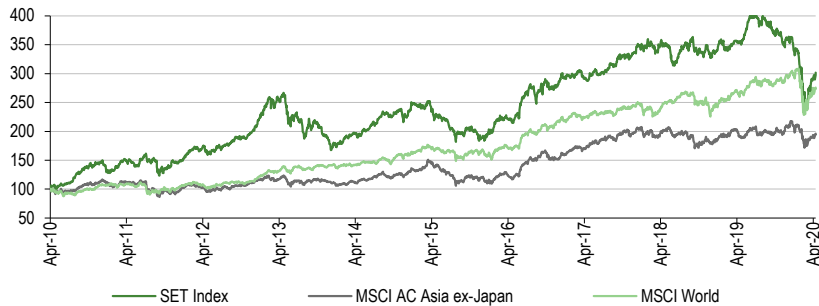


# Aberdeen New Thai Investment Trust

## Positive prospects for long-term investors

Aberdeen New Thai Investment Trust (ANW) is the only London-listed investment trust focused on investing in Thailand, a country that also gives investors indirect exposure to the harder-to-access, but higher-growth economies of its neighbours Cambodia, Laos, Myanmar and Vietnam (CLMV). ANW was not well positioned for the unforeseen pandemic and subsequent market rout, and performance has disappointed. However, the manager believes the Thai equity market to be inefficient, and says the sell-off is presenting exciting opportunities to invest in quality companies that are mispriced versus their long-term intrinsic value.

### Thai equities have a history of long-term outperformance vs global and Asia



Source: Refinitiv, Edison Investment Research

## The market opportunity

Over the short term, Thailand's open economy and the importance of tourism means COVID-19 will take a significant toll. However, long-run prospects remain bright, driven by multi-decade secular drivers, including urbanisation and growing incomes. Furthermore, the country benefits from its faster-growing CLMV neighbours, representing an economic hinterland of c 165 million people. These attributes are likely to have contributed to, and could continue to underpin, the long-term outperformance of the Thai equity market, as shown in the graph above.

## Why consider investing in Aberdeen New Thai?

- Managed by an experienced and well-resourced team of investment professionals, including three Bangkok-based Thailand specialists with depth of local knowledge.
- A relatively concentrated portfolio of c 40 stocks represents the manager's highest-conviction, long-term investment ideas.
- Proactive board, committed to promoting the trust and shareholders' interests.

## Geared for a recovery

As at 13 May 2020, ANW traded on a discount of 15.0% to its cum-income NAV, which is in-line than its three-year average of 14.5%, and a significant recovery from the recent March low of 21.7%. The trust's mid-teens gearing amplified the portfolio's underperformance during the recent market rout, but means ANW should be well placed for positive performance if the outlook on the pandemic improves, and investors refocus on Thailand's longer-term prospects.

## Investment trusts Thailand equities

13 May 2020

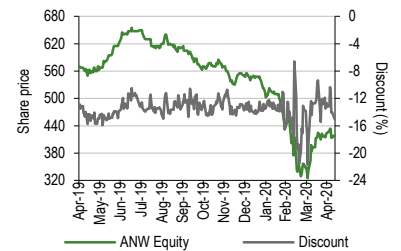
**Price** 418.0p  
**Market cap** £68.9m  
**AUM** £84.3m

NAV\* 470.7p  
Discount to NAV 11.2%  
NAV\*\* 491.8p  
Discount to NAV 15.0%

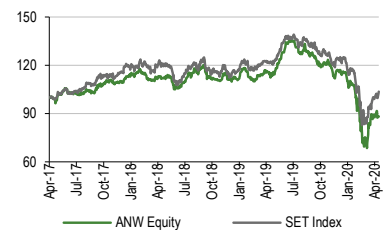
\*Excluding income. \*\*Including income. As at 11 May 2020.

Yield 4.6%  
Ordinary shares in issue 16.5m  
Code ANW  
Primary exchange LSE  
AIC sector Country Specialists: Asia Pacific  
Benchmark Stock Exchange of Thailand Index

### Share price/discount performance



### Three-year performance vs index



52-week high/low 655.0p 325.0p  
NAV\*\* high/low 749.0p 400.7p

\*\*Including income.

### Gearing

Gross\* 15.5%  
Net\* 14.6%

\*As at 31 March 2020.

### Analysts

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**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

ANW's investment objective is to provide a high level of long-term, above-average capital growth through investment in Thailand. The trust holds a concentrated portfolio of equities listed on the Stock Exchange of Thailand (SET). Constructed through bottom-up stock selection, ANW's portfolio is diversified across a broad range of industries, with exposures not linked to SET index allocations.

#### Recent developments

- 6 May 2020: Annual results to 28 February 2020. NAV total return -16.6%; SET index total return -12.8%. Second interim dividend of 11.00p declared.
- 4 December: Announced the retirement of Clare Dobie as independent non-executive director, with effect from 3 December 2019.
- 18 October 2019: Announced the appointment of Anne Gilding as an independent non-executive director with immediate effect.

#### Forthcoming

AGM	June 2020
Interim results	October 2020
Year end	28 February
Dividend paid	November and June
Launch date	December 1989
Continuation vote	No – see page 7

#### Capital structure

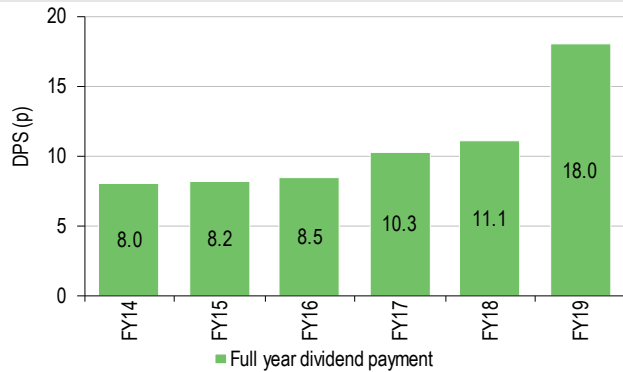
Ongoing charges	1.24%
Net gearing	14.6%
Annual mgmt fee	0.9%
Performance fee	None
Trust life	Indefinite (subject to vote)
Loan facilities	£15m multi-currency facility

#### Fund details

Group	Aberdeen Standard Investments
Manager	Asian Equities Team
Address	Bow Bells House, 1 Bread Street, London EC4M 9HH
Phone	+44 (0)500 000 040
Website	<a href="http://www.newthai-trust.co.uk">www.newthai-trust.co.uk</a>

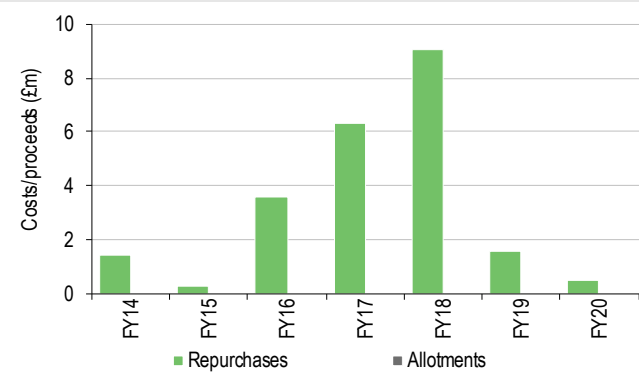
#### Dividend policy and history (financial years)

From FY19 the board introduced an interim dividend. Dividends payable June/July and November.

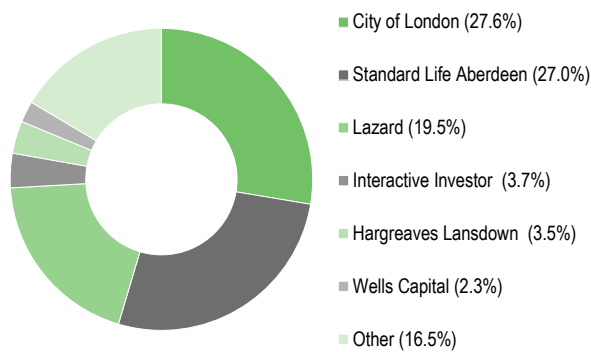


#### Share buyback policy and history (financial years)

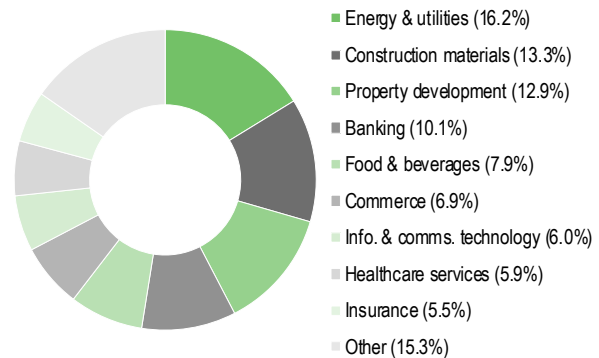
Renewed annually, the trust has authority to repurchase up to 14.99% and allot up to 10% of issued share capital.



#### Shareholder base (as at 31 March 2020)



#### Portfolio exposure by sector (as at 31 March 2020)



#### Top 10 holdings (as at 31 March 2020)

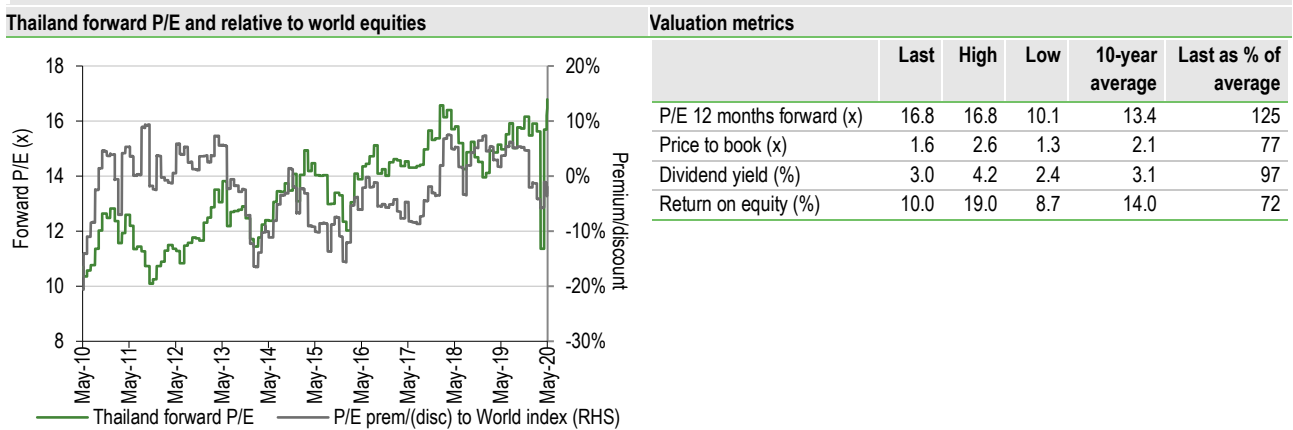
Company	Sector	Portfolio weight %	
		31 March 2020	30 September 2019
PTT	Energy & utilities	6.5	5.1
Advanced Info Service	Telecoms	6.0	4.6
Siam Cement	Construction materials	4.8	3.4
Home Product Center	Commerce	4.2	4.2
Central Pattana Public	Property development	4.2	3.9
Osotspa	Food & beverage	4.2	3.3
Land and Houses	Property development	4.0	3.6
Bangkok Insurance	Insurance	3.9	3.9
Toa Paint	Materials	3.5	3.5
AEON Thana	Finance & securities	3.5	5.0
<b>Top 10 (% of portfolio)</b>		<b>44.8</b>	<b>40.5</b>

Source: Aberdeen New Thai Investment Trust, Edison Investment Research, Bloomberg, Morningstar, Refinitiv.

## Market outlook: Driven by COVID-19 developments

The traditional engines of Thailand's economy are tourism and exports, and it is therefore particularly exposed to the impact of the COVID-19 pandemic. Tourism accounts for around 20% of GDP, and Thailand had c 40 million tourist arrivals in 2019. Over the past few years, this has been boosted by visitors from China; however, the industry is currently facing unprecedented disruptions. Exports are also facing challenging conditions. Even before the outbreak of the disease, Thailand's very open economy was already suffering from the impact of the US-China trade dispute and a slowdown of several important export sectors, including automotive and electronics, and the coronavirus has made things worse. Exports in February 2020 contracted by 4.8% year-on-year, prompting the Bank of Thailand (BoT) to downgrade growth forecasts; however, expectations have since been drastically reduced in response to the devastating impact to Thailand's economy from the pandemic. The BoT now expects 2020 GDP to contract by 5.3% and recover to 3.0% growth in 2021. Like equity markets around the world, the Thai stock market has witnessed a sharp sell-off, followed by a partial recovery. As shown in Exhibit 2 (RHS), Thailand's equity valuations do not look obviously cheap on a forward P/E multiple measure which, following a market bounce, is at a small discount to world equities. On a price to book multiple basis, valuations may appear oversold. The direction for Thailand's economy and stock market over the near term is likely to be driven by COVID-19 related newsflow and developments.

**Exhibit 2: Market performance and valuation**



Source: Refinitiv, Edison Investment Research. Note: Valuation data as at 12 May 2020.

## Fund profile: Long-established Thai specialist

ANW is a long-established investment trust, having just passed its 30th anniversary in December 2019, and is the only one specialising in Thai equities. Its investment objective is to provide shareholders with a high level of long-term, above-average capital growth through investing in companies listed in Thailand. The country borders the less developed and faster-growing countries of Cambodia, Laos, Vietnam and Myanmar (CLMV), and offers indirect exposures to these economies through Thai companies, many of which have successful and growing businesses around the region. The manager follows a bottom-up and rigorous approach to build a relatively concentrated portfolio of around 40 of its highest-conviction ideas, with a long-term investment horizon. Gearing is permitted up to 25% of NAV (14.6% at end-March 2020), and the trust can invest up to 10% of NAV in unlisted companies, provided they have visible plans to list. Unconstrained by index considerations, the portfolio typically looks very different from the SET Index, and therefore performance can diverge significantly from the benchmark.

## The fund manager: ASI Asian team

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### The manager's view: Uncertain near-term outlook

The manager expects Thailand's economy to be significantly affected by the COVID-19 pandemic, and is cautious as to whether the government's forecast for a 5.3% GDP contraction in 2020, followed by a return to growth in 2021, can be met. In the team's view, the shape of the recovery in global trade will be a key determinant, and may take longer than expected, noting that trade has experienced extreme dislocations, and that the supply chain was already under pressure prior to the coronavirus outbreak. US-China relations, having seemingly improved at the end of 2019, appear frostier again. Tourism could also take time to recover as restrictions to movement seem likely to remain in place for an extended period, and demand may also be curtailed by lower incomes. On a more positive note, the manager believes the government has been swift and decisive in its response to the virus, with measures including the declaration of a state of emergency, and imposition of a curfew. Stimulus and stabilisation packages amounting to c 15% of GDP have been put in place to give cash directly to farmers and low-income workers, support SMEs and ensure ample liquidity within the financial system. The team believes that the government has the capacity to implement further meaningful monetary and fiscal stimulus to help cushion the pandemic's impact on the economy. Aberdeen Standard Investments' (ASI) analysis suggests the existing measures could raise public debt to GDP from c 42% to c 55% in 2021–22, below the Finance Ministry's cap of 60%, a level which the team views as relatively conservative. The manager expects the government to substantially increase spending on its previously articulated plans for Thailand's 20-year development, which focus on infrastructure, digital technology and healthcare.

Over the longer term, the team remains optimistic on the outlook for Thailand. Given its well established manufacturing capability and business-friendly government, the country is a likely beneficiary of the accelerating trend for multinationals to add or relocate manufacturing facilities outside of China. Furthermore, the manager believes companies in Thailand are well placed to benefit from the faster growth of its neighbours. The CLMV countries represent a large economic hinterland with a population of c 165 million people, at an earlier stage of economic development, presenting an underpenetrated market for Thai goods and services.

## Asset allocation

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### Investment process: Fundamental, in-depth and patient

The manager believes that the Thai equity market is fundamentally inefficient, and that there is scope to add value through following a bottom-up and disciplined investment process to find quality companies that are mispriced. Meeting companies and getting to know their managements is an important part of the process to enable the team to evaluate their integrity and alignment with minority shareholders' interests. This forms part of the environmental, social and governance (ESG) assessment of the company, which is integrated alongside fundamental research into the sustainability of its competitive position and financial resilience. The fund is managed by the well-resourced Aberdeen Standard Asian team, which includes three experienced investment professionals based in Bangkok, who are supported by the broader team of Asian and sector specialists.

### Current portfolio positioning

Exhibit 3 shows ANW's exposure by sector as at end-March 2020. The largest overweights relative to the SET Index are in construction materials (+8.5pp), property development (+7pp), insurance

(+4.4pp) and automotive (+4.3pp). ANW was most underweight transportation & logistics (-8.5pp), energy & utilities (-5.5pp), and information & communications technology (-4.5pp).

The Thai equity market has been very volatile over the past few months, and the manager has used opportunities to reposition the portfolio slightly, increasing its quality, liquidity and defensiveness. ASI expects that quality companies with strong balance sheets can better weather the impacts of the pandemic, and potentially gain market share, while weaker players may suffer disproportionately. The team also believes the outlook for companies in construction, property and autos has deteriorated materially, and has been reducing these positions in the portfolio. It has also taken profits from holdings that have been relatively resilient during the market rout. These have included telecoms operator Advanced Info Service (which the manager continues to like, and remains one of ANW's largest positions), and hospitals operator Bangkok Dusit Medical Services.

**Exhibit 3: Portfolio sector exposure vs SET Index benchmark (% unless stated)**

	Portfolio end- March 2020	Portfolio end- September 2019	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Energy & utilities	16.2	16.5	(0.3)	21.7	(5.5)	0.7
Construction materials	13.3	12.8	0.5	4.8	8.5	2.8
Property development	12.9	10.8	2.1	5.9	7.0	2.2
Banking	10.1	12.4	(2.3)	9.8	0.3	1.0
Food & beverages	7.9	7.8	0.1	6.7	1.2	1.2
Commerce	6.9	6.9	0.0	11.3	(4.4)	0.6
Info. & comms. technology	6.0	4.6	1.4	10.5	(4.5)	0.6
Healthcare services	5.9	3.7	2.2	5.0	0.9	1.2
Insurance	5.5	5.7	(0.2)	1.1	4.4	5.0
Finance & securities	5.0	6.5	(1.5)	3.1	1.9	1.6
Automotive	4.7	5.1	(0.4)	0.4	4.3	11.8
Electronic components	2.2	2.3	(0.1)	0.8	1.4	2.8
Property fund	1.8	3.6	(1.8)	2.8	(1.0)	0.6
Transportation & logistics	0.7	0.0	0.7	9.2	(8.5)	0.1
Packaging	0.0	0.0	0.0	0.3	(0.3)	0.0
Media & publishing	0.0	0.0	0.0	1.0	(1.0)	0.0
Other	0.0	0.0	0.0	5.6	(5.6)	0.0
Cash	0.9	1.3	(0.4)	0.0	0.9	N/A
<b>Total incl. cash</b>	<b>100.0</b>	<b>100.0</b>		<b>100.0</b>		

Source: Aberdeen New Thai Investment Trust, Edison Investment Research

In February 2020, ANW participated in the IPO of Central Retail Corporation. Despite concerns regarding the impact of the COVID-19 pandemic, the issue was heavily over-subscribed, indicating investors' positive view of the attractiveness of the company's assets over the long term. Central Retail was Thailand's largest listing since 2013, raising c \$2.5bn. The firm is one of the nation's largest retailers, operating over 2,000 stores across multiple formats, including supermarkets, convenience stores and department stores. Central Retail, through its hypermarket subsidiary Big C, is also the largest foreign-owned retailer in Vietnam, which the manager believes positions the company well to capture the country's rapid economic growth.

The manager has also introduced airports operator Airports of Thailand (AOT) into the portfolio. AOT operates six airports in Thailand, including Bangkok Airport, the country's busiest. The team assessed that the sharp fall in the company's share price in response to the pandemic presented an attractive entry point for the long term. It expects airports to reopen later this month, but for traffic to take a few years to recover. The manager notes, however, that AOT's business has very high operating leverage, so even incremental improvements to revenues, as traffic improves from a low base, should have a larger positive impact on earnings.

The team continues to be committed to investing in high-quality companies that are intrinsically undervalued on a long-term horizon and has a number of stocks on its radar. In ASI's view, the portfolio is well positioned to generate long-term capital gains, and the current market weakness potentially offers exciting opportunities for ANW.

## Performance: Poorly positioned for the pandemic

As shown in Exhibits 5 and 6, ANW has generated strong absolute gains on a NAV total return basis over the past 10 years. Over that period, the trust has also significantly outperformed the MSCI Asia ex-Japan and MSCI World indices. The NAV total return performance relative to the SET Index benchmark, however, has lagged over all periods shown, although the share price has outperformed over one month. For the past several years, the benchmark's performance has been mainly driven by a narrow number of large-cap stocks, and ANW's bias towards quality and smaller companies that trade on reasonable valuations has not been in favour. More recently, the trust was poorly positioned for the unforeseen market fall triggered by COVID-19. The manager's key investment themes are rising incomes, urbanisation and improving infrastructure, which was reflected in the portfolio's overweight to construction materials, property and insurance stocks. ANW also had significant exposure to the automotive sector and was invested in several high-quality niche players in this sector. These positions have been very weak, while the portfolio was underweight areas that were relatively resilient, including utilities and information technology. Furthermore, prior to the coronavirus outbreak, ANW had high single-digit gearing, which amplified the share price falls. As at end-March 2020, net gearing had increased to 14.6% due to the fall in the fund's net asset value.

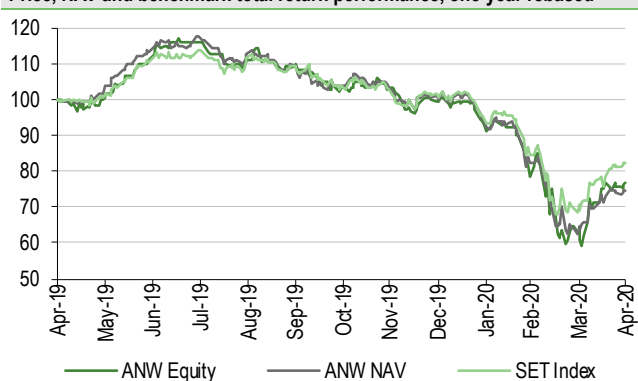
**Exhibit 4: Five-year discrete performance data**

12 months ending	Share price (%)	NAV (%)	SET Index (%)	MSCI AC Asia ex-Japan (%)	MSCI World (%)
30/04/16	(8.4)	(8.5)	(5.9)	(14.3)	1.1
30/04/17	30.2	28.5	31.5	37.5	30.6
30/04/18	13.3	13.6	20.5	16.8	6.9
30/04/19	2.7	0.3	1.3	1.6	13.1
30/04/20	(23.1)	(25.2)	(17.6)	(4.1)	(0.2)

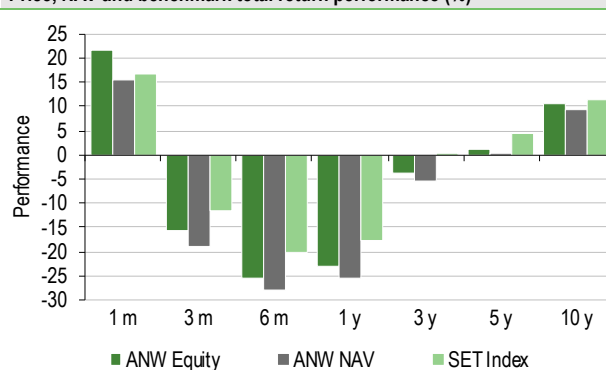
Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

**Exhibit 5: Investment trust performance to 30 April 2020**

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



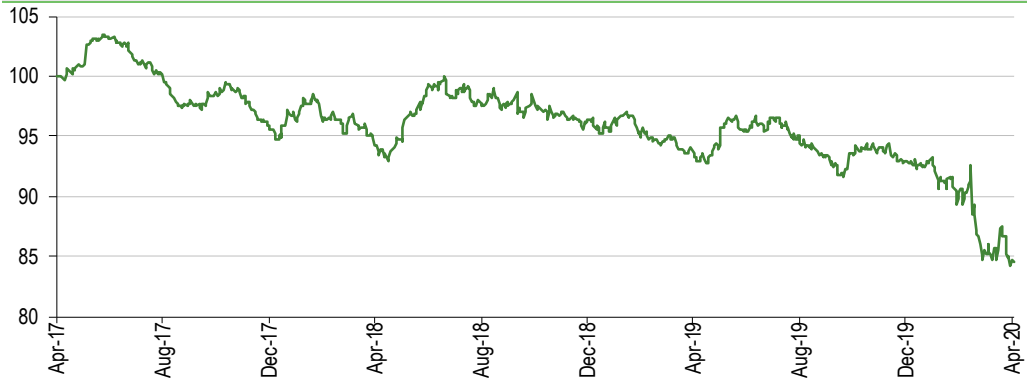
Source: Refinitiv, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

**Exhibit 6: Share price and NAV total return performance, relative to indices (%)**

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to SET Index	4.3	(4.5)	(6.7)	(6.7)	(11.1)	(14.4)	(6.4)
NAV relative to SET Index	(0.9)	(8.2)	(9.7)	(9.3)	(15.4)	(19.6)	(16.5)
Price relative to MSCI AC Asia ex-Japan	13.4	(13.3)	(23.8)	(19.9)	(21.4)	(20.5)	42.3
NAV relative to MSCI AC Asia ex-Japan	7.8	(16.6)	(26.2)	(22.1)	(25.2)	(25.4)	26.9
Price relative to MSCI World	11.4	(8.5)	(22.0)	(22.9)	(25.9)	(33.1)	1.9
NAV relative to MSCI World	5.9	(12.0)	(24.5)	(25.1)	(29.5)	(37.1)	(9.1)

Source: Refinitiv, Edison Investment Research. Note: Data to end-April 2020. Geometric calculation.

**Exhibit 7: NAV total return performance relative to benchmark over three years**

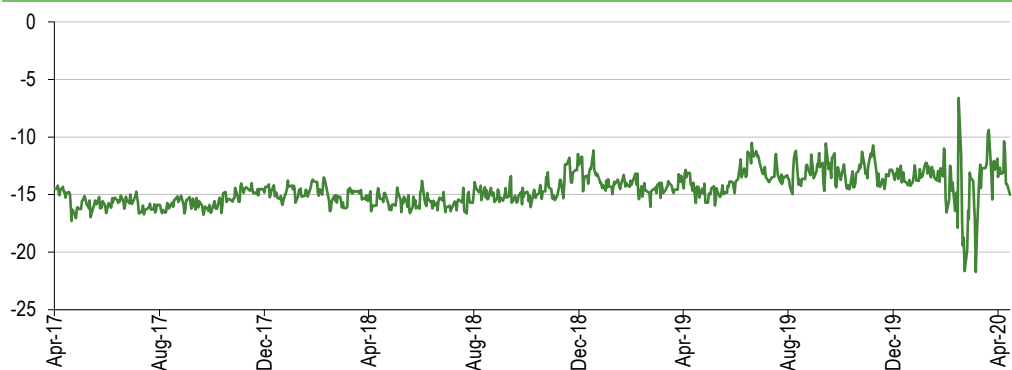


Source: Refinitiv, Edison Investment Research

## Discount: Recovered from extreme volatility

As shown in Exhibit 8, ANW's discount to cum-income NAV has been very volatile in the past two months, reflecting extreme movements in equity prices in Thailand (and indeed around the world), and a sharp fall in investor confidence in response to the COVID-19 pandemic. The discount has returned to more normal levels recently, and stood at 15.0% as at 13 May 2020, slightly wider than the three-year average of 14.5%. The board actively monitors the discount and has the ability to repurchase shares if this is deemed to be in the best interest of shareholders. ANW does not have a fixed life; however, if in the 12 weeks preceding its year end, the shares have been trading at an average discount in excess of 15% to the cum-income NAV, a special resolution to wind up the company will be proposed at the next AGM. The board also constantly monitors investment performance and has recently announced that, if performance over the next three years to 28 February 2023 has not outperformed the benchmark, it may review ANW's investment management arrangements. This may include, but is not limited to, an option for shareholders to redeem shares for cash.

**Exhibit 8: Share price discount to NAV (including income) over three years (%)**



Source: Refinitiv, Edison Investment Research

## Capital structure and fees

ANW is a conventional investment trust with one class of share; currently there are 16.5m ordinary shares in issue. The board has the authority (renewable annually) to repurchase up to 14.99% and allot up to 10% of issued share capital. As shown in Exhibit 2, activity has been de minimis in FY20 with 92,338 shares repurchased at a total cost of c £0.5m (FY19: 280,612 shares costing £1.6m).

ANW has a £15m three-year, multi-currency facility with Industrial and Commercial Bank of China, and as at end-March, £10m was drawn, and the trust had net gearing of 14.6%.

The board has recently revised the calculation of the investment management fee. Until 28 February 2020, the investment management fee was charged to the trust monthly and calculated at an annual rate of 0.9% of net assets. With effect from FY21 the 0.9% pa fee will be calculated on the market capitalisation of the trust, which the board believes is better aligned to shareholders' interests and industry practice. Based on the market capitalisation at the close of business on 4 May 2020 the management fee change would result in a reduction in the management fee of £96,000 or 13%.

## Dividend policy and record

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ANW has the highest dividend yield among its AIC Country Specialists – Asia Pacific sector peer group (as shown in Exhibit 9). The board approved new measures in May 2018, which resulted in a substantial 62% increase in the dividend paid in FY19. The allocation of management fees and interest costs was changed from being wholly allocated to the income account, to a 75:25 split between the capital and income accounts respectively. This reflects the board's expected total return for the trust over the long term and increases the proportion of net earnings available for dividend payments. The board also introduced an interim dividend, payable in November, in addition to the final dividend, which is paid in June or July.

The board has recently declared a second interim dividend of 11p per share in lieu of a final dividend, to avoid requiring shareholders' approval should COVID-19 restrictions cause a delay to the forthcoming AGM in June. Combined with an interim dividend of 8.0p per share, the total dividends per share for FY20 is 19p (FY19: 18p).

## Peer group comparison

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Exhibit 9 shows the AIC Country Specialists – Asia Pacific sector funds with a performance track record of over three years. The members have a wide geographical variation and different mandates, which include income and unlisted equities, therefore direct comparisons may not be helpful. ANW is one of the smaller trusts within this group. Its 10-year NAV total return performance ranks fifth and is well above the peer group average. Over shorter periods, however, its performance has lagged, ranking eighth over one and five years respectively, and fifth over three years. ANW's ongoing charge is below average and ranks sixth, and it has the highest dividend yield at 4.6%. The trust's discount to cum-fair NAV ranks seventh.



**Exhibit 9: AIC Country Specialists: Asia Pacific peer group as at 12 May 2020\***

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
Aberdeen New Thai	68.9	(23.8)	(13.3)	6.1	140.2	(15.0)	1.3	No	111	4.6
Aberdeen New India	221.9	(16.3)	(14.1)	21.6	76.8	(14.6)	1.2	No	109	0.0
Fidelity China Special Situations	1,270.5	13.8	25.4	51.1	212.4	(12.3)	0.9	Yes	124	1.6
India Capital Growth	46.5	(37.0)	(46.6)	(13.0)	(16.2)	(32.2)	1.9	No	100	0.0
JPMorgan China Growth & Income	274.8	39.7	68.5	93.5	226.5	(14.0)	1.3	No	111	1.1
JPMorgan Indian	395.3	(26.0)	(28.6)	1.3	27.9	(13.2)	1.1	No	101	0.0
Vietnam Enterprise Investments**	888.9	(6.5)	16.1	94.0	157.8	(12.3)	2.2	No	99	0.0
VietNam Holding**	73.4	(10.6)	(20.9)	30.5	73.3	(22.3)	2.9	Yes	100	0.0
VinaCapital Vietnam Opp Fund	515.5	(1.7)	12.4	98.7	142.9	(23.4)	1.7	No	100	2.9
Weiss Korea Opportunity	109.4	(7.9)	(13.4)	10.3		(4.6)	1.8	No	100	3.1
<b>Simple average</b>	<b>386.5</b>	<b>(7.6)</b>	<b>(1.5)</b>	<b>39.4</b>	<b>115.7</b>	<b>(16.4)</b>	<b>1.6</b>		<b>106</b>	<b>1.3</b>
<b>Rank (out of 10)</b>	<b>9</b>	<b>8</b>	<b>5</b>	<b>8</b>	<b>5</b>	<b>7</b>	<b>6</b>		<b>3</b>	<b>1</b>

Source: Morningstar, Edison Investment Research. Note: \*Performance data to 11 May 2020. \*\*NAV TR to 30 April 2020. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

## The board

The board consists of four independent non-executive directors, chaired by Nicolas Smith (appointed March 2013 and assumed his current role in June 2013). The senior independent director is Andy Pomfret (appointed in September 2014 and assumed his current role in December 2019). The other members of the board and their dates of appointment are Sarah MacAulay (December 2016) and Anne Gilding (18 October 2019).

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