

# Aberdeen Cash Fund



## Investment objective

To provide exposure to primarily short term, relatively low risk, secure cash investments to generate income. The Fund aims to perform in line with the benchmark, the UBSA Bank Bill Index over the suggested time frame.

## Investment strategy

The investment strategy of the Fund is to focus on maintaining high credit quality and liquidity by picking the best value money market securities.

## Performance summary

	1 Month %	3 Months %	1 Year %	3 Years %pa	5 Years %pa	Since Inception <sup>^</sup> %pa
Cash Fund Net returns*	0.38	1.13	3.71	5.07	5.42	5.47
Cash Fund Gross returns**	0.41	1.21	4.05	5.40	5.71	5.70
UBSA Bank Bill Index	0.42	1.20	4.05	5.52	5.76	5.65
Net returns* vs Index	-0.04	-0.07	-0.34	-0.45	-0.34	-0.18
Gross returns** vs Index	-0.01	0.01	0.00	-0.12	-0.05	0.05

\* 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.

<sup>^</sup> This figure represents the annualised performance of the Fund from the first full month of operation in November 1995.

Please note: Prior to 1 May 2009 the Fund was known as the Credit Suisse Cash Fund.

Past performance is not a reliable indicator of future results.

## Performance review

The portfolio returned 0.41% (before fees) in July compared to the UBS Bank Bill Index return of 0.42%.

## Market review

The RBA left the cash rate unchanged at its July meeting. Bank bill yields closed lower at month end, despite a brief move higher in the middle of the month. June employment data showed a strong 45,900 rise in employment, which saw market expectations rising to a 20% chance of a rate hike at the August meeting. Slower global growth, namely weaker US data and a lower-than-expected Australian Q2 CPI of 0.6%, saw the market remove rate hike expectations. We closed the month with the market pricing in a relatively flat cash rate outlook for the remainder of this year.

The BBSW/OIS spread reached a 2010 high of 45 basis points in late June, as the financial year end approached, and continued to narrow throughout the month of July as concerns over global financial conditions eased. Bank bill yields closed as follows: 1-month fell 7 basis points to 4.68%, 3-month fell 14 basis points to 4.78% and 6-month were also down 6 basis points to 4.94%.

## Outlook

As we noted last month, rates markets have shifted lower in yield in recent months, initially in a somewhat disorderly response to the bad European news of May and more recently, in an orderly manner on expectations of a more stable but lower growth environment. The tone of European and British fiscal austerity is likely to be replicated elsewhere, suggesting cash rates will stay low for longer as the naturally dampening effect of fiscal tightening diminishes the need for monetary tightening. In future, lower public debt should also compress government-cash spreads (or similarly, reduce sovereign CDS spreads) although, given the obstacles to lower and

## Portfolio analytics

	Fund %	B/mark %
Modified Duration (years)	0.07	0.13
Yield to Maturity (% p.a)	4.70	4.69

## Security type

	Fund %	B/mark %
Fixed	-	-
Floating	-	-
Inflation-Linked	-	-
Hybrid	-	-
Bank Bills	84.55	100
Cash	15.45	-

## Credit rating profile

	Fund %	B/mark %
AAA	-	-
AA	-	-
A	-	-
BBB	-	-
<BBB	-	-
A-1+	84.55	100
A-1	-	-
A-2	-	-
A-3	-	-
Cash	15.45	-

## Maturity profile

	Fund %	B/mark %
0-1yrs	84.55	100
1-3yrs	-	-
3-5yrs	-	-
5-7yrs	-	-
7-10yrs	-	-
10+yrs	-	-
Cash	15.45	-

## Further information

### Aberdeen Asset Management Limited

Level 6, 201 Kent St Sydney NSW 2000 Australia  
GPO Box 4306, Sydney, NSW 2001 Australia

Client Service 1800 636 888  
Phone +61 9950 2833  
Web www.aberdeenasset.com.au

## Aberdeen Cash Fund

sustainable debt levels, such compression will likely be volatile and lengthy. Cyclical normalisation and convergence opportunities will be delayed or reduced in magnitude due to the substitution of fiscal-for-monetary tightening. However, an increasingly compelling diversification argument and the strong fiscal story suggest Australian bonds should be reasonably well supported, in spite of likely cyclical outperformance of the domestic economy for some time.

While credit performed well during July we retain our cautious stance in the medium term, believing there is scope for modest spread contraction in the longer term. Moreover, as credit spreads are relatively wide in an historical context, the high running yield is a significant driver of the overall returns expected from the allocation to credit.

Our caution stems more from macro-economic influences than the outlook for credit quality at the individual corporate level. The events of May were a clear signal to European governments of the need for increased fiscal austerity and budgetary repair. As a consequence, the greater focus on delevering will result in higher taxes, lower public spending and slower growth than was forecast earlier in 2010. This has knock-on effects for the banking system, which is already experiencing high levels of loan losses. A low growth environment, with the risks of another bank or even sovereign default scare, is not a strong environment for risk assets. Furthermore, the US seems to be continuing down the path of profligacy as growth slows, the housing market weakens and unemployment remains high. This could result in pressures on US credit worthiness in the years to come, although this has not eventuated to date. It is also worth mentioning that some strategists believe China is a bubble economy, especially the housing market. This is weighing on some investors' minds, although we do not subscribe to the bubble view.

In contrast to the gloomy macro picture, at the individual corporate level the environment is quite robust. In general, corporates have strong balance sheets with ample cash, strong margins and limited refinance pressure. Top-line sales have been slightly weak but credit quality is high. Default rates in non-investment grade markets have been falling sharply. This gives us confidence that credit fundamentals have support in the medium term. The key local influence for credit spreads is the banking sector, specifically funding issues and eventual regulatory reform. The four "majors" have significant amounts of wholesale funding to complete in coming years and as a result of proposals regarding banking liquidity regulations, they will no longer be able to help each other by investing in bank bonds as "liquid assets". The threat of sizable new issuance will keep a floor under local senior bank spreads and, by implication, the wider Australian credit market, given the relative lack of non-bank credit.

Our strategy in recent months has been to reduce our credit exposure to a smaller overweight, mostly through hedging with Itraxx CDS contracts and the swap market, but also by selling the cash credit which we viewed as overpriced. It is likely we will retain this cautious stance with current fund positioning providing a relatively small exposure to credit risk and giving us the flexibility to change fund positioning when the market outlook becomes clearer.

### Key information

APIR Code	CRS0009AU
Benchmark	UBSA Bank Bill Index
Date of Launch	November 1995
Income Payable	Monthly
MER	0.25% pa
Fund Size	A\$493.513m
Redemption Unit Price	\$0.9889

### 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](http://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.