

Aberdeen New Thai Investment Trust

Valuation improves with correction

Reflecting recent economic and political tensions, the Thai SET index is now c 20% below its five-year high in May (ytd the SET has returned 9.2%). Company valuations do not look overstretched and the manager of Aberdeen New Thai (ANW) has been reallocating the recent proceeds from the sale of the trust's holding in Siam Makro (c 7% of the portfolio), primarily into existing holdings where he sees the most value.

12 months ending	Total share price return* (%)	Total NAV return* (%)	Total return SET Index* (%)	Total return MSCI AC Asia Ex-Japan* (%)	Total return MSCI World Index* (%)
31/07/10	59.6	54.5	60.3	31.5	16.9
31/07/11	31.1	36.0	42.7	13.4	13.7
31/07/12	21.9	14.7	9.4	(17.6)	3.3
31/07/13	28.6	34.3	28.1	20.5	28.1

Note: *Twelve-month rolling discrete performance.

Investment strategy: Quality, SET-listed companies

ANW invests in companies listed on the Stock Exchange of Thailand (SET) (c 55% is in the SET 50 stocks, which typically have a market cap in excess of THB100bn). The manager takes a long-term, buy-and-hold view and follows a research-driven investment process, which looks first at quality and then at valuation. Aberdeen looks at the quality and experience of management, corporate governance, long-term growth prospects, cash flow generation and dividend prospects. Management meetings are key and Aberdeen only invests in companies where it has met management and undertaken its own research. This process typically results in low turnover. Average portfolio turnover during the last three years has been 9.0%.

Outlook: Bumpy background, valuations improving

Thailand has experienced greater economic development than many of its Asia-Pacific peers, but in our view remains well positioned to benefit from long-term structural growth (see page 3). In the near term growth has faltered with sequential declines in GDP in Q1 and Q2, putting Thailand technically in recession. The political background has also become less settled with substantial resistance to moves to allow the return of Thaksin Shinawatra to Thailand and government credibility reduced by the very costly scheme to subsidise rice production. These factors and the broader emerging market correction have affected the Thai equity market, with the SET Index now c 20% below its five-year high in May (return ytd c 9%). Average P/E valuations for Thai equities do not look overstretched (see Exhibit 2). Currently at 14.2x, the average P/E ratio over the past 10 years for the SET Index is 13.8x.

Valuation: Discount above longer-term averages

Following a period of contraction at the beginning of the year, ANW's discount has widened and its volatility has also increased, arguably reflecting the increase in domestic political and economic tensions within Thailand, such that ANW's current fair ex discount of 13.4% is above its longer-term averages of 10.5%, 12.3% and 13.2% over one, three and five years respectively.

Investment trusts

13 September 2013

Price 407.63p
Market cap £86m
AUM £105m

NAV* 470.75p
Discount to NAV 13.4%
NAV** 480.47
Discount to NAV 15.2%
Yield 1.7

*Adjusted for debt at market value and excluding income, as at 27 August 2013. **Adjusted for debt at market value, including income, as at 27 August 2013.

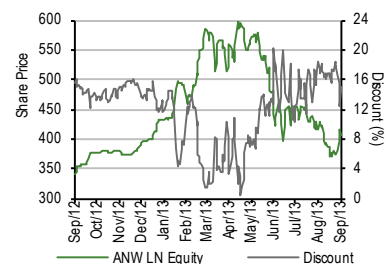
Ordinary shares in issue 21.2m

Code ANW

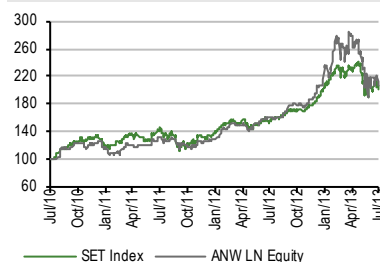
Primary exchange LSE

AIC sector Country Specialist : Asia-Pacific

Share price/discount performance



Three-year cumulative perf. graph



52-week high/low 600.0p 342.5p

NAV* high/low 619.46p 398.71p

*Adjusted for debt at market value, excluding income.

Gearing

Gross 2.5%

Net 1.8%

Analysts

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[Edison profile page](#)

Exhibit 1: Trust at a glance

Investment objective and fund background

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).

Recent developments

1 July 2013: Interim management statement for the three months ended 31 May 2013 released.

26 June 2013: AGM – All resolutions passed. Keith Falconer retired from the board and was replaced by Nicholas Smith as chairman.

Forthcoming

AGM	June 2014
Interim results	October 2013
Year end	28 February
Dividend paid	July
Launch date	December 1989
Continuation Vote	No - see page 7

Capital structure

Ongoing charges	1.40%
Net gearing	1.8%
Annual mgmt fee	1.0% of net assets
Performance fee	None
Trust life	Indefinite
Loan facilities	£5m multi-currency facility

Fund details

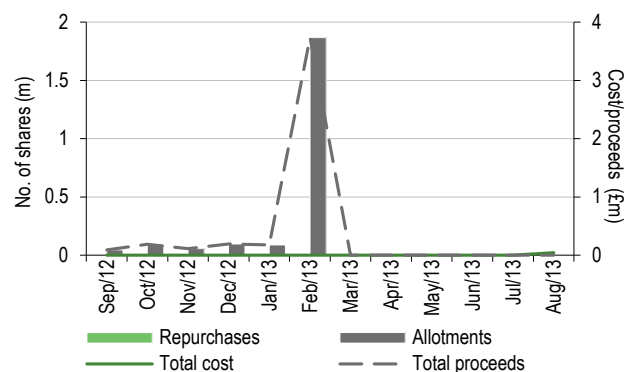
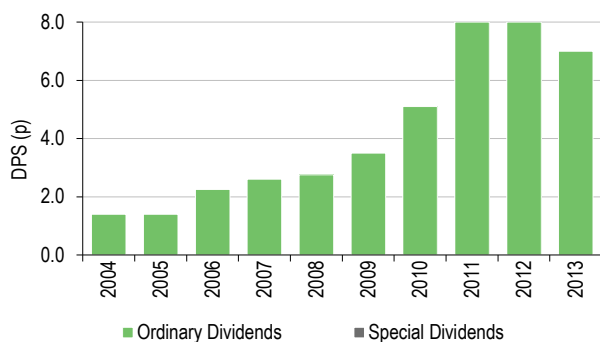
Group	AAM Asia Limited
Manager	Asian Equities Team
Address	Bow Bells House, 1 Bread Street, London, EC4M 9HH
Phone	+44 (0) 500 000 040
Website	www.newthai-trust.co.uk

Dividend policy and history

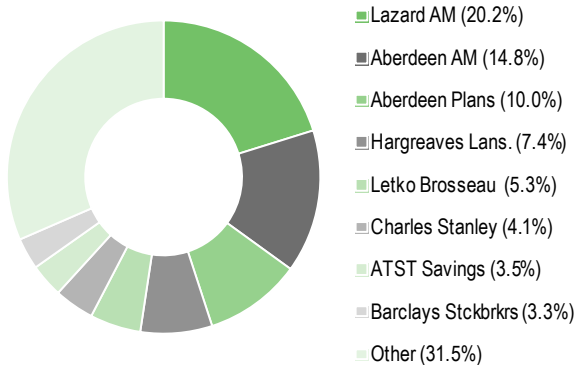
One dividend annually, paid in June, using income from underlying investments. Level may vary accordingly.

Share buyback policy and history

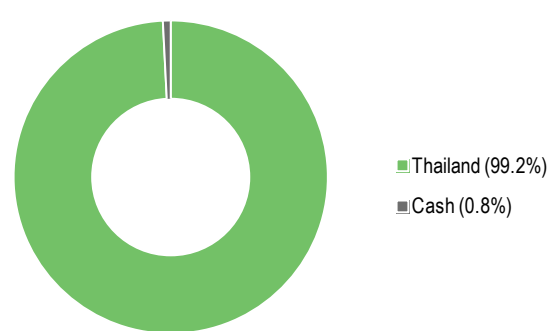
Renewed annually, the trust has authority to allot up to 10% and purchase up to 14.99% of issued share capital.



Shareholder base (as at 27 August 2013)



Distribution of portfolio (as at 31 July 2013)



Top 10 holdings (as at 31 July 2013)

Company	Country	Sector	Portfolio weight %	
			31 July 2013	31 January 2013
PTT Exploration & Production	Thailand	Energy & Utilities	5.9	5.6
Siam Commercial Bank	Thailand	Financials/Banking	5.7	5.1
Siam Cement	Thailand	Construction Materials	5.7	5.8
Kasikornbank	Thailand	Financials/Banking	5.2	5.2
BEC World	Thailand	Media & Publishing	4.8	5.7
Bangkok Insurance	Thailand	Financials/Insurance	4.8	4.3
Siam Makro	Thailand	Services/Commerce	4.4	5.4
Big C Supercenter	Thailand	Services/Commerce	3.9	4.3
Advanced Information Tech.	Thailand	Technology/IT Services	3.8	N/A
Thai Reinsurance	Thailand	Financials/Insurance	3.7	4.2
Top 10			47.9	49.8
Cash			0.8	0.6

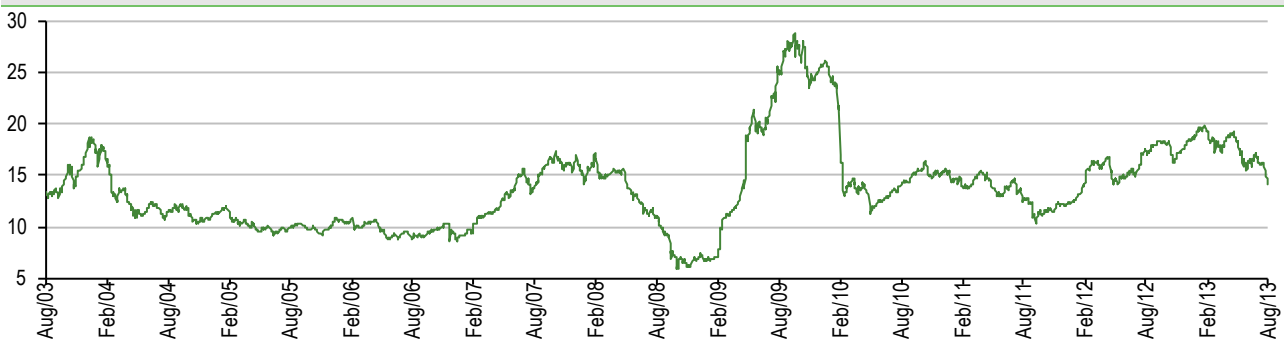
Source: Aberdeen New Thai Investment Trust, Edison Investment Research

Outlook: Bumpy background, valuations improving

Investors have long been attracted to the structural growth opportunity provided by Asia. Many of the region's economies remain under-developed and offer potential for further catch-up in GDP per capita versus western economies. Thailand has experienced greater development than many of its peers, but 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, 4) benefits from economic growth have been spread across society, which aids political stability, and 5) immigration from low-wage countries (Burma, Cambodia, Laos) has helped to manage wage inflation. China, Thailand's largest trading partner, has seen a slowdown in economic activity and, while this arguably puts China on a more sustainable path, it has not been compensated by the increase in domestic consumption. However, Asian growth still compares favourably with that of developed markets.

Following the strong post-flood recovery in 2012 (GDP +6.6%), 2013 has been more difficult, reflecting slowing growth in China and other regional economies and near-term growth has faltered with sequential declines in GDP in Q1 and Q2 (exports account for c 70% of GDP), putting Thailand technically in recession. Stimulus measures in 2012, and reconstruction post the 2011 floods, may have also contributed to weakening consumption during H1 2013 by bringing demand forward at the expense of future demand. An improvement is expected in the second half, reflecting both the increase in the minimum wage as well as various schemes designed to boost domestic consumption. If passed shortly, the government's infrastructure bill may also start to have an impact in H2. However, the National Economic and Social Development Board has trimmed its 2013 GDP growth estimate by half a point to 4.2%. Politically, the climate has also been less settled with moves to return Thaksin Shinawatra to Thailand provoking street protests in August. Additionally costs associated with a flagship scheme to subsidise rice production (the government has committed to buy rice from farmers at a price c 50% above the prevailing market rate) has dented government credibility, with Moody's warning that the scheme "poses a threat to the country's fiscal discipline". All of this has been negative for Thai equity markets with the SET Index now c 20% below its five-year high in May (return ytd c 9%). Average P/E valuations for Thai equities do not look overstretched (see Exhibit 2). Currently at 14.2x, the average P/E ratio over the past 10 years for the SET Index is 13.8x.

Exhibit 2: SET Index P/E over 10 years



Source: Thomson Datastream

Fund profile: Listed Thai equities investment trust

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 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 Aditthep Vanabriksha

Despite a softening macro backdrop, and the recent uptick in political tensions, the manager expects the political climate to remain stable with the current government remaining in place at least until the next election (due by 3 July 2015). He considers that the opposition is severely weakened and the government remains popular. Despite weaker first half GDP, the manager advises that, across ANW's portfolio companies, earnings are proving resilient and that he is typically seeing double-digit year-on-year earnings growth for Q2 and that dividends are broadly being increased in line with earnings. A reduction in the corporate tax rate from 23% to 20% in January is also supportive of earnings and balance sheets remain strong.

At the beginning of 2013, the manager favoured companies with domestic based earnings, expecting them to benefit from government efforts to boost domestic consumption (through various subsidy schemes, for first cars, first homes and rice farmers). These stocks performed particularly well, but sold off more heavily as the market corrected from May. ANW's portfolio was overweight consumer stocks at the market peak but the takeover by CP All of Siam Makro in June, which represented c 7% of the portfolio, took the portfolio to an underweight position. The transaction also provided cash to reallocate into existing names, where the manager has seen value, as prices have fallen. One new name, Dynasty Ceramic has been added to the portfolio. The manager has not been reducing any of the existing names in the portfolio. Looking forward, the manager remains positive on the long-term fundamentals for Thailand. He expects that the government's proposed THB2.2trn infrastructure package will provide opportunities both to companies exposed to this expenditure and also over the longer term from improved access to the regions. Previous concerns that increased post-flood government spend, tax cuts and new subsidies would be inflationary have so far been unfounded. Thai banks have underperformed the SET ytd, reflecting disappointing GDP figures and concerns that NPL's may rise. However, he believes this is a sentiment effect, that has been overdone and, whilst there may be a lag, does not see any clear indications of rising bad debts, considers provisioning and earnings remain strong, and that banks have built up strong cushions against the cyclical slow down. With valuations at a year's low they have been adding. The manager also highlights encouragingly buoyant tourism numbers within generally softer first half data, boding well for this important sector of the economy.

Asset allocation

Investment process: Bottom-up stock selection

Aberdeen's Asian equities team follows a research-driven, bottom-up stock selection investment process that is common to Aberdeen's other active investment teams. Aberdeen's core philosophy is that markets are not always efficient and that relative returns may be earned by identifying investments that are attractively valued on a fundamental basis. The fund manager takes a long-term, buy-and-hold view. The investment process looks first at quality and then at valuation. Management meetings are key in assessing quality and the team will typically meet investee companies between two and four times annually. Aberdeen's quality assessment includes an analysis of the quality and experience of management, corporate governance, long-term growth prospects, cash flow generation and dividend prospects. Aberdeen only invests in companies where it has met management and undertaken its own research and, once a company has been added to the investment universe, the team will continue to monitor whether a stock is cheap or

expensive and, where included in portfolios, whether the level of holding remains appropriate. In terms of portfolio construction, a strong emphasis is placed on the maintenance of diversification, rather than following index weightings, so portfolio allocations may diverge significantly from the benchmark where companies do not meet Aberdeen's quality criteria. This process typically results in low turnover. Average portfolio turnover during the last three years has been 9.0%.

Overview: Focused Thai equity portfolio

As at 31 July 2013 ANW had 38 equity investments, the majority of which are large-cap stocks listed on the SET. The top 10 holdings accounted for 49.8% of the portfolio, cash accounted for 0.6% of the portfolio, with the remaining 28 equity investments accounting for 49.6% 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 0.8% of the portfolio held as cash and fixed-income investments, the remaining portfolio (99.2%) is fully invested in Thailand.

Exhibit 3: Sector allocations as at 31 July 2013

	Portfolio weight (%)	Benchmark weight (%)	Trust active weight (%)	Trust weight/benchmark weight
Insurance	10.4	1.9	8.5	5.47
Media & publishing	7.9	2.2	5.7	3.59
Finance & securities	5.6	1.1	4.5	5.09
Automotive	4.7	0.5	4.2	9.40
Construction materials	9.8	6.1	3.7	1.61
Electronic components	2.8	0.9	1.9	3.11
Commerce	10.1	8.3	1.8	1.22
Packaging	1.4	0.3	1.1	4.67
Property fund	1.9	1.7	0.2	1.12
Food & beverages	3.5	4.8	(1.3)	0.73
Property development	6.3	7.7	(1.4)	0.82
Healthcare services	1.7	3.2	(1.5)	0.53
Banking	14.2	17.1	(2.9)	0.83
Energy & utilities	14.7	18.8	(4.1)	0.78
Transportation & logistics	0.4	4.7	(4.3)	0.09
Information & communication tech	3.8	13.9	(10.1)	0.27
Other	0.0	6.7	(6.7)	0.00
Cash	0.8	0.0	0.8	N/A
	100.0	100.0	0.0	

Source Aberdeen New Thai Investment Trust, Edison Investment Research

Recent activity and current portfolio positioning

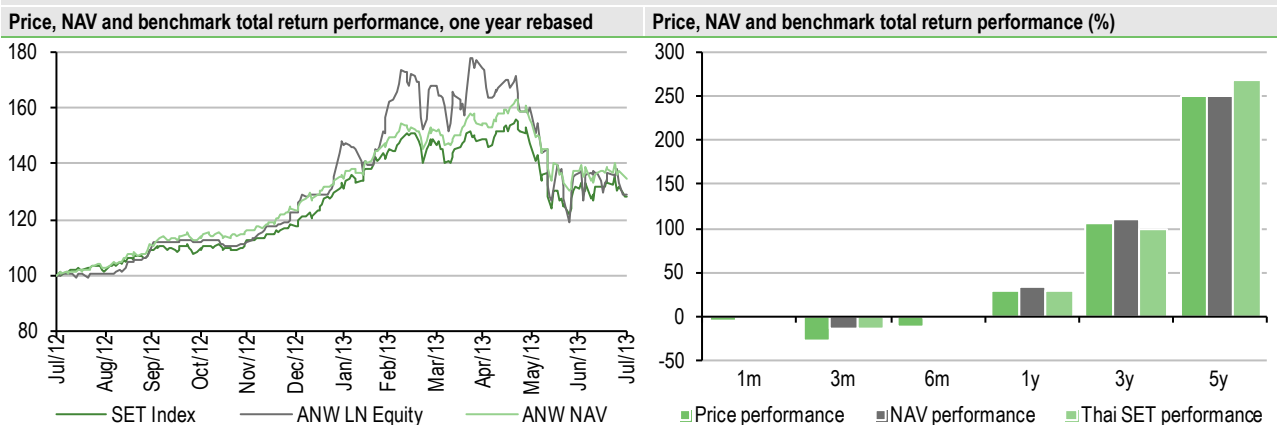
Cash from the sale of ANW's holding in Siam Makro has been reallocated primarily into existing portfolio names, where the manager sees value, particularly following the market correction. The manager has been adding to DIY chain Home Products Centre, telecoms company Advanced Information Services, and property company LPN Development. Dynasty Ceramics, a wall and floor tile producer, is a new name that has been added to the portfolio. The manager has been adding to banks following weakness. The manager has not been reducing any of the existing holdings. This reallocation has seen ANW's exposure to consumer stocks reduced. Overall the portfolio retains its traditionally defensive allocation, with the portfolio's beta with respect to the Thai SET at c 0.7.

Performance: Strong long-term outperformance

As Exhibits 4, 5 and 6 illustrate, ANW has provided strong absolute returns over the long term and has outperformed the MSCI AC Asia Ex-Japan Index and the MSCI World Index, in terms of both price and NAV total return, over one, three, five and 10 years, reflecting the long-term outperformance that Thailand has provided both relative to the rest of Asia ex-Japan and the broader global economy. Analysis of ANW's NAV total return performance, relative to its benchmark index the Thai SET, over the last five years shows a period of broad underperformance between

January 2009 and May 2011, followed by a broad period of outperformance since. The manager advises that during the last six months Siam City Cement and Home Products Centre have been key contributors, while the large consumer names have been detractors (Big C Supercenter, BEC World and Aon Thana). Tisco financial has been a detractor reflecting both weakness of the banking sector as well as concerns that its automobile financing business is slowing. Insurance companies, by comparison, have returned to profitability have suffered heavily in 2012 when provisions were set for the 2011 floods. Insurers are now benefitting from higher rates, as well as a volume boost the government first car scheme, and both Bangkok Insurance and Thai Re have made a strong positive contribution to performance.

Exhibit 4: Investment trust performance to 31 July 2013



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

Exhibit 5: Share price and NAV total return performance, difference versus benchmarks (%), to 31 July 2013

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to SET Index	(2.7)	(12.1)	(10.1)	0.5	5.5	(17.4)	(4.2)
NAV relative to SET Index	0.4	1.0	1.6	6.2	9.5	(17.4)	(25.3)
Price relative to MSCI AC Asia Ex-Japan Index	(6.5)	(21.8)	(14.6)	8.1	92.9	173.4	277.5
NAV relative to MSCI AC Asia Ex-Japan Index	(3.4)	(8.8)	(2.9)	13.8	96.8	173.4	256.4
Price relative to MSCI World Index	(10.9)	(31.7)	(26.1)	0.5	55.1	183.9	397.0
NAV relative to MSCI World Index	(7.7)	(18.6)	(14.4)	6.2	59.0	183.9	375.9

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

Exhibit 6: ANW NAV total return vs SET Index total return, over five years, rebased to 100



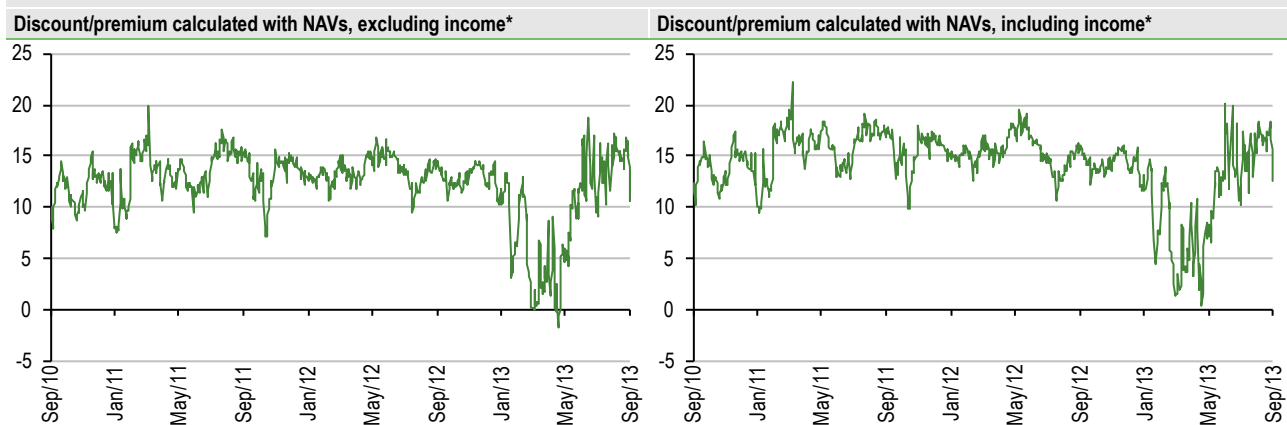
Source: Aberdeen New Thai Investment Trust, Thomson Datastream, Bloomberg, Edison Investment Research

Discount: Recent widening and uptick in volatility

While an explicit commitment to maintain the discount at a particular level has not been provided, 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, February saw 1.9m ordinary shares allotted, raising £3.7m, in relation to the final conversion of

ANW's subscription shares. Since their issue in November 2009, all 3.7m subscription shares have been converted to ordinary shares raising £7.2m for the trust. Exhibit 7 illustrates the discount through the last three years. The discount contracted sharply at the end of January, which coincided with the final exercise date for ANW's subscription shares and thus a reduction in the supply of new ordinary shares coming to market. However, the discount has subsequently widened while its volatility has also increased, arguably reflecting general emerging market weakness, softer economic data and the increase in domestic political tensions within Thailand, such that ANW's current fair ex discount¹ of 13.4% is above its longer-term averages of 10.5% over one year, 12.3% over three years and 13.2% five years.

Exhibit 7: Discount/premium over three years



Source: Thomson Datastream, Edison Investment Research. Note: *Positive values indicate a discount, negative values a premium.

Capital structure: Conventional, modest gearing

ANW is a conventional trust, having only one class of share in issue – 25p ords. ANW's articles of association permit the use of gearing and, accordingly, ANW has a £5m multi-currency credit facility with Scotiabank (Ireland), expiring in October 2013, which is used for this purpose. The board has imposed a maximum borrowing limit of 15% of net assets. As at 31 July 2012, ANW had gross gearing of 2.5% and net gearing of 1.8% 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 one year's notice. ANW's ongoing charges have fallen for at least nine consecutive years. These were 1.40% for the year ending 28 February 2013 (1.54% for the year ending 28 February 2012). While comparatively high, this reflects that ANW is a specialist trust, with costs spread across a relatively small asset base. All things being equal, a further reduction in ongoing charges for the year ending 28 February 2014 is expected following the final conversion of subscription shares at the end of January 2013. 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 2013, ANW traded at an average discount of 10.2%.

Dividend policy: Substantially all earnings paid out

Assuming adequate profitability, a single dividend payment is made in July each year, with payments being made from income received during the period and, since 2010, it has been policy to pay out substantially all of the revenue earnings received during a year. A consequence of this policy is that the level of dividends can fluctuate. ANW's dividend payment history is illustrated in

¹ Fair ex discount calculated using NAVs with debt at fair value excluding current year revenue.

Exhibit 1. The dividend for the year ended 28 February 2013 of 7.0p represents a 12.5% year-on-year decline, reflecting a reduction in revenue earnings generated during the year (7.39p per share for 2013 vs 8.87p for 2012) as a consequence of the widespread flooding during 2011. However, during the past five years, the trust has increased its dividend by a total of 155%, an average yearly increase of 23.7% or 20.5% annualised. As at 28 February 2013 ANW had revenue reserves of 14.96p per share (2012: 17.58p). The year-on-year reduction largely reflects the dilution from the final conversion of subscription shares as at the end of January 2013. It should be noted that a strong appreciation of sterling relative to the Thai baht could adversely affect the dividend level.

Peer group comparison

The Country Specialist: Asia-Pacific peer group has 14 constituents (Exhibit 8 provides a sample) and, while they all invest in Asia-Pacific assets, the economic and political environments they operate in can vary quite markedly. Within this group, ANW ranks eighth over one year and first over three and five years in terms of share price total return. ANW has the sixth highest one-year Sharpe ratio for price, and the fifth highest one-year Sharpe ratio for NAV in its peer group.

Exhibit 8: Country Specialist: Asia-Pacific sector, as at 12 September 2013

Company	Share price total return on £100			Ongoing charges (%)	(Disc)/ prem.	Net gearing (100=no gearing)	Five-year dividend growth (%)	Div. yield	Sharpe ratio NAV one year	Sharpe ratio price one year
	One year	Three years	Five years							
Sector average	121.1	100.0	128.0	2.6	(16.1)	104.1	18.9	1.4	1.2	1.1
Aberdeen New Thai	120.7	168.6	324.9	1.4	(16.8)	102.0	14.9	1.7	1.6	0.9
Fidelity China Special Sits	136.0	92.1		1.8	(8.4)	122.0	0.0	1.0	1.5	1.2
India Capital Growth	93.1	47.6	48.2	2.7	(20.9)	97.0	0.0		(0.2)	0.2
JPMorgan Chinese	131.2	112.4	166.2	1.2	(12.7)	113.0	26.2	1.0	1.4	0.8
JPMorgan Indian	96.6	72.5	100.2	1.5	(13.7)	101.0	0.0		0.4	0.3
New India	99.5	85.1	145.0	1.6	(13.3)	99.0	0.0		0.4	0.4
VinaCapital Vietnam Opps.	126.1	129.9	109.4	2.1	(32.4)	93.0	0.0		2.3	2.5

Source: Morningstar

The board

All directors are non-executive and most are independent of the investment manager. They are Nicholas Smith (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). The average length of director service is 9.8 years.

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