not be considered as an offer or solicitation, to deal in any of the investments mentioned. Aberdeen Asset Management Limited ABN 59 002 123 364 (Aberdeen) is the investment manager of Aberdeen Leaders Limited ABN 25 003 236 173. Neither Aberdeen, Aberdeen Leaders Limited nor any member of the Aberdeen Group, nor any of its officers, employees or agents guarantees the repayment of capital, the performance or any distribution by Aberdeen Leaders Limited. Information contained in this document is based on sources believed to be reliable, and all opinions expressed are honestly held. Information in this document is of a general nature only and is not intended to provide investment or financial product advice. This document has not been prepared taking into account the particular objectives, financial situation or needs of any investor, so it is important that before acting investors should consider their own circumstances and consult their Financial and/or Tax adviser. Aberdeen shall not be held liable for any loss or damage caused to any person in respect of any representation, except as required by law. Aberdeen Asset Management Limited holds an Australian Financial Services Licence, No. 240263.

ABDNFSALR_0515

Contact us

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

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

Website:
aberdeemasset.com.au