

# Aberdeen Standard Australian Equities Fund

Monthly factsheet - performance data and analytics to 31 August 2019



## Investment objective

To outperform the benchmark, the S&P/ASX 200 Accumulation Index, after fees, over rolling three year periods.

## Investment strategy

The Fund utilises Aberdeen Standard Investments' proven investment philosophy and approach to invest in a concentrated portfolio of around 20-40 companies that are primarily listed on the Australian Securities Exchange (ASX) and have the potential for capital growth and increased earning potential. Our equity managers seek to identify and invest in good quality Australian listed securities through first hand company visits.

## Performance (%)

|   | 1 Month | 3 Months | 1 Year | Per annum |         |  | Since Inception <sup>1</sup> |
|---|---------|----------|--------|-----------|---------|--|------------------------------|
|   |         |          |        | 3 Years   | 5 Years |  |                              |
| Aberdeen Standard Australian Equities Fund net returns <sup>2</sup>   | -2.41   | 4.58     | 10.76  | 11.67     | 9.11    |  | 8.60                         |
| Aberdeen Standard Australian Equities Fund gross returns <sup>3</sup> | -2.35   | 4.79     | 11.65  | 12.57     | 9.99    |  | 9.47                         |
| S&P/ASX 200 Accumulation Index  | -2.36   | 4.23     | 9.04   | 11.38     | 7.90    |  | 8.54                         |
| Net returns <sup>2</sup> vs index                                     | -0.05   | 0.35     | 1.72   | 0.29      | 1.21    |  | 0.06                         |
| Gross returns <sup>3</sup> vs index                                   | 0.01    | 0.56     | 2.61   | 1.19      | 2.09    |  | 0.93                         |

1. This figure represents the annualised performance of the Fund from the first full month of operation.

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 June 4 2007 the Fund was known as the Deutsche Australian Equities Alpha Fund and performance up to this date was achieved using a different investment process. Since June 4 2007 the Fund's benchmark has been the S&P/ASX200 Accumulation Index. In line with the revisions to the ASX Index series on 3 May 2000 the S&P/ASX 300 Accumulation Index was adopted as the Fund's performance benchmark. Benchmark calculations prior to this date are based on the ASX All Ordinaries Accumulation Index.

Past performance is not a reliable indicator of future results.

## Performance review

The Fund returned -2.35% in August (before fees), outperforming the benchmark by 0.01%.

Contributing to fund performance was: Treasury Wine Estates. It outperformed after posting good full-year results that met forecasts. Cash conversion was a particular highlight, exceeding expectations after a soft first half. Management also reiterated its current year's expected profit growth, underpinned by ongoing penetration in Asia and the new route to market in the Americas that supports the group's growth potential.

Detracting from fund performance was: Cleanaway Waste Management, which detracted despite posting decent full-year earnings that marginally missed expectations. Additionally, its share price was dampened by a dimmer-than-expected outlook stemming from a softening domestic macro environment, as well as increased waste sorting costs in light of regulatory changes abroad. While these challenges are likely to hinder the company's near-term operating-leverage ambitions, we had trimmed our exposure earlier in the year. Over a 12-month timeframe, the stock remains a contributor to performance.

Major portfolio moves: In August, we exited both Unibail-Rodamco Westfield and Vicinity Centres

| Top ten holdings (%) |             |             |
|----------------------|-------------|-------------|
|                      | Fund        | Index       |
| Commonwealth Bank    | 8.5         | 7.9         |
| CSL                  | 7.9         | 6.2         |
| BHP Group            | 7.2         | 6.1         |
| ASX                  | 5.7         | 1.0         |
| ANZ                  | 4.5         | 4.4         |
| Cochlear             | 4.3         | 0.7         |
| Telstra              | 4.3         | 2.5         |
| Westpac              | 4.3         | 5.5         |
| Auckland Airport     | 4.1         | 0.0         |
| Woodside Petroleum   | 3.9         | 1.7         |
| <b>Total</b>         | <b>54.7</b> | <b>36.0</b> |

| Sector breakdown (%)   |            |            |
|------------------------|------------|------------|
|                        | Fund       | Index      |
| Financials             | 30.4       | 31.5       |
| Health Care            | 17.0       | 9.5        |
| Materials              | 12.2       | 17.4       |
| Industrials            | 7.2        | 8.4        |
| Energy                 | 6.9        | 5.0        |
| Consumer Staples       | 5.6        | 6.0        |
| Communication Services | 5.5        | 3.8        |
| Real Estate            | 5.4        | 7.9        |
| Information Technology | 3.9        | 2.5        |
| Utilities              | 1.9        | 1.9        |
| Consumer Discretionary | 1.8        | 6.3        |
| Cash                   | 2.1        | 0.0        |
| <b>Total</b>           | <b>100</b> | <b>100</b> |

Figures may not always sum to 100 due to rounding.

## Key information

|                       |   |
|-----------------------|---|
| APIR Code             | MGL0114AU   |
| Benchmark             | S&P/ASX 200 Accumulation Index  |
| Date of launch        | June 1999   |
| Income payable        | 30 June and 31 December   |
| Management costs      | 0.80% pa of the net asset value of the Fund comprising:<br>Management Fee 0.80% pa<br>Indirect costs 0.00% pa |
| Buy/Sell spread       | +0.10%/-0.10%   |
| Fund size             | A\$56.48m   |
| Redemption unit price | \$1.2473  |

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in favour of better opportunities elsewhere. Against these, we introduced high-quality technology company Altium that designs printed circuit-boards. It has a clear set of targets till 2025, which we believe management is capable of executing on and should drive above market performance.

### Market review

Australian equities fell in August, with sentiment roiled by worries over the impact of resurgent trade tensions on the world economy. Falling commodity prices, particularly for iron ore and oil, as well as a disappointing results season at home, added to the risk aversion. Most sectors were in the red, led by resources and materials, whereas healthcare and property trust bucked the downtrend.

In economic data, leading indicators for manufacturing showed a revival into expansion, diverging from the services sector, which slid further into contraction, dragged lower by weakness in new business inflows. Capital spending fell unexpectedly in the second quarter, with anaemic expenditure on buildings overshadowing investments in machinery and equipment. Monthly retail sales in June grew at its fastest pace since February, rising 0.4% on the back of clothing sales, alongside cafes, restaurant and takeaway food services.

### Outlook

The domestic economy has seen weakness in some indicators, while geopolitical uncertainty globally continues to weigh on business and consumer confidence. These factors, have at least in part, driven the central bank's recent bout of monetary easing. The change in monetary policy combined with measures to relax home loan requirements should give the property and construction sectors a much-needed boost after a challenging few years of falling house prices. The looser monetary policy, relaxing of lending standards coupled with personal income tax cuts, is likely to provide support to many parts of the Australian economy and by extension Australian equities over the coming months.

Domestic risks to the scenario include a further softening of housing prices in the key Sydney and Melbourne markets, which will, in turn, hit the related construction sector. Nevertheless, we continue to invest through the cycle and 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.

### Important information

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