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Aberdeen Leaders Limited

ABN 25 003 236 173

Quarterly Report

Three months ended 31 March 2006



## Chairman's Statement

Dear Shareholder,

After another quarter of record highs for the Australian market, I am delighted to advise that the NTA rose to 175 cents per share (156 cents per share, net of deferred tax on unrealised gains as at 31 March 2006) which represents an increase of 8.6 per cent. on a pre-tax total return basis for the three months. The share price closed at 156 cents on 31 March, a 12.1 per cent total return for quarter, and with a further narrowing of the discount over the period the Company's shares closed the quarter trading in line with post-tax NTA.

It remains the Board's intention to pay dividends of not less than 7.5 cents per share for the year ending 30 June 2006 given our healthy reserves position. We have declared dividends totalling 4.5 cents per share to date, including a distribution of 1.5 cents which was paid on 28 April 2006.

The portfolio rose 7.7 per cent in the period, slightly lagging the benchmark return of 9 per cent. The use of gearing obviously enhanced the NTA total return in the period and the strong share price performance was consistent with reasonable demand in the quarter.

In stock terms, Rio Tinto and QBE were strong performers and it was pleasing to note good contributions from our holdings in Downer EDI, benefiting from its exposure to construction and mining, and Bendigo Bank in the quarter. Performance was held back by our positions in Telecom NZ and Qantas. The former was impacted by the downgrading of its Australian business, AAPT and the latter was sold off as oil prices increased well beyond the company's hedging level and Temasek, the Singapore government investment arm, reduced its stake.

I refer you to the Manager's review for a more detailed commentary on the portfolio.

### Outlook

Equity valuations have been supported by a strong corporate earnings environment and higher commodity prices and while there are the obvious external factors of oil above US\$70 again and an increasing level of geo-political concern, preemptive monetary policy action from the Reserve Bank in May indicates that they remain vigilant on inflation and should ensure that the economy maintains a sustainable pace of growth. Our Manager holds the view that, as was the case in early 2005, the Bank will now keep official interest rates on hold in order to assess the impact of their actions on the economy. In terms of strategy, the Manager will maintain its focus on investing in attractively valued, well managed companies with sound business models and strong cash flow and balance sheets. We continue to be confident about your Company's prospects as we enter the final quarter of this financial year.

Yours sincerely,



**Brian Sherman AM**  
Chairman

May 2006

## Net Tangible Assets

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	<b>At 31 March 2006</b>
NTA per share (pre-tax)	\$1.75
NTA per share (post-tax)	\$1.56
Market Price	\$1.56
Discount to NTA (pre-tax)	10.9%
Discount to NTA (post-tax)	Nil
Annualised Div. Yield (100% franked)	4.8%

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## Performance Summary

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	<b>At 31 March 2006</b>		
	<b>3 Months</b>	<b>6 Months</b>	<b>12 Months</b>
Total Portfolio*	7.7%	13.6%	29.9%
Benchmark**	9.0%	12.9%	30.3%
Net Assets (pre-tax)***	8.6%	15.4%	34.6%
Net Assets (post-tax)***	8.3%	14.1%	28.1%
Share Price***	12.1%	22.0%	39.1%

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\* Performance is calculated based on the change in the value of the total portfolio (excluding the loan and tax liabilities), before deduction of all other fees.

Past performance is not a guide to future performance.

\*\* Benchmark: S&P / ASX 200 Accumulation Index.

\*\*\* Return on net assets and return on share price assume reinvestment of dividends.

## Portfolio Composition

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	<b>At 31 March 2006</b>
Equities	96.7%
Net cash	3.3%
Total	100.0%

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## Dividend

A fully franked dividend of 1.5 cents per share payable for the March quarter was declared on 13 March 2006 and paid on 28 April 2006.

The Board intends, subject to the availability of distributable profits and market conditions, to target a dividend distribution of 7.5 cents per share for the year ending 30 June 2006. The Company's dividends will continue to be fully franked.

## Manager's Review

The S&P/ASX 200 accumulation index surged further into uncharted territory over the quarter ended 31 March 2006, closing up 9 per cent, over what was a volatile period of trading. Company results from the reporting season were mixed but generally the earnings surprises were on the upside. Over the quarter, the market took a breather during February after a strong January rally and March was an exceptionally strong month, driven by record commodity prices and over \$5 billion in mergers and acquisitions, prompting a fresh wave of demand for domestic stocks. The stream of board-level approved deals included the \$2.25 billion scrip-based merger of the Australian Stock Exchange and the Sydney Futures Exchange, gaming group Tattersall's \$1.8 billion paper offer for Unita and Transpacific industries' \$750 million takeover of Waste Management New Zealand.

The pace has not slowed in April with the announcement that Patrick Corp had approved the much-contested Toll Holdings bid, Alinta and Australia Gas & Light agreeing a compromise way forward and the market hitting yet new highs.

In gross assets terms the portfolio underperformed the benchmark of the S&P / ASX 200 Accumulation Index over the three months ended 31 March 2006.

Our overweight positions in Rio Tinto, Downer EDI, Bendigo Bank and Woodside Petroleum contributed favourably to performance over the quarter. Downer EDI rallied 25 per cent following a strong half year result and positive momentum in the non-residential construction and mining cycle. Rio Tinto benefited from the record commodity prices, while Woodside Petroleum's performance was lifted by strong oil prices as well as securing supply contracts with the Japanese company Kansai Electric for LNG out of the Pluto field in Western Australia. Bendigo Bank had a stellar quarter (up almost 24 per cent.) as investors backed their community bank model following a strong result.

The main detractors from performance were Telecom New Zealand and Qantas as detailed in the Chairman's remarks but also Westfield Group. Westfield confirmed the merger prospectus forecast distribution level of 106.5 cents per share for 2006 but also announced a change to its distribution policy going forward. The stock was also adversely affected by the negative sentiment attaching currently to the property sector.

Turning to portfolio activity in the period, no new stocks we added but we took the opportunity to increase our holdings in Rio Tinto and BHP Billiton when resource stocks were heavily sold off in February as we believed this to be only a short term correction and we still saw fundamental value in both stocks. Commonwealth Bank's new CEO, Ralph Norris, has a sound track record on delivering operational efficiencies so we backed the company by increasing our weighting. We further reduced Leighton Holdings as the share price ran ahead of what we considered to be a reasonable valuation and took up the off-market purchase by Alinta of Australia Gas & Light for part of our holding.

We remain cautious over current valuations and will not invest in momentum driven companies with no fundamental backing but that said, equity valuations to date have been supported by a strong corporate earnings.

## Portfolio of Investments

The full portfolio of the Company at market value at 31 March 2006 is shown below:

Sector	Company	Market Value (\$)	% of Portfolio
Finance Ex Property Trusts	ANZ Bank Group	8,771,500	7.70
	Australian Stock Exchange	2,383,450	2.09
	Bendigo Bank	2,452,720	2.15
	Commonwealth Bank	4,960,350	4.36
	QBE Insurance Group	8,682,390	7.62
	Suncorp Metway	4,770,065	4.19
	Westpac Bank	8,012,065	7.04
		<b>40,032,540</b>	<b>35.15</b>
Property Trusts	Westfield Group	6,049,860	5.31
		<b>6,049,860</b>	<b>5.31</b>
Consumer Discretionary	APN News & Media	2,625,150	2.31
	Billabong International	2,229,990	1.96
	Tabcorp Holdings	5,584,670	4.90
		<b>10,439,810</b>	<b>9.17</b>
Consumer Staples	Foster's Group	2,400,120	2.11
	Lion Nathan	3,566,150	3.13
	Woolworths	6,944,580	6.10
		<b>12,910,850</b>	<b>11.34</b>
Energy	Woodside Petroleum	6,003,360	5.27
		<b>6,003,360</b>	<b>5.27</b>
Materials	BHP Billiton	11,046,000	9.70
	Rio Tinto	10,605,325	9.31
		<b>21,651,325</b>	<b>19.01</b>
Industrials	Downer EDI	3,528,405	3.10
	Leighton Holdings	2,709,275	2.38
	Qantas Airways	3,526,470	3.10
	Westfarmers	3,506,445	3.08
		<b>13,270,595</b>	<b>11.66</b>
Telecommunications	Telecom Corp of NZ	4,774,280	4.19
	Telstra Corporation Ltd	2,932,160	2.58
		<b>7,706,440</b>	<b>6.77</b>
Utilities	Australian Gas & Light	1,352,690	1.19
	SP AusNet	2,279,430	2.00
		<b>3,632,120</b>	<b>3.19</b>
<b>Total Investments</b>		<b>121,696,900</b>	<b>106.87</b>
<b>Net Liquidity including deferred tax liability</b>		<b>(7,827,442)</b>	<b>(6.87)</b>
<b>Net Tangible Assets Excluding Debt</b>		<b>113,869,458</b>	<b>100.00</b>
<b>Loan Facility</b>		<b>(25,000,000)</b>	<b>(21.95)</b>
<b>Total Net Tangible Assets</b>		<b>88,869,458</b>	<b>78.05</b>

## Aberdeen Leaders Limited

The Company is a long term investor which does not intend disposing of its total portfolio. If estimated tax on unrealised gains were to be deducted in determining the NTA, the net asset backing per share as at 31 March 2006 would be \$1.56.

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