Aberdeen Actively Hedged International Equities Fund

Aberdeen

Investment objective

To provide investors with high capital growth over the medium to long term by seeking exposure to companies listed on securities exchanges around the world.

Investment strategy

The Aberdeen International Equity Fund is a high conviction, diversified portfolio of around 40-60 stocks built using a "bottom-up" approach and independent of a benchmark. Utilising Aberdeen's proven investment philosophy and approach, that is replicated and consistent across all of our investment desks, we take advantage of any benefits and opportunities we see from the widest opportunity set available.

Performance summary

	1 Month# %	3 Months# %	1 Year %	3 Years % pa	5 Years % pa	Since Inception^ %pa
Actively Hedged International Equities Fund Net returns*	0.29	-0.14	3.62	-8.53	-1.62	6.83
Actively Hedged International Equities Fund Gross returns**	0.37	0.10	4.63	-7.65	-0.68	7.88
MSCI All Countries World Accumulation Index (ex Aus)	0.80	-2.16	2.25	-9.69	-2.36	4.59
Net returns* vs Index	-0.52	2.02	1.37	1.16	0.75	2.23
Gross returns** vs Index	-0.43	2.26	2.38	2.04	1.69	3.28

#Please Note: 1 month & 3 month returns reflect performance results obtained under the Aberdeen investment process. Prior to 1 June 2009 performance was obtained under a different process and different manager.

* 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 in February 1993.
Please note: Prior to 1 May 2009 the Fund was known as the Credit Suisse International Shares Fund.
Past performance is not a reliable indicator of future results.

Performance review

Over the month, the portfolio returned 0.37%, underperforming the benchmark by 43 basis points (both before fees). From a regional standpoint, negative stock selection was the biggest driver of relative underperformance.

Swiss drug maker Roche deleted the most value on a relative basis. The US Food and Drug Administration's decision to suspend Roche's Avastin drug for treating breast cancer weighed on its share price. Negative sentiment also weighed on Novartis, our other Swiss pharmaceutical stock. Within the US, health care company Johnson & Johnson also underperformed after it lowered its full-year sales expectations because of pricing pressures in Europe and fallout from the US health care reform.

Against this, our three banks performed well: Brazilian lender Banco Bradesco posted solid second-quarter results supported by improving loan growth and asset quality, UK listed Standard Chartered continued to gain market share and improve its credit quality, and Swedish bank Nordea returned to profit as loan losses in the Baltic region fell sharply. Another positive contributor was Spanish insurer Mapfre which announced quarterly results that showed an improvement in underlying operations.

Trading was fairly light this month. We used recent share price weakness to add to our positions in Roche and Johnson & Johnson, as well as Japanese office equipment manufacturer Canon. Against this, we top sliced Mapfre back to model weight following the rebound in its share price.

Top ten holdings

	Fund %	Index %
Vodafone	4.14	0.52
Zurich Financial Services	3.88	0.15
Taiwan Semiconductor Manufacturing	3.85	0.20
ENI	3.54	0.23
Johnson & Johnson	3.50	0.68
Standard Chartered	3.22	0.25
Canon Incorporated	3.17	0.21
Samsung Electronics (Pref)	3.16	0.00
Philip Morris International	3.09	0.41
Tenaris	3.04	0.00

Sector breakdown

	Fund %	Index %
Energy	14.45	10.77
Materials	3.63	7.70
Industrials	9.59	10.75
Consumer Discretionary	2.46	9.72
Consumer Staples	11.41	9.81
Health Care	12.61	8.51
Financials	18.48	21.04
Information Technology	14.56	12.36
Teleco Services	5.12	4.97
Utilities	4.32	4.36
Cash	3.37	0.00

Regional breakdown

	Fund %	Index %
United States	20.45	43.96
Canada	2.09	4.58
Europe (Ex UK)	29.93	17.71
United Kingdom	15.97	8.87
Emerging Europe	0.00	1.77
Middle East	0.00	0.00
Japan	10.35	9.09
Asia Pacific (ex Japan)	13.70	9.67
Latin America	4.14	3.23
Africa	0.00	1.12
Cash	3.37	0.00

Further information

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Aberdeen Actively Hedged International Equities Fund

Global stock markets gained in July, thanks to the IMF's brighter growth outlook, hopes that China is nearing the end of its current tightening cycle, and better-than-expected corporate results. European equities outperformed on optimism over the banking sector stress tests, with just 7 out of 91 lenders failing to meet capital requirements. A successful auction of Spanish bonds further buoyed sentiment.

Investors also largely ignored uneven economic data: China's growth decelerated in the second quarter, along with the monthly industrial output in India and China. The US economy also slowed as consumer spending fell, but home prices gained for a fourth month in May and sales of new homes rebounded from a record low in June. In the Eurozone, manufacturing output accelerated in July.

Markets have enjoyed a rally on hopes that any relapse in the global recovery can be avoided. Recent data suggests that some emerging economies, particularly those in Asia, could be headed for a slowdown, having posted impressive growth so far this year. Others continue to show robust expansion, but face follow-through effects of rising inflation which is prompting interest rate hikes. This policy flexibility reflects the greater scope emerging markets have to manage their economies through these times which contrasts with the deep structural issues which continue to restrict the options available in many developed economies.

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 perform relatively well in the long run.

As at the end July the portfolio held no currency hedging in place. During the month the Australian dollar appreciated against a number of currencies such as the US dollar and Japanese Yen, rising around 6.8% against the US dollar to finish the month at around 90.4 US cents. There was also some minor strength against the British Pound and European Euro. Broadly speaking, weaker than expected US economic data releases and the pushing back of expectations for any form of monetary tightening in the United States led to overall weakness in the US dollar. Global risk appetite also continued to improve following the European sovereign concerns of previous months particularly following the release of the European banking stress tests and some generally better than expected European growth data.

In Australia the overall data flow was generally positive, particularly the June labour force result with employment gains of around 46,000 three times higher than the median consensus forecast of 15,000. Investors continue to expect further modest tightening from the Reserve Bank of Australia. This stands in stark contrast to the policy position of most of the western world. As a result, interest rate spreads continue to favour the AUD particularly during periods where market volatility and risk aversion declines.

Looking ahead the Australian dollar continues to trade towards historically high levels, indeed on some longer term measures it continues to be one of the most overvalued currencies amongst the G10. Factors such as Australia's high interest rate differentials and ever growing trade links to China, particularly on the commodity export front, are likely to be behind this out-performance. Nonetheless, we expect more modest growth from China and the rest of Asia in the remainder of 2010, together with the likelihood that investor risk appetite will continue to remain sensitive to the nature of the global recovery in the coming year. For those reasons we expect overall hedge levels to remain low in the near term.

Key information

APIR Code	CRS0005AU
Benchmark	MSCI All Countries World Accumulation Index (ex Australia)
Date of Launch	February 1993
Income Payable	30 June
MER	0.98% pa
Buy/sell Spread	0.25%/0.25%
Fund Size	A$1,002.6m
Redemption Unit Price	$1.8572

Important information

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