

Aberdeen Standard Australian Equities Fund

Monthly factsheet - performance data and analytics to 31 October 2020

Investment objective

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

Investment strategy

The Fund utilises Aberdeen Standard Investments' proven investment philosophy and approach to invest in a concentrated portfolio of around 20-40 companies that are primarily listed on the Australian Securities Exchange (ASX) and have the potential for capital growth and increased earning potential. Our equity managers seek to identify and invest in good quality Australian listed securities through first hand company visits.

Performance (%)

	1 Month	3 Months	1 Year	Per annum		
				3 Years	5 Years	Since Inception ¹
Aberdeen Standard Australian Equities Fund net returns ²	2.50	1.49	-1.89	7.09	8.19	8.06
Aberdeen Standard Australian Equities Fund gross returns ³	2.57	1.69	-1.11	7.94	9.05	8.93
S&P/ASX 200 Accumulation Index	1.93	0.98	-8.15	4.09	6.80	7.70
Net returns ² vs index	0.57	0.51	6.26	3.00	1.39	0.36
Gross returns ³ vs index	0.64	0.71	7.04	3.85	2.25	1.23

1. This figure represents the annualised performance of the Fund from the first full month of operation.

2. 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.

3. 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.

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. 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 returned 2.57% in October (before fees), outperforming the benchmark by 0.64%.

Contributing to fund performance: ResMed delivered robust quarterly earnings and was a positive contributor. While sleep mask sales have been impacted due to Covid-19-induced restrictions reducing capacity at traditional sleep labs, home testing and other initiatives led to a quicker than expected recovery. This was supplemented by additional ventilator sales and solid cost control, which delivered bottom-line operating leverage. We see an attractive growth pathway for the sector and expect ResMed to continue to win market share.

Detracting from fund performance: Auckland International Airport gave back some of its recent gains. While many hurdles remain before unrestricted international travel becomes a reality, encouraging progress is being made, with the Australia-New Zealand travel bubble formally starting in October. Furthermore, with Auckland relaxing Covid-19 restrictions back to level one, the airport saw domestic capacity recover to about 65% of pre-pandemic levels, a good indication of resilient travel demand. While near term visibility remains challenging, we remain attracted to the strategic nature of Auckland Airport's assets and are supportive of the company's longer term growth strategy, which we believe



Top ten holdings (%)		
	Fund	Index
CSL	9.6	7.9
Commonwealth Bank	8.4	7.4
BHP Group	7.2	6.1
Xero	5.0	0.8
Cochlear	4.2	0.8
Goodman trust	4.1	1.9
Fisher & Paykel Healthcare	3.9	0.3
National Australia Bank	3.9	3.7
ASX	3.8	0.9
ResMed	3.6	0.6
Total	53.7	30.4

Sector breakdown (%)		
	Fund	Index
Financials	24.9	27.0
Health Care	21.3	12.1
Materials	15.5	19.4
Information Technology	8.2	4.3
Real Estate	7.1	6.9
Consumer Staples	4.7	6.5
Communication Services	4.5	3.9
Industrials	3.9	7.2
Consumer Discretionary	3.1	7.5
Utilities	2.7	1.7
Energy	2.6	3.3
Cash	1.4	0.1
Total	100	100

Figures may not always sum to 100 due to rounding.

Key information

APIR Code	MGL0114AU
Benchmark	S&P/ASX 200 Accumulation Index
Date of launch	June 1999
Income payable	30 June and 31 December
Management costs	0.80% pa of the net asset value of the Fund comprising: Management Fee 0.80% pa Indirect costs 0.00% pa
Buy/Sell spread	+0.18%/-0.18%*
Fund size	A\$43.56m
Redemption unit price	\$1.2024

*We may vary or waive the buy/sell spreads without notice when it is appropriate to protect the interests of existing investors and if permitted by law.

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will deliver solid returns for shareholders.

Major portfolio changes: In October, we exited Origin Energy as our view on relative stock returns has moderated. While Origin's interest in the Australia Pacific Liquefied Natural Gas project is leveraged to a recovery in depressed commodity prices, this is outweighed by our increasing concerns around the longer term regulatory strain and structural risk of lower wholesale electricity prices as the shift to renewables accelerates. While Origin's valuations appear attractive, we are cautious on its high gearing levels and expect shareholder returns to remain muted in the medium term. We recycled this capital into major banks, NAB and ANZ, narrowing a long-held underweight position. We have taken a tactical view of the record fiscal stimulus, forthcoming easing of responsible lending rules and the orderly management of Covid-19 loan deferrals as catalysts to support an earnings recovery. Given the banks have also de-rated materially, we see this as an opportune time to add to our positions.

Market review

Australian equities rose in October, rebounding from losses in the previous month. Share prices initially enjoyed a post-Budget bounce, alongside rising hopes that the central bank would cut interest rates in November. The easing of Covid-19 curbs in Victoria state, as infections remained low, also helped. However, risk appetite waned in the final week, blunting the earlier gains. A surge in coronavirus cases in many parts of Europe and the US fuelled fears that renewed lockdown measures would hamper the global economic recovery. Growing uncertainty ahead of the US election and fading hopes of a fresh US stimulus deal also unsettled investors.

The Federal Budget was expansionary, entailing fiscal injections into business with the government hoping for a business-led recovery. The government forecast a deficit of A\$214 billion, with a focus on boosting demand and managing high unemployment levels. Key measures included wage subsidies, income tax cuts and hiring incentives. The government also pledged an additional A\$10 billion for infrastructure investment, which boosted stocks in the materials and construction sector.

Meanwhile, New Zealand stocks rose as Prime Minister Jacinda Ardern's party handily won the country's general election. Her Labour Party won 65 seats in Parliament, the first time one party got an outright majority since the country changed its electoral system.

Outlook

The socio-economic impact of the Covid-19 pandemic will continue to weigh on Australia. Strict measures to curb the virus' spread have severely hampered economic activity, pushing the country into its first recession in nearly three decades. Although government support will help alleviate the hardship, it is unlikely to reverse the downturn. Many companies have lowered their capital spending forecasts and focused on preserving capital. We have also seen meaningful cuts to dividends across the market, which could take time to recover. On the whole, the near term outlook for earnings and growth is still muted, though recent data point to a tentative recovery in the second half.

With volatile conditions expected to persist, we remain committed to our bottom-up, quality-focused approach. We favour companies with clear growth drivers, exposed to trends accelerated by the pandemic or to long-term structural shifts that will continue to play out. Our holdings' defensiveness, in terms of their robust balance sheets, experienced management and upbeat prospects for through-cycle earnings and dividend growth is another advantage. Hence, we intend to stay disciplined, adding to high-conviction picks while exiting those with challenged prospects to strengthen the portfolio.

Important information

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