

Aberdeen Asian Smaller Companies Investment Trust PLC



Investment objective

The objective of Aberdeen Asian Smaller Companies Investment Trust PLC is to maximise total return to shareholders over the long term from a portfolio of smaller quoted companies (with a market capitalisation of up to approximately US\$750m at the time of investment) in the economies of Asia and Australasia, outside Japan.

Comparative Benchmark

There has not always been a meaningful smaller companies index against which to compare the performance of the Company. Accordingly, the Manager utilises two general regional indices, the MSCI AC Asia Pacific ex Japan (currency adjusted) and the MSCI AC Asia Pacific ex Japan Small Cap (currency adjusted), as well as peer group comparisons for Board reporting. It is likely that performance will diverge, possibly quite dramatically in either direction, from these or any other indices.

Cumulative performance (%)

	as at 31/12/09	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	390.5p	9.2	17.9	40.8	64.5	26.9	123.2
Diluted NAV ^A	441.0p	6.1	13.2	40.5	57.3	49.0	138.6
Undiluted NAV ^A	482.2p	5.1	12.2	40.4	57.9	46.0	127.3
Warrant 2010 Price	279.5p	8.5	19.7	57.5	107.8	28.8	171.4
MSCI AC Asia Pacific ex Japan		5.3	5.1	33.0	54.6	39.7	120.8
MSCI AC Asia Pacific ex Japan Small Cap ^B		7.6	10.1	40.1	88.1	42.6	133.3

Discrete performance (%)

Year ending:	31/12/09	31/12/08	31/12/07	31/12/06	31/12/05
Share Price	64.5	(22.3)	(0.8)	15.9	51.8
Diluted NAV ^A	57.3	(23.0)	23.0	14.8	39.4
Undiluted NAV ^A	57.9	(24.3)	22.2	13.6	37.1
Warrant 2010 Price	107.8	(37.0)	(1.6)	19.2	76.7
MSCI AC Asia Pacific ex Japan	54.6	(33.0)	34.9	16.8	35.3
MSCI AC Asia Pacific ex Japan Small Cap ^B	88.1	(44.0)	35.4	18.5	38.1

^A Excluding current year revenue.

^B The MSCI AC Asia Pacific ex Japan Small Cap Index was first introduced by MSCI on the 31st of May 2007. However MSCI have subsequently gone back and created index values for this index dating back to the 31st of May 1994.

Total return; NAV to NAV, net income reinvested, GBP.

Source: Aberdeen Asset Managers Limited, Factset and Morningstar. 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.

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 small cap equities outperformed the broader asset class 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.

Fund managers' report continues overleaf

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

Ten largest equity holdings

	Country	%
Bukit Sembawang Estates	Singapore	5.2
Bank OCBC NISP	Indonesia	4.2
LPI Capital	Malaysia	3.1
WBL	Singapore	3.1
Castrol	India	2.8
Multi Bintang	Indonesia	2.8
AEON Co.	Malaysia	2.7
Wheelock Properties	Singapore	2.7
Godrej Consumer Products	India	2.6
Hana Microelectronics	Thailand	2.4
Total		31.6
Total number of investments		63

Country allocation (%)

	Trust	Regional Index	Month's market change
Singapore	17.8	4.9	7.2
Hong Kong	16.1	7.8	3.8
Malaysia	15.1	2.8	2.3
India	14.8	7.9	5.2
Indonesia	9.7	2.0	7.4
Thailand	9.0	1.4	9.1
Philippines	5.2	0.4	4.4
Sri Lanka	5.1	0.0	17.0
Korea	1.7	13.4	10.1
Other Asia	1.4	n/a	n/a
New Zealand	1.3	0.4	5.7
Pakistan	1.0	n/a	2.4
Australia	0.0	28.0	3.4
Taiwan	0.0	12.0	10.3
China	0.0	18.9	2.1
Cash	1.8	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	14.2	11.8
Standard deviation	21.5	27.2
Tracking Error	14.9	-
Information Ratio	0.0	-
Monthly statistics		
Max return	17.3	16.2
Min return	(15.9)	(16.7)
Average return	1.3	1.2
Regression statistics		
Beta	0.7	1.0
Correlation to index	0.8	1.0

Source: Aberdeen Asset Managers Limited and Russell Mellon Analytical Services. Market Proxy: MSCI AC Asia Pacific ex Japan, Risk-free proxy is Sterling 3 months Interbank Rate.

Further information

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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

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, Sri Lanka 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.

Portfolio review

There were no major changes to the portfolio over the month.

In corporate results, Hong Kong's Hung Hing Printing and Kingmaker reported decent interim earnings, while Malaysia's AEON Credit and United Malacca's quarterly results were in line with forecasts. Pos Malaysia's nine-month results disappointed slightly because of lower revenues and interest income. Elsewhere, Jollibee divested two Taiwanese restaurants to focus on core brands in China.

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 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 July
Accounts published	October
AGM	November
Warrants exercisable	30 November 2009 - 2010
Exercise price	100p
Dividend paid	November
Launch date	October 1995
Fund manager	Asian Equities Team
Total expense ratio^c	1.9%
^c Year ended 31 July 2009.	
Annual management fee	1.2%
Premium/(Discount)^d	(11.4)%
^d Based on Diluted NAV.	
Yield	1.3%
Gearing^e	4.8%
Assets	£m
Gross assets	160.3
Debt	7.4
Prior charges	nil
^e Gearing is expressed as a percentage of gross assets, which includes current year revenue, divided by shareholders' funds.	
Capital structure	
Ordinary shares	31,573,684
Warrants	3,823,595
Treasury shares	1,749,221
Allocation of expenses and interest	
Capital	0%
Revenue	100%
Trading details	
Reuters/Epic/Bloomberg code	AAS
Stockbrokers	Matrix Corporate Capital LLP
Market makers	SETSmm

Important information

Risk factors you should consider prior to investing:

- 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. 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.
- 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 Trust are made, the value of your investment will reduce and vice versa.
- The Trust 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 Trust 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 Trust will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments, the value of investment trust shares on purchase will immediately fall by the difference between the buying and selling prices, known as the bid-offer spread.

Other Important Information:

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