Aberdeen New Thai Investment Trust

Investment trust review

Edison investment research

Long-term performance record

Investment trusts

Despite the worst flooding Thailand has suffered for 50 years, the Thai equity market is up over 12 months, bucking a generally weak global and regional equity market trend. Aberdeen New Thai (ANW) has done better still, returning 29.2% and 22.5% in terms of NAV and price total return respectively, against a rise in the Thai SET (sterling adjusted) of 17.6% during the past 12 months. The outperformance of the Thai market versus regional peers (MSCI Asia ex Japan Index) continues a very long trend. ANW is currently top of its AIC Asia-Pacific peer group in terms of share price total return performance over one, three and five years, and offers the second highest yield in its sector. The Thai market valuation is not as cheap as it has been at times in the past, but the economy is recovering well from the flooding, company earnings and dividends are growing, and the political environment is settled.

12 months ending	Total share price return* (%)	Total NAV return* (%)	Total return SET Index* (%)	Total return MSCI AC Asia Ex-Japan* (%)	Total return FTSE World Index* (%)
08/06/08	(16.5)	(6.1)	(7.9)	(4.7)	(16.6)
08/06/09	42.7	47.4	54.6	36.5	22.9
08/06/10	38.8	24.3	32.1	13.3	12.8
08/06/11	22.5	29.2	17.6	(18.4)	(1.7)

Note: *Twelve-month rolling discrete performance; NAV assumes full conversion of subscription shares at 200p.

Investment strategy: Quality, SET-listed companies

The fund manager takes a long-term, buy-and-hold view. The investment process is a two-step, bottom-up strategy, which looks first at quality and then at valuation when assessing investment opportunities. Aberdeen only invests in companies when it has met management and undertaken its own research.

Political and economic outlook: Improved political stability

Ten months on from Yingluck Shinawatra's Pheu Thai Party's landslide election victory the political climate remains settled. Extreme flooding saw a contraction in GDP in H211, although the economy rebounded strongly in Q112 and continues to recover assisted by supportive government policies. Although the market valuation is now more demanding, particularly among domestic growth stocks (versus cyclical or commodities) the structural growth drivers for Thailand remain favourable.

Valuation: Discount above long-term averages

The discount based on the fully diluted NAV, currently at 13.8%, is above its three-and five-year averages of 13.9% and 12.0% respectively. ANW also offers the second-highest yield when compared to its peers. As such, we believe that the current discount potentially offers value to longer-term investors.

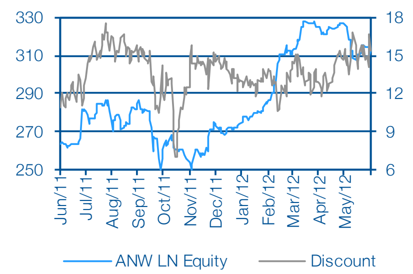
12 June 2012

Price	**321.75p**
Market cap	**£61m**
AUM	**£80.3m**
NAV	403.04p*
Discount to NAV	20.2%*
NAV	380.74p**
Discount to NAV	13.8%**
Yield	2.5%

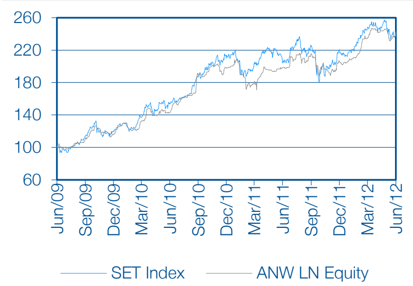
** Adjusted for debt at market value, excluding income and assuming no further dilution from conversion of subscription shares. At 8 June 2012.*
*** Adjusted for debt at market value, excluding income and assuming full dilution from conversion of subscription shares at 200p. At 8 June 2012.*

Ordinary shares in issue	18.9m
Code	ANW
Primary exchange	LSE
AIC sector	Country Spec: Asia-Pacific

Share price/discount performance



Three-year cumulative perf. graph



52 week high / low:	328p	250p
NAV* high / low	386p	281p

** Assuming subscription shares converted in full at 200p.*

Subscription share details

Code	ANWS
Subscription shares in issue	2.3m

Analysts

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Edison profile page

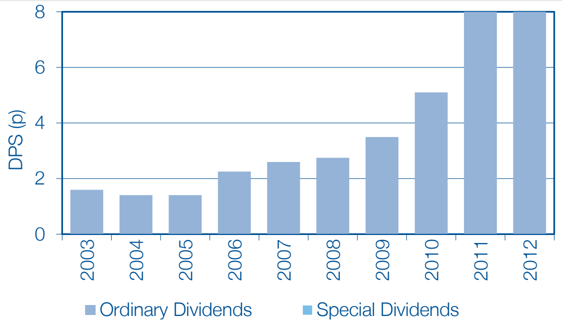
Aberdeen New Thai Investment Trust is a research client of Edison Investment Research Limited

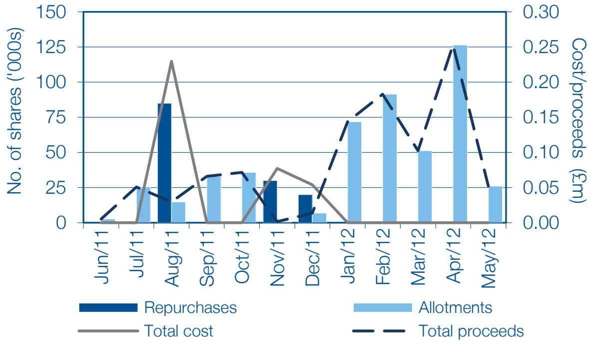
Exhibit 1: Trust at a glance

Investment objective and fund background	Developments last quarter
Aberdeen New Thai Investment Trust's investment objective is to provide shareholders with long-term, above-average capital growth through investment in Thailand. Its assets are invested in a diversified portfolio of securities – substantially in the form of equities or equity-related securities such as convertible securities and warrants – in companies spread across a range of industries quoted on the Stock Exchange of Thailand (SET).	1 June 2012: 90,664 new ordinary shares issued in relation to subscription share conversion. 4 May 2012: Annual report for 12 months ended 28 February 2012 released.

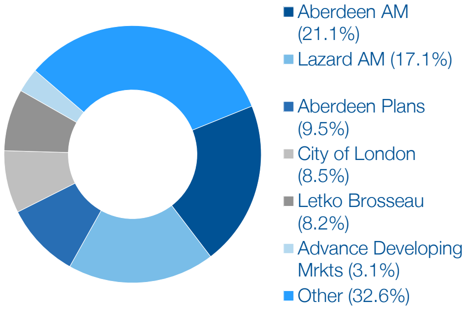
Forthcoming		Capital structure		Fund details	
AGM	June 2012	Total expense ratio	1.54%	Group	AAM Asia Limited
Preliminary results	May 2013	Net Gearing	2.0%	Manager	Asian Equities Team
Year end	28 February	Annual mgmt fee	1.0%	Address	Bow Bells House, 1 Bread Street, London, EC4M 9HH
Dividend paid	July	Performance fee	None		
Launch date	December 1989	Trust life	Indefinite	Phone	0500 000 040
Wind-up date	See Pg. 7	Loan facilities	See Pg. 7	Website	www.newthai-trust.co.uk

Dividend policy and history	Share buyback policy and history
One dividend annually, paid in June, using income from underlying investments. Level may vary accordingly.	Renewed annually, the trust has authority to allot up to 10% and purchase up to 14.99% of issued share capital.

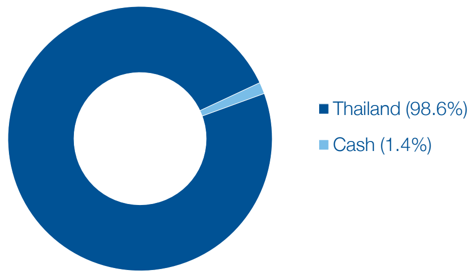




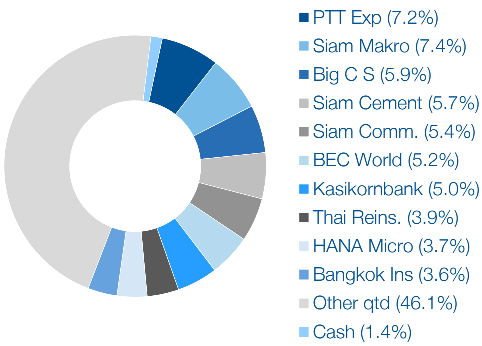
Shareholder base (as at 30 April 2012)



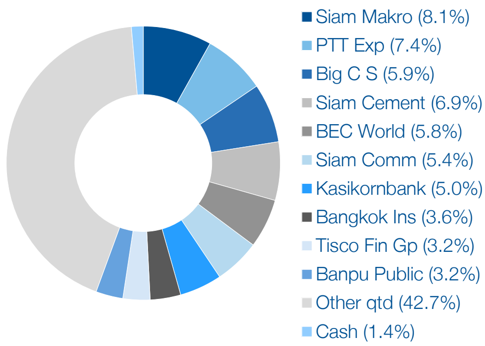
Geographic distribution of portfolio (as at 30 April 2012)



Portfolio composition (as at 30 April 2012)



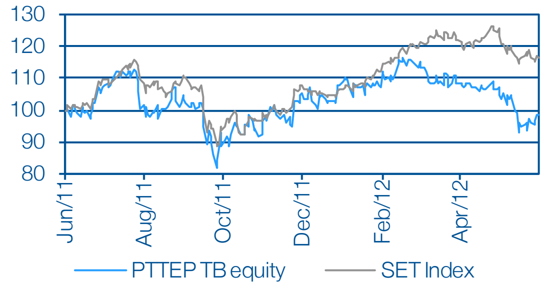
Portfolio composition (as at 31 October 2011)



Source: Aberdeen New Thai, Edison Investment Research

Exhibit 2: Top five holdings at a glance

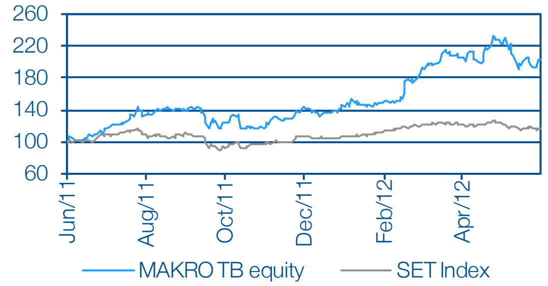
PTT Exploration & Production	Code: PTTEP TB	Market cap: THB532,858m



Div Yield (trail. 12 months)	3.36%
Foreign Ownership Limit	40%
SET Industry/Sector	Resources/Energy & Utilities
Website	www.pttep.com

PTT Exploration and Production (PTTEP) is a national petroleum exploration and production company. It has the second-largest market cap on SET and has seen very little disruption from the floods. Its Montara well is expected back on stream in Q4. A play on long-term volumes and gas prices, it has not kept pace with domestic consumption but has an aggressive expansion plan.

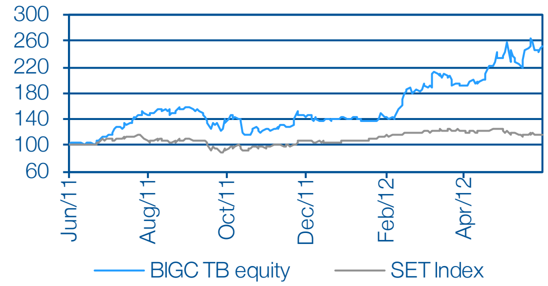
Siam Makro	Code: MAKRO TB	Market cap: THB88,800m



Div Yield (trail. 12 months)	2.84%
Foreign Ownership Limit	49%
SET Industry/Sector	Services/Commerce
Website	www.siammakro.co.th

Siam Makro operates wholesale cash-and-carry trade centres throughout Thailand. It has over 50 stores and sells a range of food and non-food items. The manager considers that Makro is performing well and provided very good earnings growth in Q1. Makro continues to add stores and the manager believes it will continue to benefit from long-term growth in consumption.

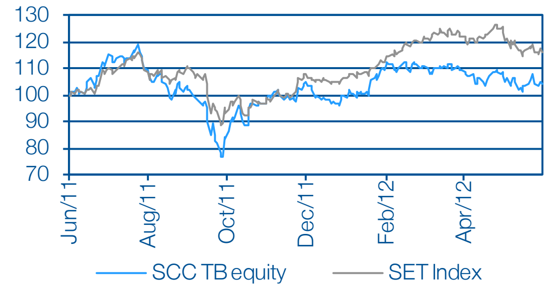
Big C Supercenter	Code: BIGC TB	Market cap: THB178,200m



Div Yield (trail. 12 months)	0.91%
Foreign Ownership Limit	49%
SET Industry/Sector	Services/Commerce
Website	www.bigc.co.th

Big C Supercenter is a leading consumer retail operator. It has 86 stores (36 in Greater Bangkok and 50 in the provinces) and sells a range of food and non-food consumer goods. The floods were very disruptive but the manager reports that BIG C has bounced back very well, posting strong Q1 earnings growth, and remains well positioned to benefit from long-term growth in consumption.

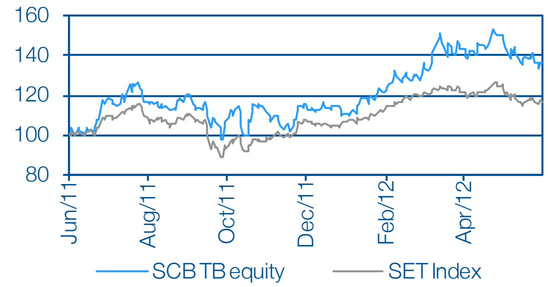
Siam Cement	Code: SCC TB	Market cap: THB392,400m



Div Yield (trail. 12 months)	3.82%
Foreign Ownership Limit	25%
SET Industry/Sector	Services/Commerce
Website	www.siamcement.com

Siam Cement (SCC) is an industrial company with interests in chemicals, paper, cement and building materials. The manager reports some weakness in Q1 from the petrochemical business, but that building materials remains on track. The latter is still expected to benefit from the post flood reconstruction effort and, in the long term, from growth in its Myanmar operations.

Siam Commercial Bank	Code: SCB TB	Market cap: THB456,434m



Div Yield (trail. 12 months)	2.60%
Foreign Ownership Limit	45.81%
SET Industry/Sector	Financials/banking
Website	www.scb.co.th

Siam Commercial Bank (SCB) is Thailand's third-largest commercial bank by total assets. It has an extensive branch network (517 throughout the provinces) and splits its activities into personal, private, business and corporate banking. The manager considers that SCB weathered the financial crisis well and that it represents a long-term play on the domestic economy.

Source: Aberdeen New Thai, Stock Exchange of Thailand, Thomson Datastream, Edison Investment Research

Fund profile

Launched in December 1989, and managed by Aberdeen's Asian Equities team, ANW is the only UK-registered investment trust to focus exclusively on Thai equities. While oversight is provided from Singapore, day-to-day management is undertaken by the Bangkok office, through which ANW has successfully navigated the economic and political turbulence of the region for more than 20 years.

The fund manager: Asian Equities team

The manager's view, represented by Adithep Vanabriksha

After an eventful 2011, the manager reports little change in his outlook during the past six months. Ten months on from last July's election, which saw the Pheu Thai party (led by Thaksin Shinawatra's sister Yingluck Shinawatra) win by a landslide, the political climate remains stable, a continuing positive backdrop for the equity market. However, concerns remain over the potential return of Thaksin Shinawatra to Thailand. The market has also been supported by the quick economic recovery, from the impacts of last year's flooding, which saw GDP contract in H211, although still growing by 6.1% for the year as a whole. The IMF recently forecast 2012 growth at 5.5% and 2013 at 7.3%.

Given the extent of the flooding, the speed with which business has responded and the economy has recovered is testament to the dynamism and flexibility of the economy. The government has played its part, with a raft of measures announced to reconstruct and support the economy. This included THB325bn in loans for affected companies, THB50bn in additional government spending and a cut in corporation tax from the current 30% to 23% in 2012 and then 20% in 2013. The cut in corporation tax has supported the recovery of corporate profits and consumer sectors have benefited from the replacement of household goods. Construction sectors are also expected to benefit in the medium term. An initial fall in consumption gave the Bank of Thailand room to cut interest rates, but inflation remains an issue and a rise in rates in H2 looks likely. Other than companies affected by the floods, mainly selective manufacturers and the insurers, the manager is seeing decent dividend growth across the portfolio.

An ongoing concern is the impact of a potential slowdown in China on countries in the region. China accounted for c 10% of Thai exports in 2011 and the rest of Asia accounted for c 30%. We are not unduly concerned about a Chinese slowdown and consider that any long-term impact is more than outweighed by having access to a developing market with 1.3bn people. In our view Thailand remains well positioned to benefit from long-term structural growth. Key factors are: 1) pro-business political parties, 2) a liberal investment regime that is supportive of both internal and external FDI, 3) a flexible manufacturing base increasingly focused on high value added products (largely automotive and electronics), 4) gains from economic growth are not highly concentrated which aids political stability, and 5) immigration from low wage countries (Burma, Cambodia, Laos) has helped to manage wage inflation. A 2011 OECD study on SMEs and entrepreneurship – *Thailand: Key Issues and Policies* – published before the floods, stated that "Thailand's openness to competitive forces is wide and rising leading to strong international market integration", "[p]rudent fiscal and monetary policies have kept fiscal deficits, inflation and public and external debts under control" and "the main risk to strong, sustained growth derives from political instability". At present, the economy is recovering well from the flooding, company earnings and dividends are growing, and the political environment is settled. Despite the positive fundamentals, it is nonetheless a fact that, following strong equity price performance, the Thai equity market valuation is not as cheap as it has been historically. As at the end of May, ANW's portfolio was trading on 14x 2012 P/E, 2.1x price to historical book with a 3.2% dividend yield. Quality of the portfolio remains high with a weighted average ROE of 18%, ROA of 8%

and a 21% net debt/equity ratio (all data provided by the manager). The portfolio tilt towards higher-rated, domestic demand-led stocks has a tendency to boost the valuation multiple.

Asset allocation

ANW has 36 equity investments, the majority of which are large-cap stocks listed on the SET. The top 10 holdings account for 52.5% of the portfolio, cash accounts for 1.4% of the portfolio, with the remaining 25 equity investments accounting for 46.1% of the portfolio. As displayed in Exhibit 3, there are significant deviations in asset allocation from the benchmark index, reflecting not only the actively managed nature of the trust, but also the underlying investment philosophy of the manager. As Exhibit 1 shows, apart from the 1.4% of the portfolio held as cash and fixed-income investments, the remaining 98.6% of the portfolio is fully invested in Thailand and, as such, the portfolio will be sensitive to the movements in Thailand's economic and political climate.

Exhibit 3: Sector allocations as at 30 April 2012

	Trust weight (%)	Benchmark weight (%)	Trust active weight (%)	Trust weight/ benchmark weight
Insurance	9.1	1.5	7.6	6.07
Commerce	14.9	7.8	7.1	1.91
Media & publishing	7.7	1.8	5.9	4.28
Automotive	3.7	0.6	3.1	6.17
Finance & securities	3.9	0.9	3.0	4.33
Electronic components	3.7	0.8	2.9	4.63
Construction materials	8.7	5.9	2.8	1.47
Packaging	1.3	0.3	1.0	4.33
Property fund	2.1	1.3	0.8	1.62
Healthcare services	1.9	2.4	(0.5)	0.79
Property development	5.0	5.6	(0.6)	0.89
Transportation & logistics	0.8	2.6	(1.8)	0.31
Food & beverages	3.6	5.8	(2.2)	0.62
Banking	13.8	18.4	(4.6)	0.75
Energy & utilities	16.1	24.1	(8.0)	0.67
Information & comm's tech	2.3	11.0	(8.7)	0.21
Other	0.0	9.2	(9.2)	0.00
Cash	1.4	0.0	1.4	N/A
Total	100.0	100.0	0.0	

Source: Aberdeen New Thai, Edison Investment Research

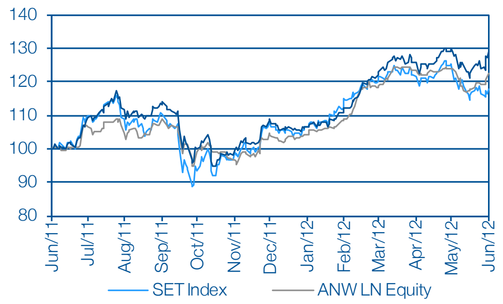
Current portfolio positioning

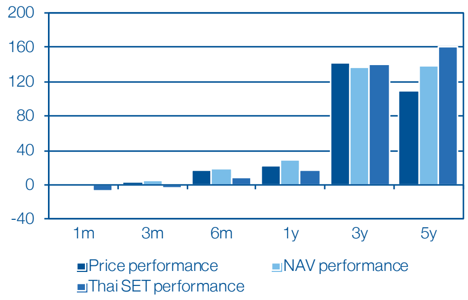
ANW's largest underweight is information and communications technology. The second biggest underweight is energy and utilities, which is a consequence of management's ongoing decision not to hold the state-owned oil group PTT. ANW also remains underweight banking, food and beverages, transportation and logistics, and property development and healthcare services. ANW's overweight allocations are in areas that will benefit from a continuing uplift in domestic economic activity. ANW's largest active overweight and relative overweight is insurance. However, there are large relative overweights in automotive, electronic components, finance and securities, packaging, and media and publishing. Including the cash, ANW has a marginally more defensive allocation than the benchmark.

Recent performance

Exhibit 4: Investment trust performance

Price, NAV and benchmark total return perf., one year rebased	Price, NAV and benchmark total return performance (%)





Source: Aberdeen New Thai, Datastream, Edison Investment Research

Exhibit 5: Share price and NAV total return performance (sterling adjusted), relative to benchmarks

	1 month	3 months	6 months	1 year	3 years	5 years	10 years
Price relative to SET Index	5.1	6.6	8.6	4.8	2.4	(51.5)	125.9
NAV relative to SET Index	5.6	8.3	9.6	11.6	(3.4)	(21.7)	83.4
Price rel. to MSCI AC Asia Ex Jap Ind	3.9	14.5	16.7	40.8	116.3	89.8	380.3
NAV rel. to MSCI AC Asia Ex Jap Ind	4.4	16.2	17.8	47.6	110.4	119.6	337.8
Price relative to FTSE World Index	(0.6)	8.5	13.6	24.2	106.3	97.5	483.4
NAV relative to FTSE World Index	(0.2)	10.1	14.7	30.9	100.4	127.3	440.9

Source: Aberdeen New Thai, Thomson Datastream, Edison Investment Research

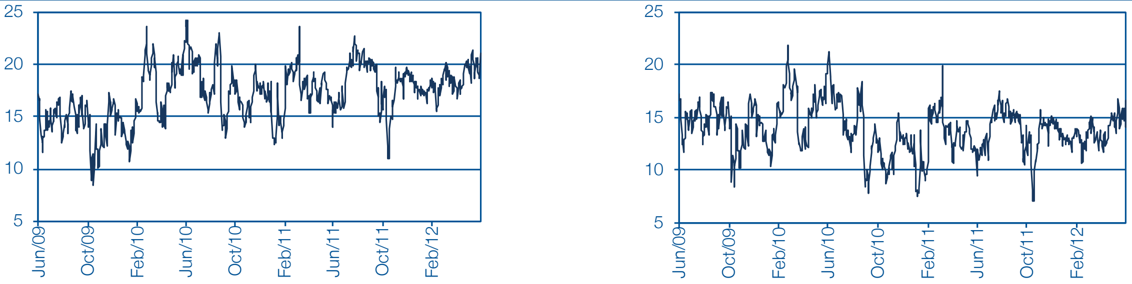
As Exhibits 4 and 5 illustrate, ANW has outperformed its benchmark index, the Thai SET, in terms of both price and NAV total return over the one-, three- and six-month periods as well as one-year and 10-year periods. The longer-term underperformance, apparent in the three- and five-year periods, largely reflects the manager's decision not to hold state-owned oil group PTT, due to a range of concerns including corporate governance issues. PTT represents c 35% of the SET Index so has tended to bolster or hamper ANW's relative performance, depending on PTT's performance, which itself reflects oil demand. Despite this, when compared to the broader MSCI AC Asia Ex-Japan Index, or the FTSE World Index, ANW has outperformed in terms of both price and NAV total return, for all time periods three months and above. This reflects the long-term performance that Thailand has provided both relative to the rest of Asia ex-Japan and the broader global economy.

Discount

An explicit commitment to maintain the discount at a particular level has not been provided, but it is assumed that the board would prefer to at least maintain the discount below the 15% threshold that may otherwise trigger a vote to put the trust into voluntary liquidation. As illustrated in Exhibit 1, ANW's repurchase authority has had limited use during the last 12 months (135k shares repurchased at a cost of £360k) but, with ANW's subscription shares remain comfortably in the money, ANW has allotted 609k shares raising £1.21m. Exhibit 6 illustrates the discount through the last three years. The first graph uses par NAVs and assumes that any outstanding subscription shares remain unexercised. The second assumes dilution from the full exercise of all outstanding subscription shares at 200p. The second graph has more relevance to investors with the subscription shares in the money. Following the subscription share issue (November 2009) and commencement of the repurchase and allotment programmes, the undiluted NAV has widened while the diluted NAV has remained broadly constant. The discount based on the fully diluted NAV is currently at 13.8%, which is above its three- and five-year averages of 13.9% and 12.0% respectively.

Exhibit 6: Discount through three years

Assuming all outstanding subscription shares remain unexercised | Assuming all outstanding subscription shares are exercised



Source: Thomson Datastream, Edison Investment Research

Capital structure

ANW has a conventional structure with two classes of security in issue, 25p ordinary shares and 1p subscription shares. The latter, which are listed and tradable, confer the right, but not the obligation, to subscribe for one ordinary share at any subscription date at a price of 200p. Subscription dates are the last business day of every calendar month to the 31 January 2013. Since conversions began in January 2010, ANW has allotted 1.3m ordinary shares raising £2.6m. ANW's articles of association permit the use of gearing and, accordingly, ANW has a bank loan that is used for this. As at 30 April 2012, ANW had gross gearing of 3.4% and net gearing of 2.0% of net assets. The management fee, paid monthly in arrears, is 1.0% per annum of the net asset value of the trust valued monthly. There is no performance fee and the management contract can be terminated at a year's notice. The total expense ratio (TER) has fallen for at least eight consecutive years, although the year-on-year fall is negligible. It was 1.54% for the year ending 28 February 2012 (1.55% for the year ending 28 February 2011). While comparatively high, this reflects that ANW is a specialist trust, with costs spread across a relatively small asset base. However, the asset base continues to grow, which is reflected in the falling TER. Although the life of the trust is indefinite, if during the 12 weeks preceding the ANW's financial year end (28 February) the ordinary shares trade at an average discount in excess of 15% to NAV, a special resolution is put to shareholders at the AGM to put the trust into voluntary liquidation. During the 12 weeks preceding 28 February 2012, ANW traded at an average discount of 13.2% and, as such, there is no resolution to put the trust into voluntary liquidation at this year's AGM.

Dividend policy and record

Assuming adequate profitability, a single dividend payment is made in July each year, with payments being made from income received during the period. This affords capital a degree of protection supplemented by the further requirement that income is not deemed available for distribution until it is actually received. A consequence is that the level of dividends may fluctuate. During the past five years, the trust has increased its dividend by a total of 208%, an average yearly increase of 27.1% or 25.2% annualised. The board decided in 2010 that ANW would pay out substantially all of its earnings received during a year. The 2012 dividend of 8.0p provides no year-on-year increase in the dividend, although there was a 7.1% increase in revenue return per share between the periods – all derived from increased dividend income. The 2012 revenue return per share was 8.87p vs 8.28p for 2011. As at 28 February 2012 ANW had revenue reserves equal to 2.17x last year's dividend. However, it should be noted that the final conversion date for ANW's subscription shares is 31 January 2013. These are comfortably in the money (2.3m are outstanding with a conversion price of 200p) and are likely to have a dilutive effect on revenue reserves. We estimate that as at 28 February 2012, and after payment of the final dividend of 8.0p, ANW has fully diluted revenue reserves per share of 8.29p. The manager and board do not consider that the true impact of the floods was felt in ANW's accounts for the 2012 year, but believe it will be for the year ending 28 February 2013 and that there will be a negative impact on revenue income. As such, while ANW has sufficient reserves to maintain the dividend at 8.0p for the 2013 year, it is likely that this would require some dipping into revenue reserves. The extent to which the board feel comfortable with utilising ANW's revenue reserves is likely to determine the dividend level for 2013. If the board chooses to continue its policy of paying out substantially all of the dividend income received in the period, but chooses not to dip into revenue reserves, a dividend cut for 2013 appears to be likely. In addition, it should be noted that a strong appreciation of sterling relative to the Thai baht could potentially affect the dividend level. However, while the Thai baht remains close to a five-year high against sterling, we do not consider this to be a significant risk.

Peer group comparison

As Exhibit 8 illustrates the AIC sector Country Specialist: Asia-Pacific is a relatively small peer group. There are eight constituents, and, while they all invest in Asia-Pacific assets, the economic and political environments they operate in can vary quite markedly. Within this peer group, ANW ranks first over the one-, three- and five-year periods. ANW also has the second-highest yield in the sector.

Exhibit 7: Country Specialist: Asia-Pacific sector, as at 8 June 2012

Company	Share price total return on £100			Ongoing charges	(Disc)/ prem.	Net gearing (100=no gearing)	Five-year dividend growth (%)	Div. yield
	One year	Three years	Five years					
Sector average	82.4	112.6	101.3	2.00	(15.0)	101	N/A	0.8
Aberdeen New Thai	122.5	242.6	209.1	1.55	(17.0)	105	23.8	2.6
Barramundi	93.8	186.6	100.5	2.34	(10.5)	100	N/A	9.7
Fidelity China Special Sits	71.8	N/A	N/A	2.01	(4.8)	114	N/A	0.4
India Capital Growth	62.0	66.7	32.5	2.62	(28.6)	94	N/A	N/A
JPMorgan Chinese	76.5	106.2	133.9	1.39	(8.6)	110	21.1	1.0
JPMorgan Indian	77.0	97.0	105.4	1.51	(12.3)	93	N/A	N/A
New India	81.0	131.7	139.0	1.54	(11.4)	100	N/A	N/A
VinaCapital Vietnam Opps.	100.7	95.5	55.6	2.68	(37.3)	93	N/A	0.0

Source: The Association of Investment Companies

The board

All directors are non-executive and most are independent of the manager. They are Keith Falconer (chairman), Peter Bristowe (senior independent director and director of Edison Investment Research), James Robinson FCA (independent director) and Hugh Young (director of ANW, Aberdeen Asset Management Asia and Aberdeen Asset Management Plc). Average length of service is 10.6 years.

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