

Aberdeen Australian Small Companies Fund



Investment objective

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

Investment strategy

The Aberdeen Australian Small Companies Fund utilises Aberdeen's proven investment philosophy and approach to invest in a concentrated portfolio of around 20-45 small companies (outside of the S&P/ASX 100) that are listed on the ASX and have the potential for capital growth and increased earning potential.

Performance summary

| | 1 Month % | 3 Months % | 1 Year % | 3 Years %pa | 5 Years %pa | Since Inception [^] %pa |
|--|--------------|---------------|---------------|----------------|----------------|--|
| Australian Small Companies Fund Net returns* | 2.23 | -1.17 | 38.23 | -3.36 | 6.71 | 17.53 |
| Australian Small Companies Fund Gross returns** | 2.30 | -0.95 | 39.47 | -2.49 | 7.67 | 18.59 |
| S&P/ASX Small Ordinaries Accumulation Index returns | -0.48 | -3.92 | 63.05 | -8.30 | 4.28 | 11.89 |
| Net returns* vs Index | 2.71 | 2.75 | -24.82 | 4.94 | 2.43 | 5.64 |
| Gross returns** vs Index | 2.78 | 2.97 | -23.58 | 5.81 | 3.39 | 6.70 |

* 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.

** 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.

[^] This figure represents the annualised performance of the Fund from the first full month of operation. Please note: Prior to 4 June 2007 the Fund was known as the Deutsche Australian Small Companies Fund and performance prior to this date was achieved using a different investment process to that of Aberdeen.

Past performance is not a reliable indicator of future results.

Performance review

The Fund outperformed against the benchmark in February by 2.78% (before fees).

Contributing to the Fund's performance this month were overweight positions in Ramsay Health Care, Invocare and SMS Management and Technology. Ramsay Health Care delivered very strong first half results, with core profit up 33% to \$91 million. Both the Australian and UK hospital portfolios are performing well and the strong cash flow generation will be deployed on brownfields. Ramsay Healthcare is run by a very experienced management team, has significant growth options and strong cash flow to fund it. Invocare reported strong results, delivering 18% net profit growth and its Singapore business is performing well. We hold Invocare for its consistent and defensive earnings, strong cash flow generation and leading market share. SMS Management and Technology also reported solid first half results, with demonstrable success in cost control. Its outlook is positive as the company moves from a defensive/cost containment stance to one of growth. It also increased its dividend 25% to 12.5 cents.

Our holdings in Healthscope and Tower Australia Group were among the detractors from performance in February. Both Healthscope and Tower Australia reported results below market expectations. Healthscope continued to gain market share in its pathology business, although margins have been flat due to fee cuts. Tower disappointed, with its claims ratio higher than expected. Following our meeting with management, we are confident that the higher claims expense was neither a systemic issue, nor due to lack of disclosure in its new online underwriting product.

We topped up our position in Tower Australia following relative underperformance as there is fundamentally no change to the business outlook.

Top ten holdings

| | Fund % | B/mark % |
|-----------------------------------|--------|----------|
| Ramsay Health Care | 8.71 | 1.65 |
| Healthscope | 6.42 | 1.53 |
| Invocare | 6.40 | 0.70 |
| Tower Australia Group | 5.80 | 0.68 |
| Iress Market Technology | 5.44 | 0.93 |
| Bunnings Warehouse Property Trust | 4.82 | 0.65 |
| Programmed Maintenance Service | 4.52 | 0.45 |
| Austereo Group | 4.45 | - |
| Brickwork | 4.41 | - |
| ARB Corp | 3.39 | - |

Sector breakdown

| | Fund % | B/mark % |
|----------------------------|--------|----------|
| Utilities | 3.06 | 5.45 |
| Consumer Staples | 0.00 | 4.32 |
| Information Technology | 11.99 | 3.64 |
| Telecommunication Services | - | 0.09 |
| Consumer Discretionary | 19.22 | 13.07 |
| Health Care | 15.13 | 7.12 |
| REITS | 4.82 | 5.91 |
| Industrials | 19.86 | 19.19 |
| Energy | 2.90 | 11.22 |
| Financials ex REITS | 11.06 | 6.29 |
| Materials | 8.11 | 23.70 |
| Cash | 3.85 | - |

Further information

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Aberdeen Australian Small Companies Fund

Key information

| | |
|-----------------------|----------------------------------|
| APIR Code | MGL0001AU |
| Benchmark | S&P / ASX Small Ordinaries Accum |
| Date of Launch | 1 April 2003 |
| Income Payable | 30 June and 31 December |
| MER | 0.90% |
| Fund Size | A\$39.7m |
| Redemption Unit Price | \$ 1.5435 |

Important information

This document has been prepared by Aberdeen Asset Management Limited ABN 59 002 123 364 AFSL No. 240263.

This is not an offer of securities or financial products, nor is it financial product advice. The Fund referred to is a registered managed investment scheme managed by Aberdeen Asset Management Limited. A Product Disclosure Statement (PDS) is available for the Fund and can be obtained by calling Aberdeen Client Services on 1800 636 888, online at www.aberdeenasset.com.au, or from your financial adviser. Applications can only be made on the application form contained in the current PDS. This document has been prepared without taking account of your individual objectives, financial situation or needs. You should obtain and consider the PDS before deciding whether to acquire, or to continue to hold units in the Fund.

Neither Aberdeen Asset Management PLC, Aberdeen Asset Management Limited nor any other entity guarantees the performance of the Fund or the repayment of capital invested in the Fund. Investments are subject to investment risk, including possible delays in repayment and loss of income and principal invested. Past performance is not a reliable indicator of future results. Although non-Fund specific information has been prepared from sources believed to be reliable, we offer no guarantees as to its accuracy or completeness. Any performance forecasts are not promises of future performance and are not guaranteed. Opinions expressed may change. All dollars are Australian dollars unless otherwise specified. All indices are copyrighted by and proprietary to the issuer.