

Aberdeen Asian Income Fund Limited



Investment objective

To provide investors with a total return primarily through investing in Asian Pacific securities, including those with an above-average yield. The Company does not expect to have any significant Japanese exposure.

Benchmark

The Company's portfolio is constructed without reference to the composition of any stockmarket index or benchmark. It is likely, therefore, that there will be periods when its performance will be quite unlike that of any index or benchmark and there can be no assurance that such divergence will be wholly or even primarily to the Company's advantage. The Company and Manager measures its performance against the MSCI AC Asia Pacific ex Japan Index (in sterling terms).

Cumulative performance (%)

	as at 31/12/09	1 month	3 months	6 months	1 year	3 years
Share Price	136.5p	4.0	6.6	23.8	40.0	39.4
Diluted NAV ^a	134.3p	4.8	4.4	25.6	33.5	38.9
Warrant 2013 Price	30.3p	2.5	18.6	37.5	142.0	4.3
MSCI AC Asia Pacific ex Japan		5.3	5.1	33.0	54.6	39.7

Discrete performance (%)

Year ending:	31/12/09	31/12/08	31/12/07	31/12/06
Share Price	40.0	(3.1)	2.7	7.9
Diluted NAV ^a	33.5	(8.6)	13.9	11.5
Warrant 2013 Price	142.0	(45.1)	(21.6)	34.9
MSCI AC Asia Pacific ex Japan	54.6	(33.0)	34.9	16.8

Total return; NAV to NAV, net income reinvested, GBP. Share price total return is on a mid-to-mid basis. Dividend calculations are to reinvest as at the ex-dividend date. NAV returns based on NAVs with debt valued at par. Source: Aberdeen Asset Managers Limited, Factset and Morningstar.

^a Excluding current year revenue.

Past performance is not a guide to future performance. The value of shares may go down as well as up and an investor may not get back the amount invested.

Fund managers' report

Market Review

Asian markets rose in December as economic data continued to improve across most of the region. Among the best performing markets were Taiwan and Korea, with their exports posting the first increase in more than a year.

China's recovery continued to gather pace in November on the back of brisk bank lending, while India posted a strong rebound in industrial activity, despite shrinking farm output caused by the poor monsoon.

Inflation accelerated in China, India and Thailand. Most central banks kept interest rates at record lows but Australia raised rates for a third consecutive month.

In policy news, Beijing stepped up measures to curb real estate speculation and reduce overcapacity in several industries. In India, policymakers plan to help finance infrastructure spending from the sale of shares in three state-owned power companies.

Fund managers' report continues overleaf

The risks outlined overleaf relating to gearing, emerging markets, exchange rate movements and warrants are particularly relevant to this trust but should be read in conjunction with all warnings and comments given.

Ten largest holdings

	Country	%
DB Indo CLN 10% 22/7/17 IDR 'FR28'	Indonesia	5.9
Siam Cement	Thailand	5.3
Taiwan Mobile	Taiwan	4.8
United Overseas Bank	Singapore	4.7
Oversea-Chinese Banking Corp.	Singapore	4.5
Swire Pacific	Hong Kong	4.5
QBE Insurance	Australia	4.3
Taiwan Semiconductor	Taiwan	4.3
British American Tobacco	Malaysia	4.2
Commonwealth Bank	Australia	4.2
Total		46.7
Total number of investments		34

Country allocation (%)

	Trust	Regional Index	Month's market change
Singapore	23.5	4.9	7.2
Malaysia	15.3	2.8	2.3
Australia	14.8	28.0	3.4
Thailand	14.3	1.4	9.1
Taiwan	9.2	12.0	10.3
Indonesia	8.0	2.0	7.4
Hong Kong	6.2	7.8	3.8
China	2.9	18.9	2.1
New Zealand	1.8	0.4	5.7
Philippines	1.4	0.4	4.4
Korea	0.0	13.4	10.1
India	0.0	7.9	5.2
Cash	2.6	n/a	n/a
Total	100.0	100.0	

Month's market change represents the individual country returns calculated using the MSCI Index series (£). Market change is total return in GBP.

Index may not add up to 100 due to rounding.

Source: Aberdeen Asset Managers Limited and MSCI.

Portfolio characteristics

Three years to 31 December 2009 (£)

	Trust	Regional Index
Annualised statistics		
Rate of return	11.6	11.8
Standard deviation	20.5	27.2
Tracking Error	13.2	-
Information Ratio	(0.1)	-
Monthly statistics		
Max return	17.2	16.2
Min return	(17.0)	(16.7)
Average return	1.1	1.2
Regression statistics		
Beta	0.7	1.0
Correlation to index	0.9	1.0

Source: Aberdeen Asset Managers Ltd, Russell/Mellon Analytical Services. Market Proxy: MSCI AC Asia Pacific Ex Japan, Risk Free Proxy: Sterling 3 months Interbank Rate.

Further information

Private investors **0500 00 00 40**
 Institutional investors **Kenneth Harper**
+44 (0)131 528 4000
 Website **www.asian-income.co.uk**

Receive the factsheet of your choice by email as soon as they are available by registering at **www.investments.co.uk/ITemail**

All sources (unless indicated): Aberdeen Asset Managers Limited 31 December 2009.

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Fund managers' report – continued

Portfolio Review

There were no major changes to the portfolio in December.

In other portfolio-related news, Oversea-Chinese Banking Corporation and United Overseas Bank said they have little exposure to Dubai World. Separately, Taiwan Mobile secured conditional approval from Taiwan's Fair Trade Commission to acquire cable TV provider Kbro, while Taiwan Semiconductor Manufacturing Company invested US\$193 million in solar cell maker Motech Industries through a private placement.

Outlook

Looking ahead, Asian markets may continue to rise, although it will be harder to make headway, given the strong performances posted in 2009. Recent corporate earnings growth has been driven by one-off factors, such as cost-cutting and inventory restocking, and a more fundamental improvement in profitability will be required if the rally is to be sustained. On the other hand, rising fiscal indebtedness will pressure governments of developed economies in Japan and the West to withdraw stimulus support, increasing the risk of policy mistakes. With the inherent imbalances in the global economy still not addressed, the likelihood of a global correction appears to have been carried over into 2010. In such an environment, we see our stock-picking approach as especially relevant. Our well-managed holdings are financially sound, and should emerge stronger, whatever the current headwinds.

Key information

Calendar	
Year end	31 December
Accounts published	March
AGM	May
Warrants exercisable	2010 - 2013
Exercise price	120p
Dividend paid	February, August
Launch date	December 2005

Fund manager	Asian Equities Team
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Total expense ratio	1.6% ^B
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^B Year ended 31 December 2008.

Annual management fee	1.0%
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Premium/(Discount)	1.6%
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Yield	3.5%
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Gearing^C	6.9%
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Assets	£m
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Gross assets	165.1
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Debt	10.6
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Prior charges	nil
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^C Gearing is expressed as a percentage of gross assets, which includes current year revenue, divided by shareholders' funds.

Capital structure

Ordinary shares	109,490,000
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Warrants 2013	22,000,000
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Allocation of expenses and interest

Capital	60%
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Revenue	40%
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Borrowing policy

Up to 25% of net assets (measured at the time any borrowings are drawn down). The Company will not have any fixed, long-term borrowings.

Trading details

Bloomberg/Epic/Reuters code	AAIF
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Stockbroker	Canaccord Adams
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Market makers	SETSm
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Important information

Risk factors you should consider prior to investing:

- Investment in the Company should be regarded as medium to long-term in nature and may not be suitable as a short-term investment.
- In common with most investment companies, investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of that NAV. There is no guarantee the company will realise its investment objective. The exercise of Warrants will result in a dilution of Shareholders' interests if the net asset value of the Ordinary Shares exceeds the exercise price payable on the exercise of a Warrant at the relevant time.
- The Company may invest in securities that are not readily tradable or may accumulate investment positions that represent a significant multiple of the normal trading volumes of an investment, which may make it difficult for the Company to sell its investments and may lead to volatility in the market price of the Ordinary Shares.
- Any debt securities that may be held by the Company will be affected by general changes in interest rates that will in turn result in increases and decreases in the market value of those instruments. When interest rates decline, the value of the Company's investments in fixed rate debt obligations can be expected to rise and, when interest rates rise, the value of those investments may decline. Adverse changes in the financial position of an issuer of debt securities or general economic conditions may impair the ability of the issuer to meet interest payments and repayments of principal. Accordingly, any debt securities that may be held by the Company will also be subject to the inherent credit or default risks associated with debt securities and there can be no assurance as to the levels of default and/or recovery that may be experienced with regard to such investments.
- Movements in exchange rates can impact on both the level of income received and the capital value of your investment. If the currency of your country of residence strengthens against the currency in which the underlying investments of the Company are made, the value of your investment will reduce and vice versa.
- The Company invests in emerging markets which tend to be more volatile than mature markets and the value of your investment could move sharply up or down. In some circumstances the underlying investments may become illiquid which may constrain the Investment Manager's ability to realise some or all of the portfolio. The registration and settlement arrangements in emerging markets may be less developed than in more mature markets so the operational risks of investing are higher. Political risks and adverse economic circumstances are more likely to arise putting the value of your investment at risk.
- The Company invests in small companies, and / or companies investing in technology or venture and development capital stocks where the potential volatility may increase the risk to the value of your investment. Above average price movements may be expected.
- The value of shares and the income from them can go down as well as up and you may get back less than the amount invested.
- Past performance is not a guide to the future.
- There is no guarantee that the market price of shares in the Company will fully reflect their underlying Net Asset Value. As with all stock exchange investments on purchase, the value of investment trust shares will immediately fall by the difference between the buying and selling prices, the bid-offer spread.
- As with all stock exchange investments the value of investment trust shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread.

Other Important Information:

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