Aberdeen Standard Fully Hedged International Equities Fund

Monthly factsheet - performance data and analytics to 31 March 2019

AberdeenStandard Investments

Investment objective

To provide investors with high capital growth over the medium to long term by seeking exposure to companies listed on securities exchanges around the world.

Investment strategy

The Fund invests primarily in a concentrated portfolio of around 40-60 listed international securities (other than those listed on the Australian Stock Exchange) with the potential for capital growth and increased earning potential.

Our global equities team, located in Edinburgh, Scotland, draws on the research capabilities of our regional investment teams located worldwide. Through their own proprietary research each regional team creates a concentrated regional model portfolio of best ideas.

Performance (%)

				Per annum		
	1 Month	3 Months	1 Year	3 Years	5 Years	Since Inception[1]
Aberdeen Standard Fully Hedged International Equities Fund net returns[2]	2.24	10.90	2.06	9.76	5.28	4.63
Aberdeen Standard Fully Hedged International Equities Fund gross returns[3]	2.32	11.17	3.07	10.84	6.33	5.65
MSCI All Countries World Accumulation Index (ex Australia) Fully Hedged	1.67	12.36	5.85	12.32	9.84	6.67
Net returns[2] vs index	0.57	-1.46	-3.79	-2.56	-4.56	-2.04
Gross returns[3] vs index	0.65	-1.19	-2.78	-1.48	-3.51	-1.02

1. This figure represents the annualised performance of the Fund from the first full month of operation. **Prior to 1 June 2009 performance was obtained under a different process and different manager.**
2. Net performance figures are calculated using end-of-month exit prices, post standard fees, reflect the annual reinvestment of distributions and make no allowance for tax. If investing through an IDPS Provider, the total after fees performance returns of your investment in the Fund may be different from the information we publish due to cash flows specific to your portfolio and any fees charged by the IDPS Provider.
3. Gross performance figures are calculated using end-of-month exit prices, pre-fees, reflect the annual reinvestment of distributions and make no allowance for tax. These returns are provided for the purpose of wholesale investors only. Retail investors should refer to net returns.
Please note: Prior to 1 May 2009 the Fund was known as the Credit Suisse Fully Hedged International Shares Fund.
Past performance is not a reliable indicator of future results.

Performance review

The Fund returned 2.32% in March (before fees), outperforming the benchmark by 0.65%.

The fund outperformed the index. Gains in Europe and Asia offset weaker performance in the US and Latin America.

At the stock level, British American Tobacco was a key contributor. The stock rose following news that the head of the US Food and Drug Administration Scott Gottlieb, known for his aggressive stance against smoking, had unexpectedly resigned. Shares in Swiss drugmaker Novartis advanced after regulators cleared its new medicine for an advanced form of multiple sclerosis that it said could reach as many as a quarter of a million US patients. Separately, it said it would pay at least US$310 million for some research assets of Boston-based inflammation specialist IFM Therapeutics, to expand its immunology pipeline. Fastfood chain operator Yum China advanced as its earnings were aided by good results from its KFC business.

Conversely, US lender M&T Bank was a key detractor, as its shares fell in tandem with the broader market after the Fed decided not to raise interest rates further this year. Not holding iPhone maker Apple cost the fund as the stock recovered sharply from its profit warning in early January. We prefer other US tech firms such as Google's parent Alphabet and Microsoft. US chipmaker Infineon Technologies fell after it lowered profit targets for 2019 due to global economy uncertainty and

Top ten holdings (%)

	Fund	Index
Visa Inc.	3.6	0.6
Samsung Electronics	3.4	0.5
Novartis	3.1	0.5
TSMC	2.8	0.4
EOG Resources	2.7	0.1
Alphabet Inc	2.6	1.6
Estee Lauder	2.6	0.1
Linde	2.6	0.2
Schlumberger	2.5	0.1
British American Tobacco	2.4	0.2
Total	**28.3**	**4.3**

Sector breakdown (%)

	Fund	Index
Consumer Staples	19.2	8.4
Financials	18.5	16.2
Information Technology	16.8	16.0
Health Care	9.8	11.7
Industrials	7.8	10.5
Consumer Discretionary	7.4	10.9
Materials	7.3	4.6
Communication Services	7.1	8.9
Energy	6.8	6.3
Real Estate	0.0	3.2
Utilities	0.0	3.3
Cash	-0.6	0.0
Total	**100**	**100**

Figures may not always sum to 100 due to rounding.

Regional breakdown (%)

	Fund	Index
United States	33.6	56.2
Asia Pacific (ex Japan)	22.0	11.1
United Kingdom	13.7	5.1
Europe (ex UK)	13.7	14.1
Japan	9.0	7.4
Latin America	4.4	1.5
Canada	2.1	3.1
Emerging Europe & Middle East	2.0	0.9
Africa	0.0	0.8
Cash	-0.6	0.0
Total	**100**	**100**

Figures may not always sum to 100 due to rounding.

Key information

ASX mFund Code	**AFZ30**
APIR Code	**CSA0135AU**
Benchmark	**MSCI All Countries World Accumulation Index (ex Australia) Fully Hedged**
Date of launch	**May 2001**
Income payable	**30 June**
Management costs	**0.99% pa of the net asset value of the Fund comprising: Management Fee 0.99% pa Indirect costs 0.00% pa**
Buy/Sell spread	**+0.15%/-0.15%**
Fund size	**A$21.11m**
Redemption unit price	**$0.5301**

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weaker end-market demand. Similarly, Jardine Matheson was punished after its Indonesian unit Astra International warned that it was likely to face a number of macroeconomic and commercial headwinds this year.

In portfolio activity, we initiated luxury firm LVMH, which has a healthy portfolio of brands, good execution track record and resilience given its diverse brands. We added to tech firm Microsoft, online travel agency Booking, exchange operator CME Group and oil producer EOG Resources given their attractive long-term prospects. To fund these, we sold Swedish industrial equipment maker Epiroc. We also divested tech firm Oracle following its recent share-price strength, as we are not confident of its cloud strategy and its implementation.

Market review

Global equities rose in most major currencies in March, supported by the US Federal Reserve's decision to stand pat on rates this year and to end the balance-sheet reduction programme in September. Hopes that China's stimulus measures could perk up the world's second-largest economy also counterbalanced concerns over sluggish progress in US-China trade talks. Nevertheless negotiations between the two countries continued into April.

US economic growth slowed by more than initially reported in the last quarter of 2018. This, coupled with cooling indicators in housing and manufacturing, indicated weakening economic momentum in 2019. Across the Atlantic, deteriorating growth forecasts also compelled the European Central Bank to loosen monetary policy, promising new loans for banks and longer record-low rates. On the other hand, leading indicators showed China's manufacturing sector returning to growth in March, after three months of contraction. In the UK, the Brexit deadline was postponed, with its parliament deadlocked after rejecting Prime Minister Theresa May's largely unchanged deal for a third time.

In corporate news, Samsung Electronics warned that first-quarter profits would likely miss forecasts as an ongoing glut in memory chips led to larger-than-expected price declines. It also forecast a tough 2019 due to global trade tensions, slowing economic growth and softer demand for memory chips. Elsewhere, Alphabet Inc's search engine Google was fined €1.49 billion by the European Union's antitrust regulator, for infractions in online advertising. Google said it will make changes to its products to address the Commission's concerns.

Outlook

Global markets have regained their momentum despite slowing economic growth. At the time of writing, the US S&P500 index reached its highest level in almost six months. The rally was fuelled by new upbeat manufacturing data from the US and China which appeared to signal a coming rebound, or at least stabilisation, in the global economy. Signs of further progress in the US-China trade talks are adding to the optimism. With the market already largely pricing in a positive outcome, we think caution is advisable. The direction of global growth hinges on the resolution of these talks.

Amid such market conditions, we believe our bottom-up approach with an emphasis on quality companies will place the portfolio in good stead. We favour solid franchises, with healthy cash flows and robust balance sheets that provide buffer against the uncertainty. Many of our holdings still forecast earnings to rise, albeit at a slower clip. While valuations have increased following the decent rally year to date, we still see pockets of value, and will take advantage of volatility to add to our favoured holdings.

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