Aberdeen Standard Ex-20 Australian Equities Fund

Monthly factsheet - performance data and analytics to 31 March 2019

Investment objective

To outperform the benchmark, the S&P/ASX 300 Accumulation Index excluding S&P/ASX 20 Leaders Index, after fees, over rolling three year periods.

Investment strategy

The Fund utilises Aberdeen Standard Invesments' proven investment philosophy and approach to invest in a concentrated portfolio of around 20-60 companies that are primarily listed on the Australian Securities Exchange (ASX), excluding the largest 20 securities in the S&P/ASX 300 Accumulation Index (as determined by their market capitalisation). Our equity managers seek to identify and invest in good quality Australian 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 Ex-20 Australian Equities Fund net returns[2]	1.80	8.78	4.51	8.38	11.28	9.29
Aberdeen Standard Ex-20 Australian Equities Fund gross returns[3]	1.87	9.00	5.38	9.28	12.21	10.02
S&P/ASX 300 Accumulation Index excluding S&P/ASX 20 Leaders Index	0.94	12.30	8.51	12.11	10.67	10.61
Net returns[2] vs index	0.86	-3.52	-4.00	-3.73	0.61	-1.32
Gross returns[3] vs index	0.93	-3.30	-3.13	-2.83	1.54	-0.59

Prior to 1 August 2014 the Fund was known as the Classic Series Australian Equities Fund and was managed to a different strategy. Performance of the new strategy is bolded in the table above.

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 1 May 2009 the Fund was known as the Credit Suisse Australian Shares Fund.

Past performance is not a reliable indicator of future results.

Performance review

The Fund returned 1.87% in March (before fees), outperforming the benchmark by 0.93%.

Contributing to Fund performance was: HUB24 as it benefited from expectations that Specialist Platform Providers (SPPs) will continue to win market share from industry incumbents. Specifically, the addressable market for SPPs is likely to increase substantially with the proposed removal of grandfathered commissions in the wake of the Royal Commission's final report.

Detracting from Fund performance was: Bapcor as consumer sentiment continued to soften, hampering auto-exposed names. However, long-term industry fundamentals remain solid and we are confident that car servicing is relatively non-discretionary. We continue to view management's strategy favourably and increasing own-brand penetration should contribute to solid long-term earnings growth.

Major Portfolio Moves: In March, we introduced a leading local property management group, Charter Hall. We expect it to continue raising and deploying third-party capital. This is because of its funds' good track record and the domestic market's solid fundamentals. This should deliver growth within its core fund-management platform that will generate attractive returns for all shareholders.

AberdeenStandard Investments

Top ten holdings (%)

	Fund	Index
Cochlear	5.8	1.3
ASX	5.5	1.8
ARB Corporation	4.8	0.2
Xero	4.6	0.7
Auckland Airport	4.1	0.1
Goodman trust	4.1	2.9
BapCor	4.0	0.2
Spark New Zealand	3.7	0.1
Fisher & Paykel Healthcare	3.6	0.3
Oil Search	3.3	1.4
Total	**43.5**	**9.0**

Sector breakdown (%)

	Fund	Index
Financials	15.7	11.8
Health Care	13.3	7.3
Consumer Discretionary	12.4	9.4
Real Estate	12.1	15.0
Industrials	10.8	11.5
Information Technology	8.1	5.6
Energy	8.0	8.5
Consumer Staples	4.8	5.3
Communication Services	3.7	3.1
Materials	2.9	18.0
Utilities	2.6	4.5
Cash	5.5	0.1
Total	**100**	**100**

Figures may not always sum to 100 due to rounding.

Key information

ASX mFund Code	AFZ19
APIR Code	CRS0003AU
Benchmark	S&P/ASX 300 Accumulation Index excluding S&P/ASX 20 Leaders Index
Date of launch	December 1992
Income payable	30 June and 31 December
Management costs	0.95% pa of the net asset value of the Fund comprising: Management Fee 0.95% pa Indirect costs 0.00% pa
Buy/Sell spread	+0.10%/-0.10%
Fund size	A$68.82m
Redemption unit price	$3.9877

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Market review

Australian equities edged higher in March. By sector, real-estate investment trusts led the market, while financials lagged. In mining, aluminium prices rebounded while iron ore rose following the disrupted supply out of Brazil. The Aussie dollar was unchanged against its US counterpart. However, it gained against its key trading partners except for the yen. In key data, fourth-quarter GDP edged higher on the back of soft household spending but missed forecasts. January retail numbers also missed expectations, nudging higher on food and food-related services. Employment grew modestly as the jobless rate dipped to an 8-year low.

Outlook

Looking ahead, while Australian equities may remain supported by reasonably accommodative fiscal and monetary policy, volatility will feature in light of lower sentiment among consumers and businesses. Domestically, consumption has been grinding lower as high household indebtedness, a near-zero savings ratio and low wage growth have constrained the consumer. Globally, among the concerns are ongoing trade tensions between the US and China despite some signs of rapprochement and uncertainty around Brexit's new deadline. We have seen downward revisions to global growth, and expectations are for these to continue.

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. This has coincided with a disruption to supply of a major Brazilian competitor. 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.

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