

Aberdeen Standard Australian Equities Fund

Monthly factsheet - performance data and analytics to 31 December 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	0.44	11.42	4.42	8.87	9.73	8.42
Aberdeen Standard Australian Equities Fund gross returns ³	0.51	11.65	5.26	9.74	10.61	9.28
S&P/ASX 200 Accumulation Index	1.21	13.70	1.40	6.73	8.73	8.19
Net returns ² vs index	-0.77	-2.28	3.02	2.14	1.00	0.23
Gross returns ³ vs index	-0.70	-2.05	3.86	3.01	1.88	1.09

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 0.51% in December (before fees), underperforming the benchmark by 0.70%.

Contributing to Fund performance: Cloud-based accounting software provider Xero enjoyed a strong re-rating and was a positive contributor to performance. The company's own Australian small business survey released positive findings - with recovery in small business jobs now back to pre-pandemic levels, while small business revenues also continued to recover year on year for the sixth consecutive month. The stock also benefitted from market's broader rotation into post pandemic recovery stocks, as well as new positive coverage from the sell side. Notwithstanding the global macro backdrop, we remain attracted to the company's strong focus in product innovation and growth potential from its platform.

Detracting from Fund performance: Cochlear detracted from portfolio performance after returning some of the gains achieved in both October and November. With limited company specific news flow, the worsening of the pandemic in many developed countries reiterated concerns around hospital capacity which could impede on near term surgical volumes. Despite these concerns, we believe Cochlear is much better placed relative to its competitors, and furthermore initiatives that



Top ten holdings (%)		
	Fund	Index
CSL	9.0	7.0
Commonwealth Bank	8.9	7.9
BHP Group	8.4	6.8
Xero	5.1	0.9
National Australia Bank	4.3	4.0
Goodman trust	4.0	1.7
ASX	3.3	0.8
Woolworths Group	3.3	2.7
Cochlear	3.2	0.7
Telstra	3.2	1.9
Total	52.7	34.4

Sector breakdown (%)		
	Fund	Index
Financials	26.1	27.8
Health Care	18.0	10.7
Materials	16.4	20.3
Information Technology	8.5	4.5
Real Estate	7.4	7.0
Communication Services	4.5	4.0
Industrials	4.4	7.3
Consumer Staples	3.8	5.9
Energy	3.2	3.7
Consumer Discretionary	3.0	7.5
Utilities	2.3	1.4
Cash	2.2	0.0
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\$45.13m
Redemption unit price	\$1.2968

*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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the company have put in place over the years is now beginning to bear fruit, which collectively should drive solid growth post pandemic.

Major portfolio moves: We reduced our position in A2 Milk following its earnings downgrade, which while expected, proved to be large in size. Despite trading at an attractive price, we remain concerned of potential inventory overhang while management failed to openly articulate their ability to reinvigorate the core daigou channel. Ultimately we felt it be prudent to de-weight and reassess once the new CEO is installed.

Market review

Australian equities continued their rally in December, advancing for a third straight month as the rollout of Covid-19 vaccines began in several countries. A brighter economic outlook and relief over a new US fiscal package also lifted sentiment. Rising iron ore prices, thanks to robust demand from China and a weaker production outlook from Brazilian miner Vale, provided a further boost. Amid the buoyant mood, investors shrugged off worries over new virus cases in New South Wales and ongoing Australia-China tensions.

Economic news was largely upbeat as well. Unemployment fell in November as jobs growth was better than expected, while consumer sentiment improved as well. The government also raised its growth forecasts for 2021.

Outlook

Optimism about Covid-19 vaccines has powered global stockmarkets, including Australia, but we maintain caution in view of ongoing challenges on various fronts. Questions remain over how quickly these vaccines can be distributed, with new infection waves still a risk until one becomes widely accessible. Australia's souring relations with China, its key trading partner, is another worry as it could undermine the economic rebound. That said, government support is proving crucial in supporting the recovery. While most companies' spending forecasts are still muted, continued fiscal stimulus, low interest rates and improving business conditions could catalyse a modest upturn. Furthermore, corporate earnings downgrades appear to have troughed, alongside upgrades in dividend projections as cash flows start to normalise.

Ultimately, we remain committed to our bottom-up investment style with a focus on quality companies. We favour companies with clear growth drivers, exposed to trends either accelerated by the pandemic, or those leveraged to long-term structural shifts that will continue to play out irrespective of the virus trajectory. 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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