Aberdeen Leaders Limited

ASX LISTED INVESTMENT COMPANY (TICKER: ALR)

MONTHLY REPORT: FEBRUARY 2018

Fund Description

Aberdeen Leaders Limited (ALR) is a concentrated portfolio of leading Australian companies. The ALR investment team manages the company using a top-down macro thematic, quantitative filters and bottom-up fundamental research.

Fund Objective

ALR is a geared listed investment company, which invests primarily in companies within the S&P/ASX 200 Accumulation index. ALR is focused on providing investors with capital growth and a consistent yield.

Net Tangible Assets as at 28 February 2018

NTA	**$76,844,630**
Shares on Issue	**59,401,557**
NTA per Share (pre tax)	**$1.29**
NTA per Share (post tax)	**$1.28**
Share Price	**$1.26**
Discount/Premium to NTA (pre tax)	**(2.6)%**
Discount/Premium to NTA (post tax)	**(1.3)%**
Fully Franked Dividend Yield	**5.67%**

Fund Information

ASX Code	ALR
Date of launch	July 1987
Benchmark	S&P/ASX 200 Accumulation Index

Service Providers

Custodian	BNP Paribas
Banker	National Australia Bank
Auditor	Deloitte Touche Tohmatsu
Legal Advisor	Watson Mangioni Lawyers

Contact Information

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Performance Overview and Outlook

Performance Overview

The portfolio returned 0.54% on a post tax NTA basis during February, which is an outperformance of 0.18% against the Company's benchmark, the ASX 200 Accumulation Index. This follows the outperformance in January of 0.43% and brings the calendar year-to-date (from 1 January 2018) relative performance to 0.61%.

Market Review

The ASX 200 Accumulation Index returned 0.36% during February, while the underlying S&P/ASX Index itself lost 0.36%. As such, all of the market performance during the month, plus some, was due to the distribution of dividends. The Australian market fell sharply during the first week as the threat of higher US interest rates saw equities across the globe retreat. The 6th of February was the worst day for Australian shares since September 2015. The market did however recover a significant part of these losses in the last two weeks of the month to finish only marginally lower. The domestic earnings season delivered a better than expected result for ASX 200 companies in aggregate. According to Credit Suisse, bottom-up expectations are now for 7% EPS growth for June 2018 and a further 6% in June 2019.

Portfolio Changes

We made numerous changes to the portfolio during the month as we repositioned it to be aligned with our macro themes as per our investment strategy. The most significant change overall, was to sell down a number of holdings in the first few of days of February (and late January). We did this as we felt the US market had rallied excessively during January and was highly susceptible to a reversal in momentum if the 'good news' continued and interest rates increased – which is what happened. As such, we entered the February retracement with approximately 30% cash and maintained that level through the month.

Key additions which performed strongly during the month include Costa Group, Lend Lease and Pact Group. Existing positions in Qantas, Treasury Wines and CSL also performed well. Those which performed poorly include Ramsey Healthcare, Macquarie Atlas and Origin Energy – however we think these will be excellent portfolio contributors over the medium term. Exiting positions in AGL Energy, Healthscope, Ausnet Services, Scentre Group and Iress added to performance.

Outlook

Economic strength, a better than expected earnings season, a central bank well and truly on hold and more attractive valuations create an attractive investment environment. As such, our outlook for domestic equities is more positive than it has been for some time with a number of opportunities presenting themselves to invest in companies with appealing valuations, sustainable earnings growth and strong macro thematic drivers.

However, we expect some near-term volatility and will be using this as an opportunity to deploy our current cash balance. We also expect the major banks to continue being a drag on the overall market and intend to remain underweight financials. Thus, while the market itself may not advance as one would expect with such a positive backdrop, we expect many individual companies to perform well – as evidenced during the recent earnings season.

Dr David Sokulsky
Chief Executive Office & Chief Investment Officer

Aberdeen Leaders Limited ABN 25 003 236 173
2 Paddington St Paddington NSW 2021

Investment Themes

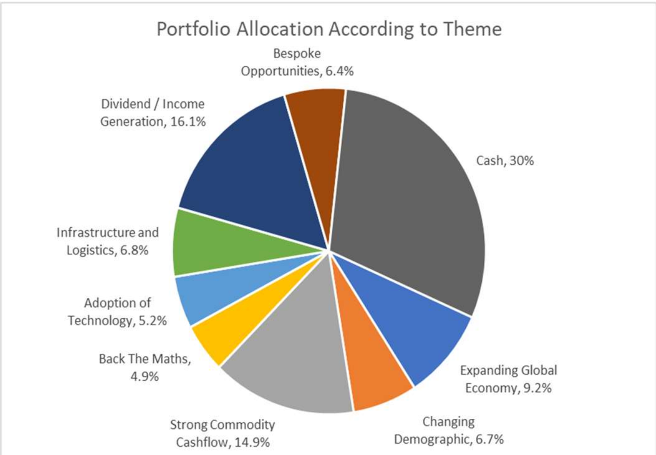
1. **Expanding Global Economy –** The global economy is expected to grow at greater than 4% in 2018 and we aim to leverage off this by investing in companies that source a significant portion of their revenues from offshore. We also aim to benefit from increased global income and a potential weakening of the Australian dollar.
2. **Changing Demographics –** It is no secret that the developed world is getting older and this is generating significant investment opportunities. We aim to identify companies that benefit from this changing demographic across a range of sectors including healthcare, funds management and the supply of desirable goods such as fresh food.
3. **Strong Commodity Cashflow –** The rebound in commodity prices has been strong since the price of oil bottomed in early 2016. We believe these prices, although subject to volatility, should be sustainable going forward given strong global economic growth, higher global inflation – particularly in the United States and increased corporate responsibly among producers.
4. **Back the Mathematics –** Certain businesses are built on the basis of mathematics and this should produce solid earnings over the medium to long term. However, these businesses can be subject to regulatory concerns, natural disasters or changing social patterns. We believe that the underlying mathematics will pass the test of time and that a number of these companies currently represent an attractive entry point from a valuation perspective.
5. **Adoption of Technology by businesses –** One of the key themes over the next decade will be the continued adoption of technology by businesses. While most of the largest of these developments are taking place offshore, a number of Australian companies are well placed to benefit from this seismic shift. Valuation is the key with this theme as many of these companies appear to be fully priced relative to their earnings outlook.
6. **Infrastructure and Logistics** – Infrastructure spending both domestically and abroad is set to increase over the next 5-10 years at both the state and federal level domestically. While this is not a new theme, we believe that many of the beneficiaries of this theme are attractively priced given the magnitude of the spending still to take place and the earnings growth currently being witnessed.

In addition, we also run two separate allocation buckets for income generation and bespoke opportunities.

Top 10 Holdings as at 28 February 2018

Company	Portfolio Allocation	Macro Theme
BHP BILLITON LIMITED	5.03%	Strong Commodity Cashflow
RIO TINTO LTD	4.53%	Strong Commodity Cashflow
ORIGIN ENERGY	3.32%	Strong Commodity Cashflow
NATIONAL AUSTRALIA BANK	3.31%	Income Generation/Dividend
COMMONWEALTH BANK	2.84%	Income Generation/Dividend
WESTPAC BANKING CORP	2.82%	Income Generation/Dividend
ANZ BANKING GROUP	2.79%	Income Generation/Dividend
WESTFIELD CORP	2.40%	Expanding Global Economy
SPARK NEW ZEALAND	2.37%	Income Generation/Dividend
CALTEX AUSTRALIA LTD	2.28%	Capex/Corporate Activity
CASH/LIQUIDITY	**30.06%**	

Portfolio Breakdown



Important Information

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