

Aberdeen Australian Equities Fund



Investment objective

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

Investment strategy

Utilising Aberdeen's proven investment philosophy and approach we invest in a concentrated portfolio of around 20-40 stocks 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 Equities Fund Net returns*	3.23	-6.16	7.01	-3.66	5.17	9.05
Australian Equities Fund Gross returns**	3.30	-5.98	7.86	-2.89	6.01	9.93
S&P/ASX 200 Accumulation Index returns	4.47	-5.87	10.14	-5.84	4.98	8.08
Net returns* vs Index	-1.23	-0.29	-3.14	2.18	0.19	0.97
Gross returns** vs Index	-1.16	-0.10	-2.28	2.95	1.03	1.85

* 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 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 to that of Aberdeen. 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 underperformed the benchmark in July. The main detractor from performance was QBE. QBE's share price was impacted after the company announced a negative profit margin guidance (40% drop in earnings), driven by a fall in risk free rates (raising claim liabilities) and mark-to-market of investment holdings – both short term issues. Longer term, QBE's business model remains solid and intact, and we continue to hold QBE for its strong underwriting discipline, conservative reinsurance program, and stable management team with deep insurance experience.

Other holdings detracting from relative performance were Woolworths and ASX.

Woolworths reported FY10/Q4 sales a few weeks ahead of results, with management also reaffirming full year earnings growth guidance of +8-11%. We continue to hold WOW for its strong management team (with significant depth in retail experience), its market leadership in food & liquor, and its strong supply chain and logistics systems.

No specific news affected ASX Limited, but its share price underperformed as a result of ongoing concerns at changes to the competitive landscape posed by the entry of Chi-X to the market. We hold ASX for its strong balance sheet and cash flows, along with its accomplished array of board members.

Positions which contributed positively to performance were Incitec Pivot, David Jones and our zero weight to Telstra.

There was no company specific news for Incitec Pivot, but the company outperformed on the back of competitor Potash Corp increasing its 2010 guidance by +8%. We hold Incitec Pivot as the company is on target to deliver on the efficiency programme Project Velocity and because of

Top ten holdings

	Fund %	B/mark %
BHP Billiton	13.41	12.80
QBE Insurance	7.23	1.64
Westpac Bank	6.88	6.81
Rio Tinto	6.87	2.92
Commonwealth Bank	5.87	7.74
Woolworths	5.67	3.04
ANZ	5.06	5.60
Westfield Group	4.34	2.46
AGL Energy	4.25	0.62
Woodside Petroleum	4.21	2.03

Sector breakdown

	Fund %	B/mark %
Energy	4.21	6.88
Materials	24.25	25.55
Industrials	1.83	6.13
Consumer Discretionary	7.06	3.98
Consumer Staples	10.26	8.76
Health Care	3.49	3.47
Financials ex Property	31.09	33.36
Property	4.34	6.10
Information Technology	1.71	0.62
Teleco Services	3.66	3.80
Utilities	6.49	1.35
Cash	1.61	0.00

Further information

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the increased stability of earnings from higher exposure to explosives.

David Jones outperformed despite a former employee filing legal proceedings on the basis of sexual harassment against former CEO Mark McInnes, DJS and current directors. The claim seeks 5% of DJS profit from 2003 to 2010, the period during which Mr. McInnes was CEO, and for Mr. McInnes to pay punitive damages totalling 5% of his total remuneration and benefits during his tenure as CEO. DJS has said the company will defend the claims and that its FY10 and FY11 NPAT guidance need not change. We continue to hold DJS for the company's balance sheet strength and successful track record in driving cost of doing business lower.

Telstra underperformed in July after significantly outperforming the market in the March quarter as management signed an agreement with the NBN Co to participate in the NBN rollout. We do not hold TLS as the rapid increase in fixed to mobile substitution will put pressure on margins (moving into lower margin, more competitive products) and TLS's steady loss of market share to competitors in mobile and broadband.

There were no major portfolio moves during the month.

Key information

APIR Code	MGL0114AU
Benchmark	S&P / ASX 200 Accumulation Index
Date of Launch	1 July 1999
Income Payable	30 June and 31 December
MER	0.80%
Fund Size	A\$211.150m
Redemption Unit Price	\$0.8672

Important information

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

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