

# Aberdeen Leaders Limited

## Monthly fact sheet

31 MARCH 2012

### Investment objective

Aberdeen Leaders Limited is a geared listed investment company, which invests primarily in companies within the S&P/ASX 200 index.

### Performance summary

	1 Month %	3 Months %	1 Year %	3 Years % pa	5 Years %pa
Portfolio (net) <sup>1</sup>	<b>2.84</b>	<b>8.16</b>	<b>-7.66</b>	<b>7.76</b>	<b>-1.30</b>
Benchmark <sup>2</sup>	<b>1.22</b>	<b>8.40</b>	<b>-6.06</b>	<b>11.25</b>	<b>-2.04</b>
NAV pre-tax (dividends reinvested)	<b>2.13</b>	<b>11.41</b>	<b>-13.01</b>	<b>7.62</b>	<b>-4.94</b>
NAV post-tax (dividends reinvested)	<b>0.92</b>	<b>7.88</b>	<b>-8.81</b>	<b>5.80</b>	<b>-2.30</b>
Share Price (dividends reinvested)	<b>1.89</b>	<b>5.84</b>	<b>-9.42</b>	<b>5.16</b>	<b>-3.32</b>

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 Fund 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 performance.

### Performance review

The Fund returned 2.84% in March outperforming the benchmark by 1.62% (after fees).

Positive contributors to performance included our holdings in QBE and Computershare.

QBE rebounded in March, reversing the underperformance of the prior two months. Management announced two bolt-on acquisitions in Latin America and Hong Kong, as had been flagged during the announcement of the first half of 2012 results. These acquisitions will add over US\$500 million in gross written premium income in the first full year.

Computershare outperformed after announcing a joint venture to launch Australia's first digital postal service. At an investor briefing session, the key message delivered by the company was the upside potential from leveraging recent acquisitions.

Detractors from performance this month included our holdings in Leighton Holdings and David Jones.

Leighton Holdings underperformed following an announcement of further write-downs totalling \$254 million in profit before tax to both their Airport Link and Victorian Desalination Plant projects, due to lower productivity, higher costs of commissioning and wet weather. Management also gave guidance for the first-half of 2012 profit of \$100 million-\$150 million and revised full-year 2012 profit to \$400 million-\$450 million, down from previous guidance of \$600 million-\$650 million. Following this announcement, we sold our position in Leighton in April.

David Jones underperformed after announcing its first half of 2012 result which, in line with guidance, included a fall in profit of almost 20%. Management indicated full year 2012 earnings will fall 35%-40%. It also released its future strategic plan, which included key initiatives that are expected to transform the business into a multi-channel retailer, open new stores and restore gross profits. We remain shareholders of David Jones as its strategic plans, and thus expected turn around, are supported by a solid balance sheet and property values.

### FUND OVERVIEW

#### Net tangible assets

NTA <sup>3</sup>	\$66.43 million
Shares on Issue	60.4 million
NTA per Share (pre tax)	1.05
NTA per Share (post tax)	1.08
Share Price	1.03
(Discount)/Premium to NTA (pre tax)	(1.90%)
(Discount)/Premium to NTA (post tax)	(4.63%)
Dividend Yield (100% franked) <sup>4</sup>	9.2%

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 %
BHP Billiton	9.91	10.62
Woolworths	6.72	3.04
QBE Insurance	6.51	1.58
ANZ	6.19	6.07
Commonwealth Bank	6.09	7.71
Rio Tinto	6.04	2.71
Westfield	4.14	1.83
Westpac	3.99	6.46
AGL Energy	3.91	0.66
ASX	3.56	0.55

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During the month we increased our positions in Coca-Cola, Australian Stock Exchange, and Cochlear. All three companies have solid fundamentals, favourable outlook and fair valuations. We also switched some of our position in BHP Billiton into Rio Tinto.

### Market review

The S&P/ASX 200 Accumulation index increased 8.4% over the quarter. The best performing sectors were Information Technology and Energy, which outperformed the benchmark by 11% and 9.5% respectively. The worst performing sectors were Telecommunications and Consumer Discretionary, with both posting essentially flat relative performance.

The Reserve Bank of Australia (RBA) kept rates on hold through the March quarter, citing an improvement in the prospects for the global economy and domestic inflation around the mid-point of the target range. Economic data released over the quarter was generally weak. GDP for the December quarter was 0.4%, down from 0.8% in the previous quarter due to weak construction and sluggish income growth and production. Unemployment rose slightly to 5.2% in February from 5.1% in January, and remained at 5.2% in March. February retail sales rose 0.2%, which was in line with expectations. Consumer confidence continued to fall from 101.1 to 96.1 in March, while business conditions and business confidence remained broadly flat in February. January Building Approvals rose 0.9%, below expectations of a 2% increase and December quarter dwelling starts fell 6.9%. The Current Account Deficit widened on weaker export prices, although export volumes were stronger and the Trade Balance also fell, from \$1.3 billion to -\$0.7 billion also due to a drop in exports. Private Capital Expenditure fell 0.3% in the December quarter, but overall investment plans point to further strong growth.

The Mineral Resource Rent Tax (MRRT) bill was passed by the Senate on 19 March 2012 and will be payable for the 2013 taxation year. The Australian Treasury estimates the tax will generate A\$3.7 billion in 2013, A\$4.0 billion in 2014 and A\$3.4 billion in 2015. The amount to be raised will be subject to a myriad of assumptions including commodity prices, exchange rates and costs of extraction.

### Outlook and positioning

Our central scenario for 2012 is that market conditions will remain volatile given the unresolved European sovereign debt crisis, slower Chinese economic growth and the flow on effects to Australia.

We expect stockmarket volatility to be most pronounced during the first half of the year. While weaker Chinese growth has been flagged to investors, uncertainty over the depth and longevity of the downturn in developed economies, and the magnitude of China's policy response are likely to weigh on investor confidence. There is the possibility the Reserve Bank of Australia will cut interest rates. However by the second half of the year, some easing of Europe's debt problems, continued recovery in US conditions, and policy response from China could lead to more constructive conditions for overseas and domestic markets.

The primary effect of persistent European uncertainty and weaker Chinese growth is the drag on Australian business and consumer confidence. This is resulting in soft retail sales, a weak housing market and a deterioration in labour market conditions. Somewhat offsetting this is a robust mining sector, which is commanding the lion's share of capex, but is focused mostly on Western Australia and Queensland.

We expect overall economic growth this year to be around trend at 3%, driven by the mining sector reflecting Australia's two speed economy. Employment growth is expected

## FUND OVERVIEW

### Sector breakdown

	Fund %	Index %
Energy	2.44	7.52
Materials	23.91	24.18
Industrials	1.81	7.11
Consumer Discretionary	4.16	3.47
Consumer Staples	11.29	7.85
Health Care	5.13	3.75
Financials ex Property	31.15	33.85
Property	5.45	5.86
Information Technology	3.34	0.66
Teleco Services	3.65	4.12
Utilities	7.67	1.63

### Key information

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

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to remain subdued given soft domestic demand and inflation is expected to remain within the Reserve Bank of Australia's target range of 2%-3%.

We remain overweight the Utilities sector, which we like for the defensive nature of its earnings. We retain our overweight position to AGL Energy for its superior customer service and billing platform (Phoenix), stable management (which has delivered on targets set three years ago) and its 'first mover' advantage in wind. We also retain our position in SP Ausnet for its simple structure, strong cashflows, and the support it garners from parent company Temasek Holdings. We are also overweight Consumer Staples, with a bias to food and staples retailing, especially Woolworths, which we hold for its excellent management team, leading market share position in food and liquor, and growth potential in the hardware industry. We are overweight Information Technology, and retain our holding in Computershare, which we like for its dominant position, strong cashflows and focus on service, cross selling and cross country coverage resulting in retention of customers.

The Fund is currently underweight the Energy sector, although we hold Woodside Petroleum for its quality assets and significant exploration programmes. We are also underweight Financials (ex REITs) but overweight the insurance sub-sector, and in particular QBE Insurance, which has an exceptionally strong and experienced management team, and geographically diversified earnings. We are underweight REITs but hold Westfield Group for its premium retail asset portfolio diversified across Australia, New Zealand, the UK and US, and strength in managing and redeveloping shopping centres as the company ventures into Brazil and Italy. Following our sale in April of Leighton Holdings due to on-going operating issues we are now also underweight the Industrials sector.

We continue to monitor companies for buying opportunities at cheap valuations and remain committed to investing in good quality companies with strong fundamentals and cashflows.

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### Important information

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