

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 31/01/10	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	380.0p	(2.7)	10.8	28.1	58.1	29.4	91.6
Diluted NAV ^A	435.8p	(1.2)	8.9	25.7	59.3	41.3	124.3
Undiluted NAV ^A	476.5p	(1.2)	8.0	23.3	60.0	38.1	112.5
Warrant 2010 Price	274.3p	(1.9)	10.8	39.6	91.1	31.2	118.5
MSCI AC Asia Pacific ex Japan		(5.6)	2.6	12.5	58.4	32.8	103.5
MSCI AC Asia Pacific ex Japan Small Cap ^B		(4.8)	7.0	18.7	94.9	35.9	116.4

Discrete performance (%)

Year ending:	31/01/10	31/01/09	31/01/08	31/01/07	31/01/06
Share Price	58.1	(13.3)	(5.6)	8.2	36.9
Diluted NAV ^A	59.3	(20.3)	11.3	16.5	36.3
Undiluted NAV ^A	60.0	(21.6)	10.1	16.2	32.3
Warrant 2010 Price	91.1	(22.2)	(11.7)	8.9	53.0
MSCI AC Asia Pacific ex Japan	58.4	(29.5)	18.9	12.1	36.7
MSCI AC Asia Pacific ex Japan Small Cap ^B	94.9	(40.4)	17.0	16.3	36.9

^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 recorded declines largely in line with the broader asset class in January, with sentiment hurt by fears about monetary tightening in China, along with proposed banking reforms and disappointing employment data in the US. Among the laggards were China, Hong Kong and Taiwan, whereas Indonesia bucked the downtrend.

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	4.7
Bank NISP	Indonesia	4.1
LPI Capital	Malaysia	3.2
WBL	Singapore	3.1
AEON Co.	Malaysia	2.9
Castrol	India	2.9
Multi Bintang	Indonesia	2.8
Wheelock Properties	Singapore	2.7
Hana Microelectronics	Thailand	2.5
Godrej Consumer Products	India	2.4
Total		31.3
Total number of investments		62

Country allocation (%)

	Trust	Regional Index	Month's market change
Singapore	16.9	4.9	(5.3)
Hong Kong	16.5	7.8	(5.9)
Malaysia	15.4	3.0	(0.1)
India	14.4	8.0	(4.6)
Indonesia	9.6	2.2	2.8
Thailand	9.0	1.4	(4.6)
Sri Lanka	5.4	0.0	n/a
Philippines	4.9	0.4	(5.1)
Other Asia	1.6	0.0	n/a
Australia	0.0	27.8	(6.3)
China	0.0	18.6	(7.9)
Korea	1.5	13.6	(3.6)
Taiwan	0.0	12.0	(5.8)
New Zealand	1.3	0.4	(5.3)
Pakistan	1.2	0.0	n/a
Cash	2.3	0.0	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 January 2010 (£)

	Trust	Regional Index
Annualised statistics		
Rate of return	12.2	9.9
Standard deviation	21.4	27.5
Tracking Error	14.8	-
Information Ratio	0.0	-
Monthly statistics		
Max return	17.3	16.2
Min return	(15.9)	(16.7)
Average return	1.2	1.1
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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 Institutional investors **Kenneth Harper**
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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 January 2010.

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Fund managers' report – continued

China unexpectedly raised the proportion of deposits that banks must set aside as reserves in an attempt to curb bank lending. India similarly hiked lenders' reserve ratios. Most central banks in the region continued to keep interest rates unchanged, even though inflation has started to creep higher.

Exports saw a growth spurt across most of the region, boosted by China's sharp fourth-quarter GDP growth. Only Korea's economic growth rate decelerated amid declining exports and domestic demand.

In politics, Sri Lanka's incumbent president Mahinda Rajapaksa was re-elected in the nation's first peacetime election in decades. Despite winning, the president arrested his key opponent, which augurs badly for the country.

Portfolio review

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

Corporate results were largely positive: India's Godrej Consumer Products reported healthy sales volume and profit growth, while paint companies ICI India and Kansai Nerolac were boosted by benign raw material costs; Hong Kong's AEON Stores' sales and average spending rose during Christmas, while in Thailand, loans growth, fees and investment gains underpinned Tisco Financial's full-year earnings. Conversely, South Korea's Daegu Bank was hurt by its exposure to Kumho's losses, albeit its core operating performance was encouraging.

Outlook

Looking ahead, it is uncertain how long the market correction will last. In the near term, sentiment appears highly sensitive to worries about the removal of fiscal stimulus and the start of the monetary tightening cycle. The faster regional economies recover, the more nervous investors will become. Given the extent of last year's rally, however, such a pullback would be healthy as market valuations will realign with fundamentals and present buying opportunities. As bottom-up stock pickers with a focus on quality, we are cautiously optimistic about the year ahead, believing that markets will become more discriminating after last year in which, generally, the shares of weaker companies performed best. Our focus will remain on well-run businesses that have good long-term prospects, emerging from the downturn in a stronger position than they entered it.

Key information

Calendar	
Year end	31 July
Accounts published	October
AGM	November
Warrants expire	30 November 2010
Exercise price	100p
Dividend paid	November
Launch date	October 1995

Fund manager	Asian Equities Team
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Total expense ratio^c	1.9%
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^c Year ended 31 July 2009.

Annual management fee	1.2%
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Premium/(Discount)^p	(12.8)%
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^p Based on Diluted NAV.

Yield	1.3%
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Gearing^e	4.3%
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Assets	£m
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Gross assets	157.6
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Debt	6.5
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Prior charges	nil
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^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
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Warrants	3,823,595
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Treasury shares	1,749,221
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Allocation of expenses and interest

Capital	0%
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Revenue	100%
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Trading details

Reuters/Epic/Bloomberg code	AAS
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Stockbrokers	Matrix Corporate Capital LLP
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Market makers	SETSmm
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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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