

Aberdeen Leaders Limited

Monthly factsheet - performance data and analytics to 31 December 2017



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	1.18	7.42	10.91	8.65	8.38
Benchmark ²	1.81	7.64	11.80	8.63	10.23
NAV pre-tax (dividends reinvested)	0.57	9.24	12.17	9.04	9.09
NAV post-tax (dividends reinvested)	0.32	7.27	11.11	8.73	8.35
Share Price (dividends reinvested)	0.00	9.96	17.35	9.89	7.26

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 1.18% in December (net of fees), underperforming the benchmark by 0.63%.

Holdings which contributed to Fund performance include:

Westfield: The shopping centre-focused property investor and developer was one of our best performers. Since its split from Scentre Group in 2014, Westfield has become a retail property developer with high-quality flagship assets in Europe and the US. These assets included the recently-opened World Trade Center in New York, as well as White City and Stratford in London.

In 2017, Westfield's stock came under pressure and was trading materially below what we felt was the intrinsic value of its assets. However, the valuation gap narrowed following Unibail-Rodamco's bid for the business. We think the valuation is largely fair, and will likely support the transaction. However, given the deal is a combination of cash and stock, with the new Unibail's stock to be traded via a depositary instrument on the Australian Securities Exchange, our eventual positioning is still under discussion.

Holdings which detracted from Fund performance include:

Australian Stock Exchange (ASX): The primary national stock exchange and equity derivatives market was a key detractor. Its shares fell, despite what we took to be positive news: ASX will replace its current system with blockchain technology from its partner Digital Asset. The attractions to the ASX remain, given its quasi-monopoly in equity securities, its robust market proposition in derivatives and fixed income securities, as well as its advanced computer systems for both trading and settlement.

Cochlear: The hearing implant specialist was a significant detractor. Cochlear performed very well following its last result, so some softness in its share price was to be expected. 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.

Major Portfolio Movements:

In December, we increased our exposure to Adelaide Brighton, as we are confident in its recovery in the Western Australia market and as management continues to follow through on its strategy. We also added to ANZ and Westpac following recent weakness on the back of softer-than-expected results.

Against this, we took profits from CBA, Coca-Cola Amatil and Incitec Pivot on their relative strength. CBA continues to face the longer-term challenges from the Austrac investigation, while Coca-Cola Amatil experienced weakness in its core Australian beverages division, reduced margins in the water segment, as well as rising costs from the container deposit scheme. Incitec Pivot benefited from favourable commodity market conditions and the ramp-up of its Louisiana plant that should support

Net tangible assets

NTA ³	\$80.4 million
Shares on Issue	59.4 million
NTA per Share (pre tax)	1.35
NTA per Share (post tax)	1.27
Share Price	1.270
(Discount)/Premium to NTA (pre tax)	-5.96%
(Discount)/Premium to NTA (post tax)	-0.01%
Dividend Yield (100% franked) ⁴	3.94%

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
Westpac	5.9	6.6
BHP Billiton	5.8	5.9
CSL	5.8	4.0
Rio Tinto	5.5	1.9
ASX	5.5	0.7
Commonwealth Bank	5.0	8.7
ANZ	4.9	5.2
Woodside Petroleum	4.7	1.7
Westfield Group	4.2	1.1
AGL Energy	3.7	1.0
Total	51.0	36.8

Sector breakdown (%)

	Fund	Index
Financials	29.8	35.4
Materials	17.3	17.8
Health Care	14.0	7.1
Real Estate	7.9	8.0
Utilities	7.1	2.1
Energy	6.8	5.2
Consumer Staples	5.5	7.4
Teleco Services	4.2	3.1
Industrials	1.6	7.2
Information Technology	1.3	1.9
Consumer Discretionary	0.0	4.7
Cash	4.8	0.3
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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an ongoing share buyback.

Market review

Australian equities rose in December, driven by the energy and material sectors on rising commodity prices. Conversely, utilities and industrials lagged.

On the economic front, third-quarter GDP rose by a less-than-expected 0.6%, driven by private investment, while consumption remains subdued. In October data, retail sales rose and the labour market continued to strengthen. The trade surplus narrowed sharply, due to a fall in iron exports to China as well as increased imports of fuel and consumption goods. Both business confidence and conditions slipped on the back of lower corporate profits, while consumer confidence rebounded from last month's fall. Meanwhile, November PMI rose, extending the longest streak of expansionary expectations since 2007, supported by robust new orders and exports. As expected, the central bank kept the cash rate unchanged at 1.5% on the back of subdued inflationary pressures.

Outlook

Some risks to growth are emerging, with credit tightening following banks raising mortgage rates in response to macro-prudential tightening, as well as the Royal Commission into the financial services sector. This, coupled with the federal election held this year, should see some pressure on the banking sector (which represents a significant portion of the economy). The environment for consumers remains weak, due to soft wage growth and increased utilities cost pressures. We will continue to monitor the impact of intensifying competition from new entrants in the retail industry carefully. We have been optimistic about large miners, given the global reflation thematic and ongoing supply discipline and demand strength in key commodity markets, and remain sceptical of small-cap miners' balance sheet flexibility, which poses a longer-term issue.

Overall, the portfolio remains defensively positioned, as we continue to invest in companies that provide sustainable earnings growth over the longer term. In the non-resources or industrials sectors, we expect interest rates will remain accommodative in the year ahead which should support building materials. However, housing credit is tightening which will have an impact on the residential property market. The sluggish wage growth will start to weigh on consumers.

Against that backdrop, we will 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.

Important information

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