

Aberdeen Asian Opportunities Fund



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*	-3.97	2.76	20.43	-0.22	9.89	10.88
Asian Opportunities Fund Gross returns**	-3.87	3.07	21.84	0.97	11.19	12.19
MSCI AC Asia Free ex Japan Index returns	-4.91	2.38	22.63	-1.38	9.19	9.07
Net returns* vs Index	0.94	0.38	-2.20	1.16	0.70	1.81
Gross returns** vs Index	1.04	0.69	-0.79	2.35	2.00	3.12

* 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

The Fund declined by 3.87% in January outperforming the benchmark by 1.04% (both before fees). Both asset allocation and stock selection contributed positively. The underweight to China contributed the most to relative performance as the market lagged the broader region on concerns over further credit tightening. Elsewhere, the overweight to India contributed as the market continued to perform well, while the underweight to Korea was negative as the market fell less than the regional benchmark.

In terms of stock selection, in China, China Mobile gained 1.24% against the 8.50% decline in the MSCI China index, while Petrochina also did better than the benchmark. Stock selection was also positive in Taiwan and Malaysia where Taiwan Mobile and Public Bank outpaced their respective markets. Both companies offer a high dividend yield and proved defensive during the market sell-off. Conversely, stock selection in Hong Kong was negative as our property and banking holdings underperformed the broader market. For example, Sun Hung Kai Properties fell by 13.76% compared to the 6.44% decline in the MSCI Hong Kong index. Additionally, semiconductor equipment company ASM Pacific fell by 12.66% after posting a gain of 175.96% over the past 12 months. It was a similar story in Singapore where our banking holdings, OCBC and UOB underperformed, together with property holding City Developments.

In January we added to SingTel and China Mobile following their relative underperformance last year.

Asian markets fell in January, with sentiment hurt by fears over monetary tightening in China, along with proposed banking reforms in the US. Although equities started the year brightly on the back of encouraging economic data from around the region, market sentiment deteriorated quickly over the month. This was due largely to Beijing's attempts to tighten monetary policy,

Top ten holdings

	Fund %	Index %
Oversea-Chinese Banking Corp	4.68	0.72
Samsung Electronics	4.62	3.60
Standard Chartered	4.23	0.00
Jardine Strategic Holdings	4.04	0.00
Swire Pacific	4.04	0.41
Singapore Telecommunications	3.75	0.83
Taiwan Semi Manufacturing	3.62	2.29
Singapore Technologies Engineering	3.61	0.14
United Overseas Bank	3.55	0.76
China Mobile	3.49	2.76

Country breakdown

	Fund %	Index %
Hong Kong	21.56	10.78
Singapore	21.82	6.88
China	6.53	25.81
Indonesia	2.00	3.00
India	18.24	11.11
Malaysia	4.84	4.15
Philippines	2.38	0.62
Korea	7.49	18.98
Taiwan	5.80	16.68
Thailand	5.67	1.99
Sri Lanka	0.89	0.00
Cash	2.78	0.00

Sector breakdown

	Fund %	Index %
Energy	6.19	8.22
Materials	2.61	7.96
Industrials	9.90	10.21
Consumer Discretionary	-	7.24
Consumer Staples	6.20	4.42
Health Care	0.00	0.55
Financials	51.94	30.87
Information Technology	11.06	19.33
Telecommunication Services	9.32	7.13
Utilities	-	4.07
Cash	2.78	0.00

Further information

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which triggered worries about the potential impact on the still fragile global economic recovery. Adding to that were US President Barack Obama's proposals to cap the size of financial institutions and reduce risk taking, as well as anaemic employment numbers. Among the regional market laggards were China, Hong Kong and Taiwan, whereas Indonesia outperformed the regional benchmark.

In China, the government told banks to set aside larger reserves and scrutinise new mortgages more stringently. Several lenders had to stop extending new loans temporarily and others were ordered to call back part of their January lending. Elsewhere, India hiked lenders' reserve ratios, while Taiwan moved to curb speculative capital inflows and stem the local currency's appreciation against the US dollar. The Philippines increased the rediscount rate as it began to unwind stimulus measures. In comparison, most central banks in the region continued to keep interest rates at record lows, even as inflation crept higher.

Exports rose sharply across most of the region, boosted by China's sharp fourth-quarter GDP growth. The mainland posted a 10.7% year-on-year expansion in the final three months, its fastest since 2007. This lifted full-year growth to 8.7%, exceeding the official 8% target. China's growth spurt drove the rebound in regional exports, particularly in Taiwan, Singapore, Thailand and the Philippines. Only Korea experienced a deceleration in its growth rate, posting its slowest pace in three quarters amid declining exports, consumer demand and government spending.

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

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\$345.280m
Redemption Unit Price	\$1.7324

Important information

This document has been prepared by Aberdeen Asset Management Limited ABN 59 002 123 364 AFSL No. 240263.

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