

ABERDEEN AUSTRALIA EQUITY FUND INC
Form N-Q
March 29, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS

OF REGISTERED MANAGEMENT INVESTMENT COMPANY

| | |
|---|---|
| Investment Company Act file number: | 811-04438 |
| Exact name of registrant as specified in charter: | Aberdeen Australia Equity Fund, Inc. |
| Address of principal executive offices: | 1735 Market Street, 32 nd Floor Philadelphia, PA 19103 |
| Name and address of agent for service: | Ms. Andrea Melia Aberdeen Standard Investments Inc. 1735 Market Street 32 nd Floor Philadelphia, PA 19103 |
| Registrant's telephone number, including area code: | 800-522-5465 |
| Date of fiscal year end: | October 31 |
| Date of reporting period: | January 31, 2019 |

Item 1 Schedule of Investments The Schedule of Investments for the three-month period ended January 31, 2019 is filed herewith.

Portfolio of Investments (unaudited)

As of January 31, 2019

| Shares | Description | Industry and Percentage of Net Assets | Value (US\$) |
|---|--|--|-------------------|
| LONG-TERM INVESTMENTS - 96.4%(a) | | | |
| COMMON STOCKS - 96.4% | | | |
| AUSTRALIA - 76.0% | | | |
| 381,000 | Adelaide Brighton Ltd. | Construction Materials - 1.0% | \$ 1,243,865 |
| 76,300 | Aristocrat Leisure Ltd. | Hotels, Restaurants & Leisure - 1.1% | 1,372,301 |
| 150,900 | ASX Ltd. | Capital Markets - 5.5% | 7,006,511 |
| 2,161,700 | AusNet Services | Electric Utilities - 2.0% | 2,597,594 |
| 367,100 | Australia & New Zealand Banking Group Ltd. | Banks - 5.3% | 6,682,637 |
| 416,000 | BHP Group PLC | Metals & Mining - 7.3% | 9,294,562 |
| 269,700 | Brambles Ltd. | Commercial Services & Supplies - 1.7% | 2,092,587 |
| 1,771,600 | Cleanaway Waste Management Ltd. | Commercial Services & Supplies - 1.8% | 2,331,920 |
| 43,300 | Cochlear Ltd. | Health Care - 4.8% | 6,119,385 |
| 173,200 | Commonwealth Bank of Australia | Banks - 7.0% | 8,825,088 |
| 65,900 | CSL Ltd. | Biotechnology - 7.4% | 9,370,588 |
| 122,000 | DuluxGroup Ltd. | Chemicals - 0.5% | 608,376 |
| 361,500 | Goodman Group, REIT | Equity Real Estate Investment Trusts (REIT) - 2.4% | 3,076,695 |
| 241,000 | Incitec Pivot Ltd. | Chemicals - 0.5% | 581,674 |
| 710,900 | Medibank Pvt Ltd. | Insurance - 1.1% | 1,355,283 |
| 189,300 | National Australia Bank Ltd. | Banks - 2.6% | 3,287,128 |
| 408,300 | Oil Search Ltd. | Oil, Gas & Consumable Fuels - 1.8% | 2,324,728 |
| 363,100 | Origin Energy Ltd.(b) | Oil, Gas & Consumable Fuels - 1.5% | 1,897,056 |
| 69,300 | Perpetual Ltd. | Capital Markets - 1.3% | 1,650,471 |
| 1,556,400 | Telstra Corp. Ltd. | Diversified Telecommunication Services - 2.8% | 3,528,724 |
| 281,400 | Treasury Wine Estates Ltd. | Beverages - 2.5% | 3,166,878 |
| 1,402,700 | Vicinity Centres | Equity Real Estate Investment Trusts (REIT) - 2.1% | 2,670,556 |
| 340,400 | Westpac Banking Corp. | Banks - 4.8% | 6,083,636 |
| 225,300 | Woodside Petroleum Ltd. | Oil, Gas & Consumable Fuels - 4.4% | 5,635,523 |
| 163,900 | Woolworths Group Ltd. | Food & Staples Retailing - 2.8% | 3,502,214 |
| | | | 96,305,980 |
| FRANCE - 0.9% | | | |
| 128,880 | Unibail-Rodamco-Westfield(b) | Equity Real Estate Investment Trusts (REIT) - 0.9% | 1,156,765 |
| NEW ZEALAND - 10.8% | | | |
| 905,200 | Auckland International Airport Ltd.(b) | Transportation Infrastructure - 3.6% | 4,587,628 |
| 326,700 | Fisher & Paykel Healthcare Corp. Ltd. | Health Care - 2.3% | 2,854,150 |
| 1,059,600 | Spark New Zealand Ltd.(b) | Diversified Telecommunication Services - 2.3% | 2,970,409 |
| 103,400 | Xero Ltd.(b) | Software - 2.6% | 3,294,282 |
| | | | 13,706,469 |

See Notes to Portfolio of Investments.

Aberdeen Australia Equity Fund, Inc.

Portfolio of Investments (unaudited) (continued)

As of January 31, 2019

| Shares | Description | Industry and Percentage of Net Assets | Value (US\$) |
|--|---|---------------------------------------|-----------------------|
| UNITED KINGDOM - 6.2% | | | |
| 99,700 | Rio Tinto PLC - London Listing | Metals & Mining - 4.3% | \$ 5,515,616 |
| 936,900 | South32 Ltd. - London Listing | Metals & Mining - 1.9% | 2,393,154 |
| | | | 7,908,770 |
| UNITED STATES - 2.5% | | | |
| 327,800 | ResMed, Inc. | Health Care - 2.5% | 3,140,401 |
| Total Long-Term Investments - 96.4% | | | |
| (cost \$119,920,738) | | | 122,218,385 |
| SHORT-TERM INVESTMENT - 0.4% | | | |
| UNITED STATES - 0.4% | | | |
| 528,995 | State Street Institutional U.S. Government Money Market Fund, Premier Class, 2.32%(c) | | 528,995 |
| Total Short-Term Investment - 0.4% | | | |
| (cost \$528,995) | | | 528,995 |
| Total Investments - 96.8% | | | |
| (cost \$120,449,733) | | | 122,747,380 |
| Other Assets in Excess of Liabilities - 3.2% | | | 3,996,219 |
| Net Assets - 100.0% | | | \$ 126,743,599 |

(a) All securities are fair valued. Fair values are determined pursuant to procedures approved by the Fund's Board of Directors. Unless otherwise noted, securities are valued by applying valuation factors to the exchange traded prices. See Note (a) of the accompanying Notes to Portfolio of Investments.

(b) Non-income producing security.

(c) Registered investment company advised by State Street Global Advisors. The rate shown is the 7 day yield as of January 31, 2019.

PLC Public Limited Company

REIT Real Estate Investment Trust

See Notes to Portfolio of Investments.

Aberdeen Australia Equity Fund, Inc.

Notes to Portfolio of Investments (unaudited)

January 31, 2019

Summary of Significant Accounting Policies

a. Security Valuation:

The Fund values its securities at current market value or fair value, consistent with regulatory requirements. Fair value is defined in the Fund's Valuation and Liquidity Procedures as the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants without a compulsion to transact at the measurement date.

In accordance with the authoritative guidance on fair value measurements and disclosures under GAAP, the Fund discloses the fair value of its investments using a three-level hierarchy that classifies the inputs to valuation techniques used to measure the fair value. The hierarchy assigns Level 1, the highest level, measurements to valuations based upon unadjusted quoted prices in active markets for identical assets, Level 2 measurements to valuations based upon other significant observable inputs, including adjusted quoted prices in active markets for similar assets, and Level 3, the lowest level, measurements to valuations based upon unobservable inputs that are significant to the valuation. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability, which are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement.

Equity securities that are traded on an exchange are valued at the last quoted sale price on the principal exchange on which the security is traded at the Valuation Time subject to application, when appropriate, of the valuation factors described in the paragraph below. The Valuation Time is as of the close of regular trading on the New York Stock Exchange (usually 4:00 p.m. Eastern Time). In the absence of a sale price, the security is valued at the mean of the bid/ask price quoted at the close on the principal exchange on which the security is traded. Securities traded on NASDAQ are valued at the NASDAQ official closing price. Closed-end funds and exchange-traded funds (ETFs) are valued at the market price of the security at the Valuation Time. A security using any of these pricing methodologies is determined to be a Level 1 investment.

Foreign equity securities that are traded on foreign exchanges that close prior to 4:00 p.m. Eastern time are valued by applying

valuation factors to the last sale price or the mean price as noted above. Valuation factors are provided by an independent pricing service provider. These valuation factors are used when pricing a Fund's portfolio holdings to estimate market movements between the time foreign markets close and the time a Fund values such foreign securities. These valuation factors are based on inputs such as depositary receipts, indices, futures, sector indices/ETFs, exchange rates, and local exchange opening and closing prices of each security.

Short-term investments are comprised of cash and cash equivalents invested in short-term investment funds which are redeemable daily. The Fund sweeps available cash into the State Street Institutional U.S. Government Money Market Fund, which has elected to qualify as a government money market fund pursuant to Rule 2a-7 under the 1940 Act and has an objective, which is not guaranteed, to maintain a \$1.00 per share net asset value. Generally, these investment types are categorized as Level 1 investments.

In the event that a security's market quotations are not readily available or are deemed unreliable (for reasons other than because the foreign exchange on which they trade closed before the Valuation Time), the security is valued at fair value as determined by the Fund's Pricing Committee, taking into account the relevant factors and surrounding circumstances using valuation policies and procedures approved and established by the Board. A security that has been fair valued by the Fund's Pricing Committee may be classified as Level 2 or Level 3 depending on the nature of the inputs.

Aberdeen Australia Equity Fund, Inc.

Notes to Portfolio of Investments (unaudited) (concluded)

January 31, 2019

The three-level hierarchy of inputs is summarized below:

Level 1 quoted prices in active markets for identical investments;

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk); or

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

The following is a summary of the inputs used as of January 31, 2019 in valuing the Fund's investments at fair value. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Please refer to the Portfolio of Investments for a detailed breakout of the security types:

| | Level 1-Quoted Prices (\$) | Level 2-Other Significant Observable Inputs (\$) | Level 3-Significant Unobservable Inputs (\$) | Total (\$) |
|-------------------------------------|-------------------------------|---|--|-----------------------|
| <u>Investments, at Value</u> | | | | |
| Investments in Securities | | | | |
| Common Stocks | \$ | \$ 122,218,385 | \$ | \$ 122,218,385 |
| Short-Term Investment | 528,995 | | | 528,995 |
| Total | \$ 528,995 | \$ 122,218,385 | \$ | \$ 122,747,380 |

Amounts listed as are \$0 or round to \$0.

For the period ended January 31, 2019, there were no significant changes to the fair valuation methodologies.

Aberdeen Australia Equity Fund, Inc.

Item 2 Controls and Procedures

- (a) The Registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the Investment Company Act of 1940 (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There was no change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940 (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits

- (a) Certification of Principal Executive Officer and Principal Financial Officer of the Registrant as required by Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) is attached hereto as Exhibit 99.302CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Aberdeen Australia Equity Fund, Inc.

By: */s/ Christian Pittard*
Christian Pittard,

Principal Executive Officer of Aberdeen

Australia Equity Fund, Inc.

Date: March 29, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: */s/ Christian Pittard*
Christian Pittard,

Principal Executive Officer of

Aberdeen Australia Equity Fund, Inc.

Date: March 29 2019

By: */s/ Andrea Melia*
Andrea Melia,

Principal Financial Officer of

Aberdeen Australia Equity Fund, Inc.

Date: March 29, 2019