Aberdeen Leaders Limited

Aberdeen

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)*	5.69	16.44	7.07	3.76	10.49
Benchmark^	6.24	21.50	8.34	1.65	9.98
NAV pre-tax (dividends reinvested)	6.20	20.75	10.98	0.88	10.08
NAV post-tax (dividends reinvested)	4.39	14.57	7.23	2.60	9.60
Share Price (dividends reinvested)	3.82	14.29	-5.69	-0.21	10.77

* Calculated based on the change in the value of the total portfolio (excluding the loan and tax liabilities), after standard fees.
^ 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 Bills Index.
Past performance is not a reliable indicator of future performance.

Performance review

The Fund underperformed the benchmark by 55 basis points (after fees) in September.
Positive contributors to performance in September were zero holdings in Telstra as well as our holdings in Billabong and SP Ausnet.
Telstra underperformed during the month as the Government announced it wants to structurally separate the company's wholesale and retail businesses. We do not hold Telstra due to such regulatory uncertainties.
Billabong outperformed as general consumer and market confidence increased and investors continued to shift into retail stocks. We hold Billabong for its management quality, brand strength and geographical diversification.
Negative contributors to performance included our overweight position in Lion Nathan, AGL Energy and Singapore Telecommunications.
Lion Nathan underperformed as the company accepted the Kirin takeover bid of $11.50 during the middle of the month, resulting in the stock trading around that price.
AGL Energy also underperformed as investors shifted towards cyclical stocks. We hold AGL Energy for its quality assets in a growing, yet defensive market.

Quarterly market review

The Australian equity market as measured by the S&P/ASX 200 Accumulation Index was up 21.5% during the September quarter, continuing the positive trend from last quarter. Property and financials stocks were the strongest performers during this quarter, posting returns of 32.4% and 36.3% respectively. The telecommunications sector was the only one registering negative growth, down 2.0%. In economic news, Australian economic growth accelerated during the June quarter, up 0.6% quarter on quarter vs 0.4% from the quarter before. Domestic demand drove GDP growth in Q209, with household consumption and import volumes up 0.8% and 2.4% quarter on quarter respectively. Consensus forecasts for GDP growth of the Australian economy in 2009 and 2010 have been upgraded to +0.8% and +2.4% respectively. This is a substantial improvement from 6 months ago, with growth forecasted at -0.6% and +1.3% for 2009 and 2010 respectively. The revised forecasts reflect widespread signs of economic improvement, including the major rebound in equity markets, narrowing of credit spreads and the resumption of unguaranteed issuance in credit markets, which all seem to point to an improvement in confidence and risk appetite. The RBA left the cash rate unchanged at 3.00% during the quarter, while the unemployment rate reported during the quarter remained steady at 5.8%.

Outlook

The key for the remainder of 2009 and into 2010 is early signs of recovery developing into a sustained economic recovery. However unemployment and interest rates are expected to rise. Australia managed to avoid a "technical" recession and recent Australian data releases have included very strong consumer sentiment and business confidence data, rising retail sales and continuing low unemployment. Generally, global economic indicators have also continued to

Net tangible assets

NTA*	$87.0 million
Shares on Issue	58.9 million
NTA per Share (pre tax)	$1.47
NTA per Share (post tax)	$1.40
Share Price	$1.36
(Discount)/Premium to NTA (pre tax)	(7.48%)
(Discount)/Premium to NTA (post tax)	(2.86%)
Dividend Yield (100% franked)**	6.6%

* before provision for tax on unrealised gains
** based on dividends paid over previous 12 months and using share price at period end

Top ten holdings

	Fund %	Benchmark %
BHP Billiton	12.68	12.14
QBE Insurance Group	7.07	2.25
Rio Tinto Ltd	6.95	2.40
Westpac Banking Corp	6.73	7.04
ANZ Banking Group	5.42	4.92
Commonwealth Bank	5.13	6.87
Woolworths	4.97	3.38
Westfield Group	4.33	2.60
Woodside Petroleum	4.22	2.24
Lion Nathan	4.04	0.33

Source: Aberdeen Asset Management Limited

Sector breakdown

	Fund %
Financials ex Property Trusts	28.22
Materials	22.30
Consumer Staples	13.57
Consumer Discretionary	5.86
Utilities	4.83
Energy	4.22
Property Trusts	4.33
Industrials	3.75
Health Care	2.92
Telecom Services	2.49
Information Technology	1.74
Cash	5.77

Source: Aberdeen Asset Management Limited

Further information

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recover. Market valuations have priced in a recovery.

In the longer term, the outlook for the Australian market is positive given the exposure to high growth economies, such as China. We continue to monitor companies for buying opportunities, and remain committed to investing in good-quality companies with strong fundamentals and cash flows.

Fund strategy

Our largest overweight is in consumer staples. We are biased towards food and staples retailing, and beverages, in particular Woolworths which we hold for its excellent management and market leadership positions in food and liquor. We also hold Goodman Fielder and Metcash. We currently hold Lion Nathan, although it will leave the Fund post acquisition by Kirin.

The Fund is also overweight the utilities sector, as we like the defensive nature of this sector's earnings and growth potential. We have an overweight position in AGL Energy. The company has a renewed focus on returns under CEO Michael Fraser and valuable upstream (electricity and gas) assets together with quality exposure to the domestic retail market with enviable market shares in capital cities.

We are slightly underweight materials, as we fear the pure-line metal producers and/or explorers have limited ability to expand in a cost-effective way and are exposed to volatile base metal prices. Our preference in this sector is for the larger, diversified commodity producers, such as Rio Tinto and BHP Billiton.

The Fund is currently underweight financials (ex REITs) but overweight the insurance sub-sector, and in particular QBE Insurance, which has an exceptionally strong and experienced management team, conservative accounting and geographically diversified earnings. We are underweight REITs but hold Westfield Group for its premium property portfolio and strength in redeveloping land and shopping centres.

We are also underweight health care, as we believe valuations are inflated and difficult to justify. We hold Ramsay Health Care, an operator of private hospitals in Australia, Indonesia and the UK. We also hold Sonic Healthcare which is the market leader in domestic pathology with offshore operations adding growth.

Key information

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

Important information