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Aberdeen Leaders Limited

ABN 25 003 236 173

Quarterly Report

Three months ended 30 September 2008



Chairman's Statement

The last quarter has seen unprecedented volatility in global financial markets with the credit crunch biting hard. With credit markets effectively frozen due to a lack of transparency and confidence, growing concerns about financial services companies culminated in the effective nationalisation of the majority of the US mortgage system and the extinction of the Wall Street investment bank. Europe was not immune to this crisis and it is only through coordinated government bailouts that the western banking system has been saved from collapse. More recently we have seen governments around the world granting guarantees over bank deposits in an effort to boost confidence in the banking system.

The focus on inflationary pressures during the quarter have abated to a large degree as commodity prices fell, allowing central banks to lower interest rates towards the end of the period in an effort to pump prime economies. In Australia the RBA cut rates in September by 0.25% and followed this up with a 1.00% cut in early October.

Equity markets reacted negatively to the ongoing turmoil in the financial services industry, with large falls in global markets, particularly towards the end of the period and into October. Despite the relative strength of the Australian economy our markets have not been immune to the global rout. The Australian share market, as measured by the S&P/ASX 200 Accumulation Index, fell by 10.44% in the September quarter, taking the 12 month loss to 26.76%.

Under these circumstances it is no surprise that the total portfolio value of Aberdeen Leaders fell during the quarter (albeit by a smaller margin than the index), finishing the period down 7.53% (before deduction of fees). The share price also ended lower with a closing price at 30 September of \$1.55, down 9.85% over the quarter (after adjusting for dividends). This represents an 8.4% premium to the (pre tax) NTA at 30 September.

Despite the volatility of the last year I'm pleased to advise the longer term returns are still strong, with the Company's share price returning 11.09% per annum (after adjusting for dividends) over 3 years (placing it 2nd out of the 28 companies in the ASX Australian Shares Listed Investment Company universe) and 15.91% per annum over 5 years (placing it 1st in the same universe).

A fully franked dividend of 1.75 cents per share was declared on 25 September, payable on 22 October 2008. It is the Board's intention, subject to market conditions and the availability of distributable profits, to maintain the same level of dividend for the coming year that was paid for the year to 30 June 2008.

Despite the market turmoil the company remains in a healthy financial position with a strong pool of reserves.

Outlook

The outlook for the coming 12 months is very uncertain with volatility expected to continue. With the IMF now estimating that the global banking system still needs US\$675bn in order to fully recapitalise, the global financial system has now entered a critical phase of instability. Thankfully, world leaders are now making concerted efforts to avoid a vicious circle of decline. As economic growth slows corporate profit expectations will continue to be revised down looking into 2009.

This backdrop will throw up attractive opportunities as the irrational nature of the markets depress assets to levels not seen for many years. The portfolio is defensively positioned with an emphasis on investing in companies with strong fundamentals and is well positioned to take advantage of these opportunities as they arise.



Brian Sherman AM
Chairman

October 2008

Net Tangible Assets

	At 30 September 2008
NTA per share (pre-tax)	\$1.43
NTA per share (post-tax)	\$1.41
Market Price	\$1.55
Discount to NTA (pre-tax)	8.4%
Premium to NTA (post-tax)	9.9%
Annualised Div. Yield* (100% franked)	6.5%**

* Using the share price at the end of the period

** 9.2% gross of franking credits

Performance Summary

	3 Months		12 Months		At 30 September 2008	
	%	%	%pa	% pa		
Total Portfolio*	-7.53	-20.13	7.28	13.75		
Benchmark**	-10.44	-26.76	3.97	12.34		
Net Assets (pre-tax)***	-11.73	-30.85	1.86	13.12		
Net Assets (post-tax)***	-7.95	-22.45	4.81	12.73		
Share Price***	-5.96	-22.26	10.75	15.69		

* Performance is calculated based on the change in the value of the total portfolio (excluding the loan and tax liabilities), before deduction of all other fees. Past performance is not a guide to future performance.

** Benchmark: S&P / ASX 200 Accumulation Index.

*** Return on Net Assets and return on Share Price assume reinvestment of dividends.

Portfolio Composition

	At 30 September 2008
Equities	96.2%
Net cash	3.8%
Total	100.0%

Asset allocation is on gross assets and excludes the loan facility liability

Dividend

A fully franked dividend of 1.75 cents per share payable for the September quarter was declared on 25 September 2008, payable on 22 October 2008. It is the Board's intention, subject to market conditions and the availability of distributable profits, to maintain a dividend distribution of 10 cents per share for the year 30 June 2008. The Company's dividends will continue to be fully franked.

Manager's Review

The Australian equity market, as represented by the S&P/ASX 200 Accumulation Index, fell 10.4% during the September quarter and delivered the first run of four quarters of negative performance since the recession in 1990. The market returned to levels last seen in December 2005 as contagion from the US credit crisis spread and global growth expectations deteriorated. The Resources sector was put to the sword, losing over 30% – the worst three month performance since S&P indices began in 1992, led by weak commodity prices and China's growth slowing. Healthcare was the best performing (and only positive sector) rising 8.3%. Merger activity was sparse barring the approval of Westpac's bid for St George and the lapsing of BG's bid for Origin.

In economic news, the Reserve Bank delivered its first rate cuts since December 2001 with a 0.25% cut in September and an additional 1.0% cut in early October, leaving cash rates at 6.0%. Money markets continue to price in further rate cuts over the next 12 months. This, together with weaker commodity prices and a stronger US dollar resulted in the Australian dollar declining significantly. GDP growth of 0.3% was below expectations, from a revised 0.7% in Q1. Annual GDP growth slowed from 3.3% in Q1, to 2.7%, the first time growth slipped below 3% since Q4 2006.

During the period we did not initiate any new positions or carry out any wholesale sales from our holdings, but we did carry out some top-slicing from some stocks and added to our positions in others. We top-sliced our holdings in ANZ, CBA, Westpac, QBE and ASX in the financial sector. We also reduced our holdings in Billabong, Woolworth's and Lion Nathan. The de-merger of Virgin Blue from Toll Holdings took place in the period and VBA was subsequently sold in its entirety.

We added to our existing holdings in BHP Billiton, Rio Tinto, Wesfarmers, Woodside Petroleum and AXA Asia Pacific. We also increased our model weighting to both Tatts Group and Singtel.

Key contributors – 3 Months to 30 September 2008

Top 5 Contributors		
Stock	Relative weight* (%)	Contribution (%)
QBE insurance Group	5.9	1.16
Fortescue Metals	-1.0	0.63
Billabong	2.0	0.48
Lion Nathan	3.1	0.41
Metcash Trading	2.4	0.29

Top 5 Detractors		
Stock	Relative weight* (%)	Contribution (%)
Rio Tinto	2.9	-1.22
Telstra	-4.4	-0.42
Leighton Holdings	1.7	-0.26
CSL	-2.4	-0.24
Incitec Pivot	0.2	-0.23

* relative weights are calculated at period-end and may vary during the period

Looking ahead, global economic growth is expected to be well below the pace of recent years, but Australia is still benefiting from high terms of trade. The market is looking for concrete measures from Governments and Central Banks around the world to end the current liquidity crisis. If markets remain gridlocked and domestic data continues its downward trend it would be likely that the RBA cuts interest rates by another 50 basis points, following the surprise 100 basis point cut in early October, at their November meeting.

The theme of capital preservation is likely to continue into 2009 as credit markets remain gummed up and wholesale funding is prohibitively expensive. The likelihood of more buybacks being cancelled and capital projects being put on hold is increasing. In resources, the diversified miners, such as Rio Tinto and BHP Billiton, are better positioned than the smaller to mid-cap resource companies given capital constraints. Commodity prices will remain under pressure as the outlook for global economic growth deteriorates. The fall in the Australian dollar will provide some cushioning to the expected slow down in domestic growth. High quality companies generating real cash with conservative balance sheets will be the key beneficiaries as investors seek safety in an environment where volatility has reached unprecedented highs. A possible "capitulation" sell off could present an opportunity to buy stocks, which we are pre-disposed to do.

Aberdeen Asset Management Limited

October 2008

Portfolio of Investments

The full portfolio of the Company at market value at 30 September 2008 is shown below:

Sector	Company	Market Value (\$)	% of Portfolio
Finance Ex Property Trusts	ANZ Banking Group	5,957,000	5.35
	Australian Stock Exchange	2,556,339	2.30
	AXA LTD	1,508,500	1.35
	Bendigo Bank Limited	1,173,000	1.05
	Commonwealth Bank	4,956,706	4.45
	QBE Insurance Group	8,995,272	8.08
	Westpac Banking Corp	6,466,764	5.81
		\$31,613,581	28.39
Property Trusts	Westfield Group	4,339,240	3.90
		\$4,339,240	3.90
Consumer Discretionary	Billabong International	2,381,895	2.14
	John Fairfax Holdings	2,211,304	1.99
	Tabcorp Holdings	2,749,110	2.47
	Tattersall's Limited	2,784,750	2.50
		\$10,127,059	9.10
Consumer Staples	Goodman Fielder Limited	1,761,366	1.58
	Lion Nathan Limited	3,726,000	3.35
	Metcash Trading Limited	3,051,375	2.74
	Wesfarmers Limited	4,634,000	4.16
	Woolworths Limited	5,880,368	5.28
		\$19,053,109	17.11
Health Care	Ramsay Health Care	1,447,725	1.30
		\$1,447,725	1.30
Energy	Woodside Petroleum	4,840,250	4.35
		\$4,840,250	4.35
Materials	BHP Billiton Limited	12,845,355	11.54
	Incitec Pivot Limited	1,315,600	1.18
	Orica Limited	1,870,245	1.68
	Rio Tinto	7,334,600	6.59
		\$23,365,800	20.99
Information Technologies	Computershare	1,366,550	1.23
		\$1,366,550	1.23
Industrials	Bradken Limited	\$1,311,400.00	1.18
	Leighton Holdings	2,741,150	2.46
	Toll Holdings Limited	1,947,980	1.75
		\$6,000,530	5.39
Telecommunications	Singapore Telecommunications Limited	\$1,122,920.00	1.01
	Telecom of NZ Inc	715,050	0.64
		\$1,837,970	1.65
Utilities	AGL Energy	3,847,500	3.46
	SP AusNet	1,607,873	1.44
		\$5,455,373	4.90
Total Assets		\$109,447,186	98.30%
Net Liquidity including deferred tax liability		\$1,889,600	1.70%
Total Assets excluding Debt		\$111,336,787	100.00%
Loan Facility		-30,000,000	-26.95%
Total Equity		81,336,787	73.05%

Aberdeen Leaders Limited

The Company is a long term investor which does not intend disposing of its total portfolio. If estimated tax on unrealised gains were to be deducted in determining the NTA, the net asset backing per share as at 30 September 2008 would be \$1.41

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Information about the Manager

Aberdeen Asset Management Limited, Australia, is the Manager of the Company. It is a subsidiary of Aberdeen Asset Management PLC ("Aberdeen") whose group of companies as at 30 September 2008 managed a combined A\$251 billion for institutions, unit trusts, listed investment companies, offshore funds and private clients.

Aberdeen has its headquarters in Aberdeen, Scotland, and operates 24 offices in 21 countries around the world. Clients access Aberdeen's investment expertise across the three asset classes of equities, fixed income and property. Aberdeen follows a predominantly long-only approach, based on fundamentally sound investments. Aberdeen's investment teams are based in the markets or regions in which they invest.

Global reach, local understanding

We know global markets from the local level upwards. We believe our focus, size and approach enable us to provide effective asset management and superior client service. Our teams champion original thinking and knowledge, so investment decisions are based only on our own research.

As a group, we have the scale to provide global coverage of financial markets, yet we are small enough to focus on each and every portfolio decision.

Close-knit teams, clear investment processes and flat structures are important to us. We seek to grow our clients' assets in a way that is manageable and sustainable over the longer term.

Aberdeen in Australia

Aberdeen commenced its Australian operations in December 2000, and as at 30 September 2008 had around A\$10 billion in assets under management and advice. In addition to managing the investments of a number of Australian registered funds, Aberdeen in Australia also manages the Aberdeen Group's Australian and New Zealand assets for a range of global and domestic clients.



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