Aberdeen Asian Opportunities Fund

Aberdeen

Investment objective

To provide investors with high capital growth over the medium to long-term (minimum between 3 to 5 years) by seeking exposure to the Asian markets (other than the Japanese market).

Investment strategy

The Aberdeen Asian Opportunities Fund invests in a carefully researched, diversified portfolio of Asian securities of around 40-60 stocks.

Utilising Aberdeen's experience and proven investment philosophy and approach that is replicated and consistent across all of our trading desks, we take advantage of any benefits and opportunities we see from a flexible universe.

Performance summary

	1 Month %	3 Months %	1 Year %	3 Years %pa	5 Years %pa	Since Inception^ %pa
Asian Opportunities Fund Net returns*	0.83	2.51	33.70	1.04	9.59	10.89
Asian Opportunities Fund Gross returns**	0.92	2.81	35.25	2.24	10.88	12.19
MSCI AC Asia Free ex Japan Index returns	-0.22	0.77	31.48	-0.84	8.47	8.92
Net returns* vs Index	1.05	1.74	2.22	1.88	1.12	1.97
Gross returns** vs Index	1.14	2.04	3.77	3.08	2.41	3.27

* Net performance figures are calculated using end-of-month exit prices, post standard fees, reflect the annual reinvestment of distributions and make no allowance for tax. If investing through an IDPS Provider, the total after fees performance returns of your investment in the Fund may be different from the information we publish due to cash flows specific to your portfolio and any fees charged by the IDPS Provider.
** Gross Performance figures are calculated using end-of-month exit prices, pre-fees, reflect the annual reinvestment of distributions and make no allowance for tax. These returns are provided for the purpose of wholesale investors only. Retail investors should refer to net returns.
^This figure represents the annualised performance of the Fund from the first full month of operation.
Past performance is not a reliable indicator of future results.

Performance Review

During the month, the Fund rose by 0.92%, outperforming its benchmark by 1.14% (both before fees). The countries that contributed most to this performance were Taiwan , Hong Kong and India. As bottom-up stock pickers, our country and sector allocations are driven by where we can find quality companies with attractive valuations. This approach may lead to significant deviations from the index.

Our overweight to Hong Kong benefited the portfolio as the market outpaced the broader region. The strong performance of the property sector, where we have exposure through Hang Lung Group, Hang Lung Properties and Sun Hung Kai Properties, also helped the portfolio. Another core holding, semiconductor equipment manufacturer ASM Pacific, rose 13.57% compared to the 3.87% gain in the MSCI Hong Kong Index (local currency), in anticipation of strong corporate results. The company's second-half 2009 results, released subsequently, exceeded our forecast, while its strong order book pointed to a positive outlook.

The underweight to Taiwan was another positive contributor, together with the overweight exposure to India. Indian companies GlaxoSmithKline India and Sun Pharmaceutical rose 12.46% and 4.52% respectively, outstripping the 1.21% rise in the MSCI India Index (local currency). The software sector was also buoyant on the back of results that pointed to a recovery in demand: Infosys Technologies and Tata Consultancy Services saw their share prices rise 5.11% and 3.48% respectively.

Where we lagged was in China. Our underweight position hurt as the market rebounded after concerns over monetary tightening eased. Stock selection also detracted. We hold PetroChina, which underperformed the broader market.

Top ten holdings

	Fund %	Index %
Oversea-Chinese Banking Corp	4.74	0.74
Standard Chartered	4.36	0.00
Samsung Electronics	4.31	3.41
Swire Pacific	4.09	0.41
Jardine Strategic Holdings	3.84	0.00
Sing. Telecommunications	3.72	0.83
Sing. Technologies Engineering	3.58	0.14
United Overseas Bank	3.56	0.78
China Mobile	3.56	2.86
Taiwan Semi Manufacturing	3.38	2.17

Country breakdown

	Fund %	Index %
Hong Kong	22.25	11.14
Singapore	21.64	6.90
China	6.63	26.28
Indonesia	2.01	2.88
India	18.47	11.21
Malaysia	4.79	4.17
Philippines	2.50	0.65
Korea	7.41	18.69
Taiwan	5.48	16.01
Thailand	5.74	2.07
Sri Lanka	0.84	0.00
Cash	2.24	0.00

Sector breakdown

	Fund %	Index %
Energy	6.22	8.29
Materials	2.66	8.07
Industrials	9.58	10.43
Consumer Discretionary	0.00	7.24
Consumer Staples	6.31	4.43
Health Care	0.00	0.56
Financials	52.98	31.13
Information Technology	10.72	18.66
Telecommunication Services	9.29	7.13
Utilities	0.00	4.06
Cash	2.24	0.00

Further information

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There were no major portfolio changes during the month.

Asian markets rose in February (in local currency terms), aided by better-than-expected corporate results and hopes that the global recovery would be sustained. Adding to the upbeat mood were expectations that India would unveil a pro-growth Budget and the European Union's pledge to support crisis-hit Greece. However, gains were pared by the US Federal Reserve's surprise discount rate hike, ongoing concerns over monetary tightening in China and potential sovereign debt contagion across the Eurozone, all of which pose threats to the fragile global recovery. Among the best performing markets were the Philippines, Hong Kong and Thailand, while Sri Lanka, Indonesia and Taiwan lagged.

Fourth-quarter economic growth exceeded expectations, particularly in Indonesia, Taiwan, Thailand and Malaysia, where exports continued to rebound strongly. India and Singapore raised their forecasts for 2010, even though the pace of expansion slowed in the final three months of 2009. Singapore expects its GDP to grow by 6.5% this year, whereas India projects growth to surpass 8%. Both countries unveiled budgets that remained supportive of growth: Indian expenditure will focus on infrastructure, the poor and the rural sector, while Singapore earmarked S$5.5 billion to boost productivity.

Most central banks held interest rates steady, even as inflation continued to advance across the region. China raised lenders' reserve requirements for the second time this year but left interest rates unchanged. India saw wholesale prices reach a 15-month peak in January.

Looking ahead, we are cautious about Asian markets as positive factors such as loose monetary conditions are balanced by rising sovereign risks in the developed world, notably certain countries in Europe. Global imbalances remain essentially unaddressed, and thus continue to pose a risk to stability. Given the extent of last year's rally, it would be healthy for markets to continue to pull back or consolidate because market valuations will realign with fundamentals and present buying opportunities.

In Asia, there is a sense that a more meaningful recovery is underway, although much of that has been the result of government expenditure. With inflation rising again, governments in Asia will come under increasing pressure to turn off the stimulus tap and raise interest rates. While only a few have opted to start tightening monetary policy, most central banks remain supportive of growth.

Key information

APIR Code	EQI0028AU
Benchmark	MSCI AC Asia Free ex Japan ($A unhedged)
Date of Launch	17 October 2003
Income Payable	30 June
MER	1.1811%
Fund Size	A$348.329m
Redemption Unit Price	$1.7467

Important information