

Aberdeen Financials Fund



Investment objective

To provide investors with a regular tax-effective income stream and medium to long-term (minimum between 3 to 5 years) capital growth by seeking exposure to securities of financial companies (primarily banks and insurance companies) that are listed on the ASX.

Investment strategy

The Aberdeen Financials Fund is a highly concentrated portfolio of listed stocks that have the potential for capital growth and to provide reasonable dividend returns. The focus on blue-chip well-known names provides a relatively defensive exposure to this sector and the low turnover ensures the tax efficient status. Rigorous research and analysis of each prospective investment is undertaken, in accordance with the Aberdeen process (fundamental, bottom-up analysis with focus on quality and management). The Fund recognises the benefits of franking credits and seeks to maximise these where appropriate in order to give investors the benefit of a tax-effective income stream, on a regular quarterly basis.

Performance summary

	1 Month %	3 Months %	1 Year %	3 Years %pa	5 Years %pa	Since Inception [^] %pa
Financials Fund						
Net returns*	3.16	3.14	61.81	-1.13	8.46	11.23
Financials Fund						
Gross returns**	3.24	3.36	63.18	-0.26	9.41	12.20
S&P/ASX 200 Financials (ex Property) Index returns	2.49	1.63	69.26	-1.93	8.12	11.17
Net returns* vs Index	0.67	1.51	-7.45	0.80	0.34	0.06
Gross returns** vs Index	0.75	1.73	-6.08	1.67	1.29	1.03

* 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. Retail investors should refer to net returns.

[^]This figure represents the annualised performance of the Fund from the first full month of operation.
Past performance is not a reliable indicator of future results.

Performance Review

The Fund outperformed the benchmark by 75 basis points (before fees) in February.

Contributing positively to this outperformance was our underweight position to National Australia Bank (NAB) and overweight position to Westpac. NAB is an underweight position in the Fund because of our concerns with its risk management procedures and lack of clear corporate strategy. NAB lagged the market after its trading update in February failed to meet the market's bullish expectations. Westpac outperformed on the back of a strong operating update, leading to the upgrade of earnings. We hold an overweight position to Westpac due to its strong domestic franchise, disciplined risk management processes and deeply experienced management team which have delivered over time.

Detracting from performance in February was our overweight holdings QBE Insurance and ANZ. QBE Insurance released its FY09 full year result, which disappointed the market: insurance margin came in at the lower end of guidance (17-18%), and claims were higher. Management is addressing the higher claims through repricing or restructuring the re-insurance policy. The lower insurance margin was due to extra provisions for old latency claims. We hold QBE Insurance for its regional and product diversification, its disciplined and conservative management team and growth potential.

During the month of February we introduced Tower Australia. We have added this new holding

Portfolio holdings

	Fund %	Index %
Westpac Bank	28.16	21.00
Commonwealth Bank	26.96	22.40
ANZ	16.89	15.83
QBE Insurance	14.21	5.93
National Australia Bank	5.04	14.57
Axa Asia Pacific Holdings	5.01	1.69
Tower Australia	1.14	0.00

Further information

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to take advantage of market weakness after results failed to meet market expectations due to higher claims. 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 and fundamentally no change to the business outlook.

Key information

APIR Code	EQI0027AU
Benchmark	S&P/ASX 200 Financials (ex Property) Index
Date of Launch	1 December 1997
Income Payable	31 March, 30 June, 30 September, 31 December
MER	0.875%
Fund Size	A\$109.65m
Redemption Unit Price	A\$2.0222

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.