Aberdeen Leaders Limited

Monthly factsheet - performance data and analytics to 31 August 2017

Aberdeen

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	Per annum 5 Years
Portfolio (net)[1]	1.12	0.36	7.49	5.96	8.38
Benchmark[2]	0.71	0.87	9.79	5.13	10.56
NAV pre-tax (dividends reinvested)	1.19	0.03	8.09	5.10	8.95
NAV post-tax (dividends reinvested)	1.11	0.19	7.32	5.83	8.00
Share Price (dividends reinvested)	1.30	2.62	11.11	3.15	8.54

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 1.12% in August (net of fees), outperforming the benchmark by 0.41%.

Contributors to Fund performance include:

Commonwealth Bank of Australia (CBA): The largest Australian bank by market capitalisation was the biggest contributor owing to our underweight position. CBA's shares plummeted following AUSTRAC's accusations of its anti-money laundering breach and APRA's investigation into its culture and governance. We continue to hold CBA for its superior retail business and technological edge.

Cochlear: The hearing implant specialist was one of our best performers, with results exceeding our expectations. We are pleased with its robust sales prospects in the second half and healthy operating leverage. The outlook is also rosy in view of the new product launch later this year. We like Cochlear because it is well-placed in a structurally-growing market, possesses significant intellectual property, continues to pursue research and development, has a well-established distribution network and an embedded relationship with surgeons.

Detractors from Fund performance include:

Healthscope: The private hospital operator was our biggest detractor. Healthscope's shares fell after posting disappointing financial results hurt by loss of market share, intensifying competition and cost pressures. Forecasts for FY18 also implied a downgrade to earnings, leading to a de-rating. In view of the four pillars of priorities going forward, the new CEO has changed regional management and will be reviewing the hospital's Victorian assets soon. The long-term prospects for Healthscope remain robust as the second largest private hospital operator with favourable tailwinds of an ageing population and budget constrained public system. The company has a significant number of existing developments due over the next few years, which should contribute to earnings.

Scentre Group: The Australia and New Zealand-focused shopping centre investor and developer was a significant detractor. Scentre's results were in line with our expectations. However, the distribution payout ratio will be progressively reduced, with the additional retained earnings invested in redevelopments. The long-term prospects for Scentre remain attractive, given its quality portfolio of assets, high occupancy levels, long term rental agreements and its proven management.

Major Portfolio Movements:

We exited our position in Tatts Group, taking advantage of the stock price trading ahead of Tabcorp's bid, while expecting the takeover to progress. We trimmed our holding in Healthscope given the deteriorating performance, and Telstra on bleak dividend outlook. We used the proceeds to initiate a position in Spark New Zealand on its reasonable valuation, solid cost focus and leading market position.

Net tangible assets

NTA[3]	$74.9 million
Shares on Issue	59.4 million
NTA per Share (pre tax)	1.26
NTA per Share (post tax)	1.20
Share Price	1.170
(Discount)/Premium to NTA (pre tax)	-6.94%
(Discount)/Premium to NTA (post tax)	-2.77%
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	5.8	0.7
Commonwealth Bank	5.7	8.7
CSL	5.7	3.9
Rio Tinto	5.4	1.9
BHP Billiton	5.3	5.8
Westpac	5.2	7.0
AGL Energy	4.5	1.0
Woodside Petroleum	4.3	1.4
Amcor	4.1	1.2
ANZ	3.9	5.7
Total	**49.9**	**37.3**

Sector breakdown (%)

	Fund	Index
Financials	27.2	36.7
Materials	20.5	17.4
Health Care	14.9	7.0
Utilities	7.6	2.3
Energy	7.2	4.2
Real Estate	7.1	8.1
Consumer Staples	4.3	7.4
Teleco Services	3.7	3.3
Industrials	1.6	7.3
Information Technology	1.3	1.4
Consumer Discretionary	0.0	4.9
Cash	4.6	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

Client Services: 1800 636 888
aberdeenasset.com.au

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Market review

Australian equities fell slightly in August as the market digested financial results for the period to end-June. The telecommunications sector suffered the biggest sell-off, weighed down by Telstra's larger-than-expected cut to future dividends. The energy sector was the best performer with most companies generating positive revisions post results. Most major commodities rallied with iron leading the market.

The Reserve Bank of Australia left the cash rate unchanged at 1.5% in August and maintained its neutral policy stance. Economic data was mixed. Exceeding expectations, private capital expenditure was buoyed by spending in machinery and equipment. Consumer sentiment fell amid near-term difficulties, including rising energy costs and subdued wage growth. On a positive note, we see improvement in the labour market and construction work, despite a fall in building approvals. Business conditions reached their highest since 2008. Meanwhile, inflation stayed in line with the central bank's expectations.

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. We will continue to monitor the impact of intensifying competition from new entrants to the retail industry. We are optimistic about miners, 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 remain weak towards bond-proxy stocks (including REITs and telcos). Market volatility will be increasingly triggered by political headlines, especially 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 lack of macro-economic catalysts (aside from offshore exposed companies that are being buoyed by improving global growth), we expect companies to rely more heavily on their own initiative 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-reward fundamentals. Our focus remains on cash-generative businesses with solid balance sheets, run by prudent management.

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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