Aberdeen Leaders Limited

Monthly factsheet - performance data and analytics to 31 October 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]	3.64	-5.46	3.21	7.53	4.48
Benchmark[2]	4.37	-6.61	-0.74	9.84	7.08
NAV pre-tax (dividends reinvested)	6.25	-7.72	0.39	7.53	3.43
NAV post-tax (dividends reinvested)	4.65	-5.06	2.93	7.00	3.75
Share Price (dividends reinvested)	1.45	-7.49	-5.48	5.14	2.36

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 3.64% in October (net of fees), underperforming the benchmark by 0.73%.

Holdings which contributed to Fund performance include:

Australian Stock Exchange (ASX)- The primary national stock exchange and equity derivatives market was our top performer in the month. There was no stock specific news, however the ASX stock price recovered somewhat after what was a softer September where a broad market sell-off had been somewhat indiscriminate. The attractions to the ASX remain given its quasi-monopoly in equity securities, a strong market proposition in derivatives, fixed income securities as well as advanced computer systems for both trading and settlement.

Resmed (RMD)- The developer and manufacturer of medical equipment for sleep disordered breathing conditions was one of our strongest performers during the month. They released a positive first quarter set of results for the new financial year. The AirSense/Aircurve machine sales drove the result with Resmed taking share in the Americas, with revenue increasing by over 20%, and rest of world sales were in line with the market (up 5%). Resmed is an attractive proposition given their 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 displayed continued shareholder returns as well as a stable management team delivering growth on growth.

Holdings which detracted from Fund performance include:

Adelaide Brighton (ABC)- The leading cement and concrete manufacturer was our biggest detractor to performance during the month. There was no adverse direct stock specific news, however the market has been punishing stocks with any relationship to residential housing construction, with the sentiment towards the housing market starting to soften with one of the most visible examples being a slowing of the auction clearance rates to a three year low. Adelaide Brighton remains attractive to have a position in our portfolio for its leading market position in cement and lime, its straightforward management team, a simple and solid balance sheet, and ownership of land surplus to their operating requirements.

Coca-Cola Amatil (CCL)- The carbonated soft drink manufacturer and distributor of ready-to-drink beverages was a significant detractor to performance during the month. There was no stock specific news out, however the competitive environment remains focused on price and escalation of a price war in the core grocery division which is causing softer sentiment for Amatil. We remain confident in Coca-Cola Amatil's long term prospects, given its iconic brands, distribution network as well as exposure to structural growth prospects in South East Asia.

Portfolio Update: In October, we continued to lower our exposure to Woolworths, given our ongoing concerns over the operating environment and its internal restructure. We re-invested the proceeds

Important information overleaf

Net tangible assets

NTA[3]	$71.6 million
Shares on Issue	61.6 million
NTA per Share (pre tax)	1.16
NTA per Share (post tax)	1.12
Share Price	1.04
(Discount)/Premium to NTA (pre tax)	-10.21%
(Discount)/Premium to NTA (post tax)	-7.50%
Dividend Yield (100% franked)[4]	4.81%

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
CSL	6.2	3.2
Commonwealth Bank	6.1	9.7
BHP Billiton	6.0	5.4
Rio Tinto	5.9	1.6
ASX	5.7	0.6
Westpac	5.1	7.7
Westfield Group	4.7	1.4
AGL Energy	4.6	0.8
AMP	4.4	1.2
Telstra	4.3	4.9
Total	**53.0**	**36.5**

Sector breakdown (%)

	Fund	Index
Financials ex Property	30.6	40.0
Materials	19.4	13.9
Health Care	13.5	6.5
Property	8.6	7.7
Utilities	8.0	2.3
Energy	5.1	4.3
Teleco Services	4.3	5.4
Consumer Staples	3.8	6.9
Consumer Discretionary	1.8	4.4
Industrials	1.6	7.8
Information Technology	0.0	0.8
Cash	3.2	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**

Client Services: 1800 636 888
aberdeenasset.com.au

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in Scentre because of its undemanding valuations, as well as in Incitec Pivot, as future cash-flow generation from its Louisiana plant will not only stand it in good stead operationally, but also provide for capital management in the longer term.

Market review

The Australian equity market, along with the global equity markets, performed strongly over October with a risk on mentality returning to global markets after what had been a weak third quarter of 2015. All major sectors posted gains, this included cyclical sectors such as Energy and Materials performing strongly, while defensive sectors such as consumer staples lagging behind. Domestic economic data released generally came in at expectations, indicating continued strength in the states of New South Wales and Victoria. Headline CPI growth for Q3 eased back to a lower-than-expected +1.5% year on year, and on an "underlying" basis was 2.2%, which is at the low end of the Reserve Bank of Australia's (RBA) 2-3% target. The unemployment rate was held steady at 6.2%. The RBA held rates steady at 2%, where they have been since May. The RBA is looking for continued momentum from the lower AUD and business confidence to return post the changing of the Prime Ministership. Australia's trade deficit also expanded a further A$0.6bn to A$3.1bn in August, as falling commodity prices continue to hurt exports.

Outlook

We expect market volatility to continue over the next 12 months, driven mainly by macro events and sovereign concerns. Specifically for Australian equities, however, we remain cautiously optimistic as lower interest rates spur on consumption and employment stabilises. Following the recent reporting season, we are encouraged that the balance sheets of our holdings remain in solid shape with many having taken the difficult decisions to cut costs earlier into this economic transition. We remain up beat on tourism, which will be aided by the lower domestic currency, housing, healthcare, education and information technology. Meanwhile, those sectors we remain more cautious on include mining, mining services and banks. The key risk remains political uncertainty, and consumer and corporate confidence, although we are starting to see retail sales turn positive. We expect greater privatisation and infrastructure spend to stimulate the economy, as supported by an upward revision in the government's capital expenditure plans for the coming year. In addition, the change in political leadership at a federal level we saw in September is likely to add greater entrepreneurial spirit into the economy and a much needed boost to what had been a subdued business and consumer confidence under the previous leadership. There are expectations that the Turnbull government will reboot the infrastructure initiative, foster productivity and innovation and will look to deliver some needed tax reform.

Contact us

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

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

Website:
aberdeenasset.com.au