

# Aberdeen Standard Australian Equities Fund

Monthly factsheet - performance data and analytics to 31 January 2021

## 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 <sup>1</sup>
Aberdeen Standard Australian Equities Fund net returns <sup>2</sup>	-0.78	7.86	-1.81	8.54	10.58	8.34
Aberdeen Standard Australian Equities Fund gross returns <sup>3</sup>	-0.72	8.07	-1.03	9.41	11.46	9.21
S&P/ASX 200 Accumulation Index	0.31	11.89	-3.11	7.00	10.03	8.17
Net returns <sup>2</sup> vs index	-1.09	-4.03	1.30	1.54	0.55	0.17
Gross returns <sup>3</sup> vs index	-1.03	-3.82	2.08	2.41	1.43	1.04

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 -0.72% in January (before fees), underperforming the benchmark by 1.03%.

Contributing to Fund performance: Fisher and Paykel Healthcare announced an earnings upgrade and contributed positively to performance. The company continues to benefit from the resurgence in Covid-19 cases in the northern hemisphere, leading to elevated levels of demand for both hardware and consumable sales. Importantly, this robust demand boosts product gross margins, with operating leverage expected to manifest into very robust profit growth over the next year. While we acknowledge that high hardware sales will normalise as the pandemic recedes, we continue to retain a positive long-term view on the stock. We expect recent growth in the installed base to drive high-margin recurring consumable sales in the coming years.

Detracting from Fund performance: Cloud-based accounting software provider Xero detracted from portfolio performance after returning some of its hefty gains achieved in the December quarter. There was limited company-specific news flow, but the resurgence of Covid-19 and reimposition of lockdowns in many countries may pose a risk to near-term subscriber momentum. While we are conscious about rapidly-rising valuations, we believe that on a longer term horizon, Xero is better



Top ten holdings (%)		
	Fund	Index
Commonwealth Bank	9.2	8.0
BHP Group	8.8	7.0
CSL	8.8	6.7
National Australia Bank	5.0	4.2
Xero	4.5	0.8
Goodman trust	3.8	1.6
Woolworths Group	3.5	2.8
Cochlear	3.4	0.7
ASX	3.3	0.8
Fisher & Paykel Healthcare	3.3	0.2
<b>Total</b>	<b>53.6</b>	<b>32.8</b>

Sector breakdown (%)		
	Fund	Index
Financials	27.2	28.3
Health Care	18.2	10.4
Materials	16.8	20.0
Information Technology	8.1	4.5
Real Estate	7.0	6.7
Communication Services	4.5	4.1
Industrials	4.2	7.0
Consumer Staples	3.9	6.0
Energy	3.3	3.8
Consumer Discretionary	3.0	7.8
Utilities	2.4	1.4
Cash	1.3	0.0
<b>Total</b>	<b>100</b>	<b>100</b>

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\$44.71m
Redemption unit price	\$1.2867

\*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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placed relative to its rivals to win market share, increase penetration and monetise its expansive app ecosystem. These should collectively drive solid growth post-pandemic.

Major portfolio moves: We reduced our position in APA, given macro sensitivity to a rising yield environment, as well as our view that growth opportunities available to the company in the near term appear limited. We reinvested this capital into NAB, reflecting our expectation of an improving economic backdrop supporting a more favourable lending environment, which should translate into provision releases and increased dividends.

### Market review

Australian equities were flat in January as waning risk appetite towards the month-end erased earlier gains. At first, asset prices rose on prospects of further US stimulus after the Democrats won control of Congress, alongside renewed strength from technology stocks. But sentiment turned cautious amid rising Covid-19 infections in countries worldwide, and on concerns about vaccine supply delays. Volatile Wall Street trading, as retail investors piled into names targeted by short-selling hedge funds, also rattled the market. Meanwhile, falling iron ore prices weighed on mining stocks.

At home, the government signalled that it would end its wage subsidy scheme, Jobkeeper, after March as planned. The news came after the jobless rate fell by more than expected in December. Separately, home prices increased for a third straight month in December, ending the full-year up by 3% on the back of record-low interest rates.

### Outlook

The outlook for Australian equities appears brighter, with investors hopeful that the deployment of Covid-19 vaccines will hasten the global economic rebound. That said, we think caution is warranted. Recent reports of delays to the vaccine rollout highlight the massive scale of the programme. Therefore, new infection waves could threaten the hoped-for recovery, especially with the emergence of more dangerous virus strains. Meanwhile, Australia's ongoing tensions with China are another key risk as continued flare-ups could hamper various sectors. Nonetheless, easing domestic restrictions, coupled with loose fiscal and monetary policy, should prove supportive of further improvement in business conditions. At the company level, corporate earnings are expected to bounce back, while policy support may drive higher capital spending as well.

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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