

# 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 31/07/10	1 month	3 months	6 months	1 year	3 years
Share Price	149.8p	1.5	1.7	15.4	36.7	59.6
Diluted NAV <sup>a</sup>	145.2p	1.3	0.0	13.5	28.5	42.1
Warrant 2013 Price	30.5p	5.2	(4.7)	1.7	35.6	4.3
MSCI AC Asia Pacific ex Japan		2.7	(5.5)	9.2	22.9	20.7

## Discrete performance (%)

Year ending:	31/07/10	31/07/09	31/07/08	31/07/07
Share Price	36.7	10.5	5.7	15.2
Diluted NAV <sup>a</sup>	28.5	13.4	(2.5)	28.0
Warrant 2013 Price	35.6	55.2	(50.4)	18.2
MSCI AC Asia Pacific ex Japan	22.9	7.7	(8.8)	39.2

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.

<sup>a</sup> 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

Most Asian stock markets rose in July, backed by upbeat economic data and corporate results, along with positive stress test results for European banks, which outweighed fears of a double-dip recession.

Economic growth was uneven in the region. China's second-quarter growth decelerated; whereas Singapore registered record growth and Korea's expansion exceeded expectations.

Inflation remained a threat and Korea, New Zealand, Malaysia and Thailand responded with interest rate hikes. In India the rate rise was higher than anticipated. Conversely, Sri Lanka cut interest rates.

In politics, Australia set its general election for late August. Hong Kong approved its first minimum wage bill, while agreeing with China to lift restrictions on using the yuan. Meanwhile, India will start conducting banking sector stress tests every six months.

*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	6.2
Taiwan Mobile	Taiwan	4.6
United Overseas Bank	Singapore	4.6
British American Tobacco	Malaysia	4.4
Swire Pacific 'A' & 'B'	Hong Kong	4.4
Oversea-Chinese Banking Corp.	Singapore	4.3
Taiwan Semiconductor	Taiwan	3.9
QBE Insurance	Australia	3.8
Siam Cement	Thailand	3.5
Guinness Anchor	Malaysia	3.3

**Total** 43.0

**Total number of investments** 38

## Country allocation (%)

	AAIF	Regional Index	Month's market change
Singapore	24.3	5.3	3.1
Australia	18.9	26.1	7.2
Malaysia	18.2	3.0	0.9
Thailand	9.6	1.6	1.4
Taiwan	8.5	11.2	4.7
Indonesia	8.0	2.5	1.6
Hong Kong	6.9	7.8	1.1
China	2.6	19.5	(0.3)
New Zealand	1.4	0.3	2.5
Philippines	1.3	0.5	(1.8)
Korea	0.0	14.1	2.8
India	0.0	8.1	(3.8)
Cash	0.3	n/a	n/a
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

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 July 2010 (£)

	Trust	Regional Index
<b>Annualised Statistics</b>		
Rate of return	12.4	6.5
Standard deviation	20.7	28.1
Tracking Error	13.4	–
Information Ratio	0.3	–
<b>Monthly Statistics</b>		
Max return	17.2	16.2
Min return	(17.0)	(16.7)
Average return	1.2	0.9
<b>Regression Statistics</b>		
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

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Website [www.asian-income.co.uk](http://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](http://www.investments.co.uk/ITemail)

All sources (unless indicated): Aberdeen Asset Managers Limited 31 July 2010.

## Aberdeen Asian Income Fund Limited

## Fund managers' report – continued

## Portfolio Review

During the month, we initiated a position in Lafarge Malayan Cement, the country's largest domestic cement player, given its market position and strong dividend yield. We also topped up Australian insurer QBE Insurance, on share price weakness. Its share price fell after the company downgraded its profit expectations because of rising claim liabilities and a fall in investment returns, which we had anticipated but do not consider detrimental to the insurer's long-term attractiveness.

In portfolio-related news, rejigging within Swire Pacific ended with the group owning 75% of HAECO after failing to garner sufficient shareholder support. Swire also delivered very respectable first-half results.

## Outlook

While the global economy did not suffer a severe relapse, the recovery in the West remains fragile, with deep structural problems are still unresolved. In Asia, leading indicators have undoubtedly started to signal slower growth after the sharp rebound, but governments have sufficient reserves to pump prime should the situation demand. Although we maintain a cautious outlook, we are confident that our holdings, which are characterised by solid balance sheets, experienced management and sound business practices, will be able to meet whatever challenges lie around the corner.

## Key information

<b>Calendar</b>	
Year end	31 December
Accounts published	April
AGM	May
Warrants exercisable	2010 - 2013
Exercise price	120p
Dividend paid	February, May August, November
Launch date	December 2005
<b>Fund manager</b>	<b>Asian Equities Team</b>
<b>Total expense ratio</b>	1.4% <sup>B</sup>
<sup>B</sup> Year ended 31 December 2009.	
<b>Annual management fee</b>	1.0%
<b>Premium/(Discount)</b>	3.1%
<b>Yield</b>	3.7%
<b>Gearing<sup>C</sup></b>	6.4%
<b>Assets</b>	
Gross assets	£m 181.3
Debt	10.9
Prior charges	nil
<sup>C</sup> Gearing is expressed as a percentage of gross assets, which includes current year revenue, divided by shareholders' funds.	
<b>Capital structure</b>	
Ordinary shares	112,450,999
Warrants 2013	21,839,001
<b>Allocation of expenses and interest</b>	
Capital	60%
Revenue	40%
<b>Borrowing policy</b>	
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.	
<b>Trading details</b>	
Bloomberg/Epic/Reuters code	AAIF
Stockbroker	Canaccord Genuity
Market makers	SETSmm

## 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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