

Aberdeen Leaders Limited



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)*	6.87	-1.42	-24.37	-3.85	6.92
Benchmark [^]	7.98	-1.98	-29.53	-7.27	5.48
NAV pre-tax (dividends reinvested)	8.36	-0.67	-33.23	-10.16	5.04
NAV post-tax (dividends reinvested)	4.93	-0.74	-25.32	-5.27	6.01
Share Price (dividends reinvested)	11.65	10.54	-28.35	-4.76	8.18

* 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 portfolio underperformed the benchmark by 1.11% (after fees) in March. Over the 12 months ending 31 March 2009 the portfolio has outperformed the index by 5.16% (after fees).

Contributing to our underperformance during the month were our overweight positions in Lion Nathan and Metcash, which both suffered as a result of a general rotation away from traditional defensive stocks and into cyclical stocks. We continue to hold Lion Nathan for its focussed management, strong beer brands and cash generation. We remain attracted to Metcash because of its experienced management team and strong cashflows.

Positive contributors to performance in March were overweight positions in Rio Tinto and AGL Energy. Rio Tinto outperformed following a rebound in commodity prices and the sale of the Jacobs Ranch thermal coal mine in the US to Arch Coal Inc. for US\$761 million. This brings Rio's total asset sales announced this year to US\$2.5 billion. We hold Rio Tinto for its world class, low cost, diversified asset base. AGL recovered from losses in February. We remain attracted to AGL for its solid management team, valuable assets and high market share.

The Fund also benefited from a zero holdings in Telstra and CSL. Telstra underperformed due to it not being involved in the NBN process and CSL underperformed after its offshore earnings were hit by the rebound in the AUD/USD. We don't hold Telstra, due to the significant regulatory risk and our concerns over management, or CSL, which we believe is overpriced.

Quarterly market review

The Australian equity market, as measured by the S&P/ASX 200 Accumulation Index, fell by 1.98% over the March quarter, chalking up its sixth consecutive losing quarter. The low for the quarter came in early March and was followed by a 15% bounce, with a rotation away from defensives and towards more cyclical stocks. The materials and energy sectors posted positive returns for the quarter on the back of commodity and oil price gains. The REIT sector was the worst performing, down over 26% for the quarter. Earnings reports for the December 2008 half showed evidence of a deteriorating outlook, with few companies providing guidance. Strains on balance sheets, capital raisings and dividend cuts appear to be a common theme. At the macro level, economic stimulus was the focus. The federal government announced a package equal to 4% of GDP while the RBA lowered rates by 100 basis points to 3.25% in February but kept rates steady in March. The Fourth Quarter 2008 GDP report showed a fall of 0.5%, the first quarterly contraction in 8 years, and the unemployment rate jumped to a 4 year high of 5.2% from 4.5%. The AUD lost ground against the USD, down 2% over the quarter, but most of this was in January, with the AUD bouncing from its early March lows of \$0.62 to finish at \$0.69, driven by commodity prices and the March decision not to cut interest rates.

Net tangible assets

NTA*	\$62.7 million
Shares on Issue	57.6 million
NTA per Share (pre tax)	\$1.08
NTA per Share (post tax)	\$1.15
Share Price	\$1.15
(Discount)/Premium to NTA (pre tax)	6.48%
(Discount)/Premium to NTA (post tax)	0.00%
Dividend Yield (100% franked)**	8.7%

* 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	13.76	13.53
QBE Insurance Group	7.51	2.62
Westpac Banking Corp	6.19	6.78
Rio Tinto Ltd	5.98	1.87
Woolworths	5.62	4.48
ANZ Banking Group	5.03	3.87
Commonwealth Bank	4.34	5.81
AGL Energy	4.05	0.82
Woodside Petroleum	3.90	2.31
Lion Nathan	3.59	0.35

Source: Aberdeen Asset Management Limited

Sector breakdown

	Fund %
Financials ex Property Trusts	27.98
Materials	21.93
Consumer Staples	13.96
Consumer Discretionary	8.36
Utilities	5.57
Energy	3.90
Industrials	3.85
Health Care	3.12
Property Trust	2.81
Telecom Services	1.73
Information Technology	1.72
Cash	5.07

Source: Aberdeen Asset Management Limited

Further information

Aberdeen Asset Management Limited
Level 6, 201 Kent St Sydney NSW Australia 2000
GPO Box 4306 Sydney NSW Australia 2001

Client Service 1800 636 888
Phone +61 2 9950 2888
Web www.aberdeenasset.com.au

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Outlook

The key question for 2009 is how pronounced the economic downturn will be in Australia. The headwinds for the year will be falling demand, a poor earnings results season, falling terms of trade from weakened commodity prices, and negligible global growth. However, falling interest rates, fiscal stimuli and a weaker Australian dollar compared with 2008 will provide some support and there could be early signs of a recovery later in the year. Market valuation is modest and stock prices have returned to levels which we believe are close to their fundamental value.

In the longer term, the outlook for the Australian market is positive, although unemployment is expected to rise. We continue to have our portfolio defensively positioned given the uncertainty over the outlook for earnings. We continue to monitor companies for buying opportunities, given more reasonable valuations. We are committed to good-quality companies with strong fundamentals and cash flows.

Fund Strategy

Our largest overweight is in Consumer Staples. We are biased towards Food & Staples Retailing and Beverages, in particular Lion Nathan, which has strong beer brands and a positive outlook as it reaps the rewards from several years of business reinvestment and the acquisition of James Boags. The Food & Staples retailing industry is dominated by duopolies in supermarkets (where we are overweight in Woolworths, which we believe to be the better-quality operation). We also hold Metcash, Goodman Fielder and Wesfarmers.

The Fund is also overweight the Utilities sector, as we like the defensive nature of this sector's earnings. We have an overweight position in AGL Energy. The company has a renewed focus on returns under new 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.

The Fund is currently underweight Financials (ex Property) 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 Property but hold Westfield Group for its premium property portfolio and strength in redeveloping land and shopping centres.

Another underweight position is 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.

We are also underweight Health Care, as we believe valuations are inflated and unwarranted in view of the slowdown in growth and the competitive pressure some providers are experiencing. Our favoured pick in this sector is Ramsay Health Care, an operator of private hospitals in Australia, Indonesia and the UK.

Key information

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

Important information

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