Aberdeen Standard Australian Small Companies Fund

Monthly factsheet - performance data and analytics to 28 February 2019

Investment objective

To outperform the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, after fees, over rolling three year periods, by investing mainly in Australian (primarily outside the S&P/ASX 100 Accumulation Index) and New Zealand securities.

Investment strategy

The Fund utilises Aberdeen Standard Invesments' proven investment philosophy and approach to invest primarily in a concentrated portfolio of mainly Australian (primarily outside of the S&P/ASX 100 Accumulation Index) and New Zealand listed companies that have the potential for capital growth and increased earning potential. Our equity managers seek to identify and invest in good quality Australian and New Zealand listed securities through first hand company visits.

Performance (%)

				Per annum		
	1 Month	3 Months	1 Year	3 Years	5 Years	Since Inception[1]
Aberdeen Standard Australian Small Companies Fund net returns[2]	3.76	2.66	3.85	8.93	10.05	11.38
Aberdeen Standard Australian Small Companies Fund gross returns[3]	3.86	2.98	5.16	10.31	11.44	12.64
S&P/ASX Small Ordinaries Accumulation Index	6.78	8.01	3.48	13.44	7.74	6.57
Net returns[2] vs index	-3.02	-5.35	0.37	-4.51	2.31	4.81
Gross returns[3] vs index	-2.92	-5.03	1.68	-3.13	3.70	6.07

1. This figure represents the annualised performance of the Fund from the first full month of operation. **Prior to 1 May 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 20 June 2012 the Fund was known as the Aberdeen Classic Series Australian Small Companies Fund. Prior to 1 May 2009 the Fund was known as the Credit Suisse Australian Small Companies Fund.
Past performance is not a reliable indicator of future results.

Performance review

The Fund returned 3.86% in February (before fees), underperforming the benchmark by 2.92%.

Contributing to Fund performance was: Fisher and Paykel Healthcare as its legal dispute with Resmed over patent infringements were dropped, alleviating uncertainties and provisions. We also expect it to refresh a range of products this year, which should boost its market growth to double digits.

Detracting from Fund performance was: Blackmores, due to the weaker-than-expected performance of its China business and the subsequent resignation of its CEO. Nevertheless, the opportunities to take advantage of its well-established brands across Asia are undiminished, backed by a robust balance sheet.

Major Portfolio Moves: In February, we introduced New-Zealand listed winemaker Delegat Group. This is a long standing winemaker, which has a well-established brand in Oyster Bay in both domestic and international markets. The company is well positioned for the long term, given its established brands, good quality products and solid volume growth.

AberdeenStandard Investments

Top ten holdings (%)

	Fund	Index
ARB Corporation	7.2	0.6
BapCor	5.7	0.9
Xero	4.8	0.0
Fisher & Paykel Healthcare	4.7	1.2
Auckland Airport	4.3	0.2
Spark New Zealand	4.3	0.5
Millennium & Copthorne	4.2	0.0
AUB	3.8	0.0
Beach Energy	3.8	2.0
NIB Holdings	3.5	1.4
Total	**46.3**	**6.8**

Sector breakdown (%)

	Fund	Index
Consumer Discretionary	19.1	15.1
Financials	16.8	8.0
Real Estate	14.8	11.1
Information Technology	13.0	11.9
Industrials	12.6	7.4
Health Care	4.7	6.4
Communication Services	4.3	5.9
Consumer Staples	4.1	7.8
Energy	3.8	7.2
Utilities	2.9	0.4
Materials	1.3	18.7
Cash	2.7	0.0
Total	**100**	**100**

Figures may not always sum to 100 due to rounding.

Key information

ASX mFund Code	**AFZ20**
APIR Code	**CSA0131AU**
Benchmark	**S&P/ASX Small Ordinaries Accumulation Index**
Date of launch	**March 2001**
Income payable	**30 June and 31 December**
Management costs	**1.26% pa of the net asset value of the Fund comprising: Management Fee 1.26% pa Indirect costs 0.00% pa**
Buy/Sell spread	**+0.10%/-0.10%**
Fund size	**A$309.50m**
Redemption unit price	**$3.1655**

Client Services: 1800 636 888
aberdeenstandard.com.au

Aberdeen Standard Australian Small Companies Fund

Monthly factsheet - performance data and analytics to 28 February 2019

Market review

Australian equities continued to rebound in February. Financial-sector stocks led the relief rally after the release of the banking Royal Commission's final report. Energy counters were also among the top gainers amid the firmer oil price. Only consumer staples ended in the red after supermarket chain Coles' poor results. Iron ore prices edged higher, helped by tighter supply in the wake of Vales' second dam mishap. The Aussie dollar slid against its key trading partners after the reserve bank shifted to a neutral policy stance. In economic news, business sentiment improved in January, while employment numbers rose on the back of more full-time jobs. Consumer sentiment also strengthened. For December, falling demand for household goods, clothing and footwear hampered retail sales. Imports fell by more than exports, resulting in a trade surplus.

Outlook

Looking ahead, while Australian equities may remain supported by reasonably accommodative macroeconomic policy, volatility will feature in light of a persistent raft of worries. Chief among these are ongoing trade tensions between the US and China despite some signs of rapprochement and uncertainty around Brexit's impending deadline.

Despite these concerns, global growth is likely to remain somewhat buoyant in the near term. In the resources sector, we expect ongoing capital expenditure and productivity initiatives to sustain production and contribute to GDP growth, with all three major Australian iron-ore producers planning to undergo substantial replacement capital spending. We expect a similar dynamic in the energy sector, as several players ramp up large LNG projects to exploit a tightening market into the mid-2020s.

For domestically-focused firms, those that are self-reliant and well managed should prosper because of their commitment to improving internal efficiencies, either by upgrading their operations through investments in technology and automation, or from cost savings. Business investment should continue, supported by higher government spending on infrastructure – especially in the Eastern states.

Domestic risks to this scenario include the implications of an election year, in which industry reviews could hamper listed companies, while tighter credit standards in the banking sector could dampen both the housing market and the construction sector. Nevertheless, we continue to find value within the Australian market. As always, our focus is on accumulating positions in companies led by excellent management, with healthy balance sheets and upbeat long-term prospects.

Contact us

Telephone:
1800 636 888 or +61 2 9950 2853
if calling from outside Australia
Email:
client.service.aust@aberdeenstandard.com
Website:
aberdeenstandard.com.au

Important information