

# Aberdeen New Thai Investment Trust

## Gaining exposure to dynamic ASEAN region

Aberdeen New Thai Investment Trust (ANW) has built a track record of more than 25 years as a specialist investor in Thai equities. The manager focuses on high-quality, cash-generative companies, which underpin ANW's sector-leading 1.8% dividend yield. ANW's NAV performance has been strong over one year, but lagged the SET index rally, which was led by more speculative stocks. The Thai stock market was largely unaffected by the passing of King Bhumibol in October but a short-term softening of economic activity is likely as the country mourns. However, an improving economic outlook and opportunities for Thai companies to expand into the dynamic ASEAN region are encouraging prospects for the medium term.

12 months ending	Share price (%)	NAV (%)	SET index (%)	MSCI World (%)	FTSE All-Share (%)
30/11/12	45.1	48.1	37.9	17.4	12.2
30/11/13	1.2	(0.0)	(0.0)	5.4	24.3
30/11/14	26.3	22.1	22.9	11.0	14.5
30/11/15	(19.7)	(16.1)	(16.1)	(6.8)	3.9
30/11/16	31.6	27.7	39.0	29.5	25.0

Source: Thomson Datastream. Note: 12-month rolling discrete total returns in sterling terms.

### Investment strategy: Consistent, disciplined approach

Aberdeen's Asian equities investment team follows a consistent, disciplined bottom-up process, undistracted by market fluctuations, aiming to add value through stock selection. The team seeks high-quality companies, trading at valuations that do not reflect their long-term potential, and meeting management before investment is an essential step in the process. The manager aims to maintain a diversified portfolio but sector exposures are not influenced by index weightings. A long-term approach is taken, reflected by portfolio turnover averaging c 10% pa over the last five years. Gearing is used selectively to enhance returns, up to a maximum 15% of NAV.

### Market outlook: Positive over the medium term

Although lower than the ASEAN region as a whole, Thailand's medium-term GDP growth is projected to be above that in major developed economies. While public investment is driving growth, the government aims to hold debt close to its current level and foreign currency reserves are seen as sufficient to deal with any short-term capital outflows that may be prompted by US rate hikes. The Thai market's 14.5x forward P/E multiple is close to a 10-year high, but is lower than the 15.3x average for the ASEAN-5 countries and investors may also be attracted by its 3.1% dividend yield (25% premium to world markets) as well as the country's improving economic outlook and opportunities for Thai companies to expand into faster growing neighbouring ASEAN countries over the medium term.

### Valuation: Sector-leading 1.8% dividend yield

ANW's share price discount to NAV (including income) has largely stayed within a 10% and 20% range over the last three years, averaging 15.4%. The trust's current discount is in line with the peer group average, while its 1.8% yield is the highest in the Asia Pacific country specialists peer group.

## Investment trusts

21 December 2016

**Price** 477.5p  
**Market cap** £90.7m  
**AUM** £106.8m

NAV\* 547.3p

Discount to NAV 12.7%

NAV\*\* 558.4p

Discount to NAV 14.5%

\*Excluding income. \*\*Including income.

Yield 1.8%

Ordinary shares in issue 19.0m

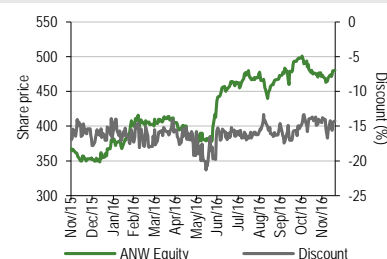
Code ANW

Primary exchange LSE

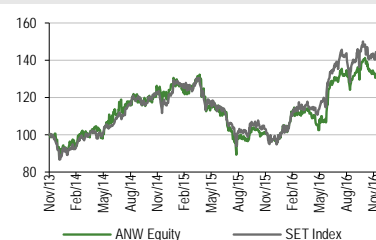
AIC sector Country Specialists: Asia Pacific

Benchmark SET index

### Share price/discount performance



### Three-year performance vs index



52-week high/low 501.0p 348.5p

NAV\*\* high/low 592.7p 414.2p

\*\*Including income.

### Gearing

Gross\* 2.5%

Net\* 0.8%

\*As at 30 November 2016.

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### 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's portfolio comprises 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.

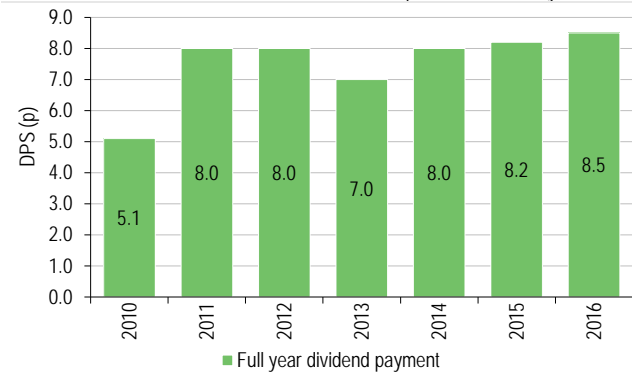
#### Recent developments

- 6 December 2016: Sarah MacAulay appointed to the board, with effect from 1 January 2017.
- 10 October 2016: Interim results to 31 August 2016. NAV total return +19.4%; SET index total return +29.0%.
- 23 June 2016: James Robinson retired from board, succeeded as senior independent director by Clare Dobie.
- 13 May 2016: Final results to 28 February 2016. NAV total return -9.5%; SET index total return -11.6%; 8.50p final dividend proposed.

Forthcoming		Capital structure		Fund details	
AGM	June 2017	Ongoing charges	1.45%	Group	AAM Asia
Final results	May 2017	Net gearing	0.8%	Manager	Asian Equities Team
Year end	28 February	Annual mgmt fee	1.0% of net assets	Address	Bow Bells House, 1 Bread Street, London EC4M 9HH
Dividend paid	June	Performance fee	None	Phone	+44 (0)500 000 040
Launch date	December 1989	Trust life	Indefinite	Website	<a href="http://www.newthai-trust.co.uk">www.newthai-trust.co.uk</a>
Continuation vote	No – see page 6	Loan facilities	£10m multi-currency facility		

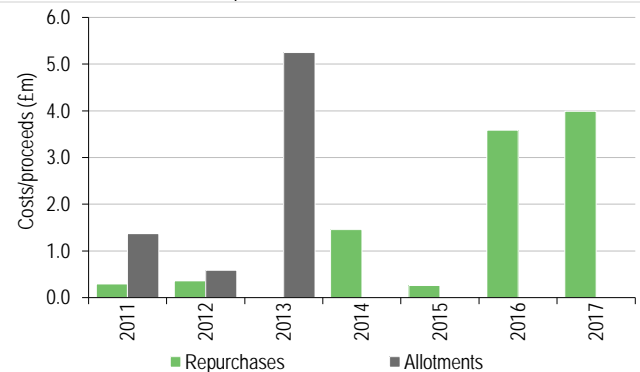
#### Dividend policy and history (financial years)

ANW targets capital growth rather than income and dividends may fluctuate with the level of income received. An annual dividend is paid in June each year.

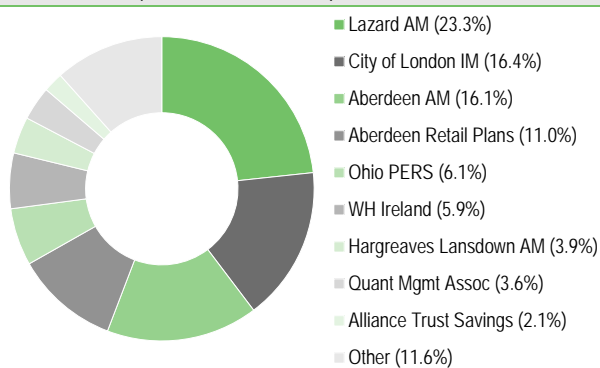


#### Share buyback policy and history (financial years)

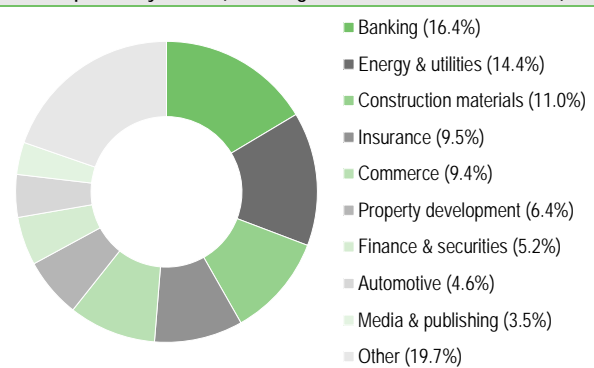
ANW has annually renewed authority to repurchase up to 14.99%, and allot up to 10% of its issued share capital.



#### Shareholder base (as at 8 December 2016)



#### Portfolio exposure by sector (excluding cash, as at 30 November 2016)



#### Top 10 holdings (as at 30 November 2016)

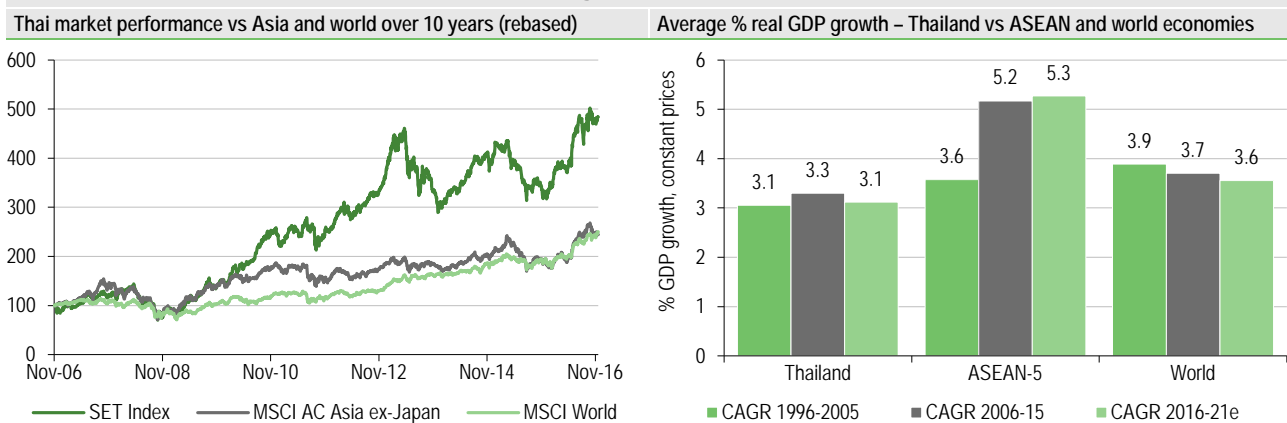
Company	Country	Sector	Portfolio weight %	
			30 November 2016	30 November 2015*
Siam Cement	Thailand	Construction materials	5.6	5.2
Big C Supercenter	Thailand	Commerce	5.4	5.4
Bangkok Insurance	Thailand	Insurance	5.0	5.5
Siam Commercial Bank	Thailand	Banking	4.6	4.6
Kasikornbank	Thailand	Banking	4.5	4.8
Advanced Info Service	Thailand	Info. & comms. technology	4.2	3.5
AEON Thana Sinsap	Thailand	Finance & securities	4.0	3.7
Home Product Center	Thailand	Commerce	3.8	N/A
PTT Exploration & Production	Thailand	Energy & utilities	3.6	3.6
Hana Microelectronics	Thailand	Electronic components	3.3	3.8
<b>Top 10</b>			<b>44.0</b>	<b>44.2</b>

Source: Aberdeen New Thai Investment Trust, Morningstar, Thomson Reuters, Bloomberg, Edison Investment Research. Note: \*N/A where not in November 2015 top 10.

## Market outlook: Long-term investment case remains

The passing of King Bhumibol in mid-October after 70 years on the throne overshadowed other events in Thailand but had little effect on market sentiment, with the Thai stock market moving higher in the following weeks, extending the January to October market rally to over 50% in sterling terms. While declaring a year-long official mourning period, Thailand's prime minister encouraged businesses to continue as usual, aiming to limit negative economic effects. Although Thailand's GDP growth moderated to 0.6% in the third quarter, the IMF forecasts 2016 GDP growth ahead of 2015, with growth in all ASEAN-5 countries strengthening in 2017 and future years. Public spending and tourism continue to drive the economy, with lacklustre exports and subdued domestic demand weighing on manufacturing. Public investment is a key growth driver, with a planned eight-year infrastructure investment programme in partnership with the private sector, including c \$20bn of projects scheduled to start in 2017. Public debt is stable at 44% of GDP (external debt 33%), with the government committed to keeping debt below 50% of GDP. Thailand has a sizeable current account surplus and foreign currency reserves stand at c 40% of GDP, seen by the governor of the Bank of Thailand as sufficient to deal with any short-term capital outflows that could be precipitated by further US rate hikes. A reliance on exports (69% of GDP in 2015) makes moderating Chinese demand a concern, but foreign direct investment is expected to recover following Thailand's August 2016 referendum, which endorsed the military junta's draft constitution, paving the way for a general election in 2017 and the return of a democratically-elected government.

**Exhibit 2: Thailand market performance and GDP growth versus world**



Source: Thomson Datastream, IMF October 2016 World Economic Outlook, Edison Investment Research

Thailand's SET index has outpaced Asian and world markets over 10 years (Exhibit 2 left-hand chart), and over the year to end-November 2016, the SET index returned 39.0% in sterling terms, compared with 29.5% for MSCI AC Asia ex-Japan and 25.0% for MSCI World. Although close to its 10-year high, the Thai market's current 14.5x forward P/E multiple stands at a 5% discount to world markets and its 3.1% dividend yield represents a 25% premium to world markets. While valuations may have moved ahead of fundamentals during 2016's market rally, Thailand could still represent an attractive market for investors, with an improving economic outlook and opportunities for Thai companies to expand into faster growing neighbouring ASEAN countries over the medium term.

## Fund profile: Established Thai equities specialist

Launched in December 1989, ANW is the only LSE-listed investment trust focused exclusively on Thailand. The trust seeks to provide a high level of long-term, above-average capital growth through investing in a relatively concentrated but diversified portfolio of equities quoted on the SET. Performance is benchmarked against the SET index but a bottom-up approach to stock selection is

adopted, and sector allocations are not linked to index exposures. As a result, fund performance can diverge materially from the benchmark. The manager targets capital growth rather than income, but a consistent focus on cash-generative companies with strong balance sheets has resulted in a relatively high level of revenue earnings and ANW is differentiated from peers by its dividend yield. ANW is managed by the Asian Equities team of Aberdeen Asset Management Asia (AAM Asia) with day-to-day management undertaken by the Bangkok office and oversight provided from Singapore.

## **The fund managers: Asian equities team**

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### **The managers' view: Increasing indirect ASEAN exposure**

The managers anticipate some short-term softness in economic activity as Thailand mourns the passing of King Bhumibol. However, the weaker performance of the Thai stock market in November 2016 is seen as a reflection of a broader diminishing of foreign investors' risk appetite, affected by the US presidential election and the prospect of a US rate hike.

Although ANW only invests in companies listed in Thailand, the managers highlight the growing trend for portfolio companies to expand into the dynamic, faster-growing ASEAN region. Portfolio holdings Siam Cement and Siam City Cement provide good examples of this trend. Siam Cement's presence in the ASEAN region has evolved steadily over a decade and c 20% of its assets are now outside Thailand, including cement plants in Myanmar, Indonesia and Cambodia and paper and packaging facilities in Vietnam and the Philippines. Siam City Cement has operated a production facility in Indonesia for a number of years and recently announced the acquisition of cement plants in Sri Lanka, Bangladesh and Vietnam valued at c \$1bn.

The only change to ANW's portfolio holdings during 2016 was via participating in the IPO of Banpu subsidiary, Banpu Power, a power-generation company considered to have strong management, robust financials and sound growth prospects. The managers funded this purchase by selling part of ANW's holding in Hana Microelectronics after a period of stronger performance, having added to the holding earlier in 2016 on share price weakness. The managers observe that the share prices of portfolio companies tended to lag during the rally in 2016, largely due to their more defensive characteristics, with more speculative stocks such as Thai Airways having led the market run up. Thai Airways' shares, which are not held in the portfolio, gained over 300% in the rally, despite the company having a weak balance sheet and requiring significant operational restructuring.

Over the 12 months to end-August 2016, top contributors to ANW's performance included Home Product Center and Tisco Financial. Home Product Center bucked the generally weak retail industry trend to achieve good sales and margins, with an unusually hot summer helping sales of air conditioners and fans. In a weak banking sector, smaller lender Tisco Financial demonstrated resilience, with an improvement in non-performing loans and its main automotive business aided by rising second-hand vehicle prices and a revival in car and truck sales. The main detractor from performance over this period was TV and radio broadcaster, BEC World, which was affected by lower advertising revenues across the industry, although the managers remain confident in the company's ability to weather the current downturn.

## **Asset allocation**

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### **Investment process: Consistent, disciplined stock selection**

ANW's Asian equities investment team follows a consistent bottom-up investment process, based on a disciplined evaluation of companies, seeking to add value through stock selection. The team aims to identify good-quality companies trading at valuations that do not reflect the long-term

potential of the business. A range of qualitative and valuation measures are used and meeting management is considered essential. Qualitative factors include management strength, business focus, balance sheet strength and corporate governance, while valuation analysis includes an assessment of financial ratios relative to the overall market and peer group, taking into account a company's individual business prospects. Top-down factors are secondary considerations and, while the manager aims to maintain a diversified portfolio, there are no formal restrictions on sector weightings. Individual stock exposure is limited to 10% of net assets. A long-term approach is taken, reflected by portfolio turnover typically at a modest level of c 10% pa. Gearing is used selectively to enhance portfolio returns and is permitted up to 15% of net assets.

## Current portfolio positioning

ANW's relatively concentrated portfolio comprised 40 investments at 30 November 2016. The top 10 holdings represented 44.0% of the portfolio (Exhibit 1), similar to end-November 2015, when the portfolio also comprised 40 investments. Portfolio turnover was 12% over the year to the August 2016 half-year end, slightly lower than the 16% turnover in the preceding 12-month period.

As shown in Exhibit 3, although concentrated, ANW's portfolio is broadly diversified across 15 sectors. The manager seeks to maintain a diversified portfolio, but the bottom-up approach to stock selection can lead to sector weightings diverging appreciably from the benchmark SET index. This is reflected in the portfolio's 8.0pp overweight position in insurance (reduced from 9.7pp at end-November 2015) and 7.2pp underweight in transportation & logistics. Since end-November 2015 ANW's underweight in information & communications technology has reduced, largely due to this sector's 2.6pp lower weighting in the SET index. The trust's overweight in media & publishing has reduced, with the sale in November 2016 of Amarin Printing & Publishing, a long-held stock that has suffered from a tough operating environment in recent years. A significant 2.8pp increase in the energy & utilities weighting in the SET index has made this a notable underweight position for ANW.

**Exhibit 3: Portfolio sector exposure vs benchmark index**

% unless stated	Portfolio end-Nov 2016	Portfolio end-Nov 2015	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Banking	16.1	15.8	0.3	13.7	2.4	1.2
Energy & utilities	14.1	13.5	0.6	18.0	(3.9)	0.8
Construction materials	10.8	10.2	0.6	5.6	5.2	1.9
Insurance	9.3	11.3	(2.0)	1.3	8.0	7.2
Commerce	9.2	8.6	0.6	10.5	(1.3)	0.9
Property development	6.3	6.1	0.2	6.3	0.0	1.0
Finance & securities	5.1	5.0	0.1	2.4	2.7	2.1
Automotive	4.5	4.3	0.2	0.5	4.0	9.0
Info. & comms. technology	4.2	3.5	0.7	8.3	(4.1)	0.5
Healthcare services	4.2	3.6	0.6	5.1	(0.9)	0.8
Food & beverages	3.5	3.8	(0.3)	6.9	(3.4)	0.5
Media & publishing	3.4	6.2	(2.8)	1.4	2.0	2.4
Electronic components	3.3	3.8	(0.5)	1.5	1.8	2.2
Packaging	2.1	1.6	0.5	0.4	1.7	5.3
Property fund	2.0	1.8	0.2	2.9	(0.9)	0.7
Transportation & logistics	0.0	0.0	0.0	7.2	(7.2)	0.0
Other	0.0	0.0	0.0	8.0	(8.0)	0.0
Cash	1.9	0.9	1.0	N/A	N/A	N/A
	100.0	100.0		100.0		

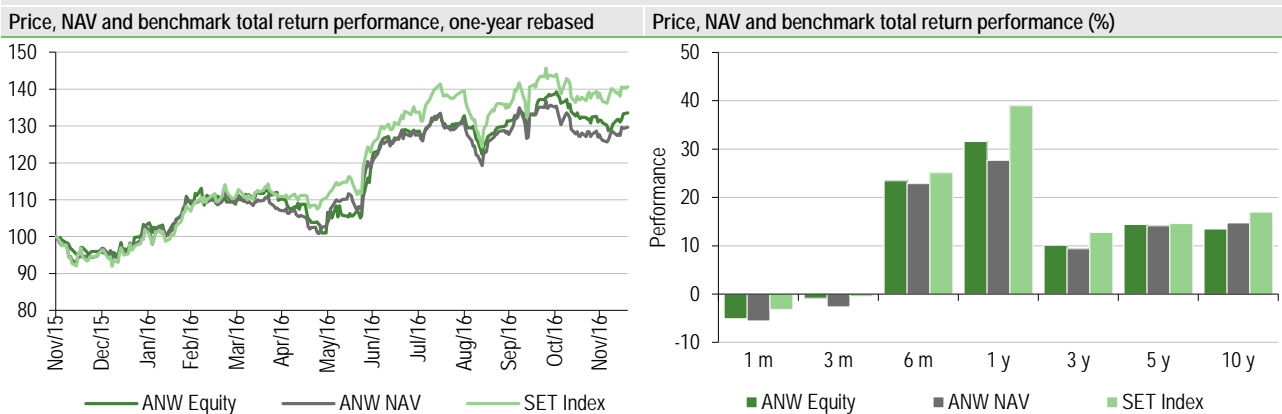
Source: Aberdeen New Thai Investment Trust, Edison Investment Research

## Performance: Strong absolute returns but trailing index

Exhibit 5 shows that ANW's NAV total return has lagged its SET index benchmark over one, three, five and 10 years, although the trust has seen periods of sustained outperformance during the last 10 years, illustrated in Exhibit 6. Helped by sterling weakness, ANW delivered a strong absolute performance over one year and the trust's longer-term performance has also been robust in

absolute terms, with compound NAV total returns of 14.1% pa and 14.8% pa over five and 10 years respectively. ANW's significant outperformance versus regional and world indices over 10 years (Exhibit 5) reflects the long-term strength of the Thai stock market, while relative weakness over three months accounts for a large part of ANW's underperformance versus the MSCI World index over three and five years. As illustrated in Exhibit 6, ANW's performance has diverged from the SET index over 10 years, with periods of relative strength and weakness broadly offsetting over the last five years. SET index outperformance versus the MSCI AC Asia ex-Japan and MSCI World indices over one year reflects the market recovery during 2016, which reversed the correction in mid-2015.

**Exhibit 4: Investment trust performance to 30 November 2016**



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

**Exhibit 5: 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	(2.0)	(0.5)	(1.3)	(5.3)	(6.8)	(0.8)	(26.1)
NAV relative to SET Index	(2.5)	(2.2)	(1.8)	(8.1)	(8.7)	(1.9)	(17.3)
Price relative to MSCI AC Asia ex-Japan	(0.0)	(2.8)	(2.2)	1.7	(0.4)	18.1	42.9
NAV relative to MSCI AC Asia ex-Japan	(0.5)	(4.5)	(2.7)	(1.4)	(2.4)	16.8	59.9
Price relative to MSCI World	(4.3)	(5.6)	2.5	5.3	(10.2)	(5.5)	46.5
NAV relative to MSCI World	(4.8)	(7.2)	2.0	2.1	(12.1)	(6.6)	63.9

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-November 2016. Geometric calculation.

**Exhibit 6: NAV performance relative to benchmark over 10 years**



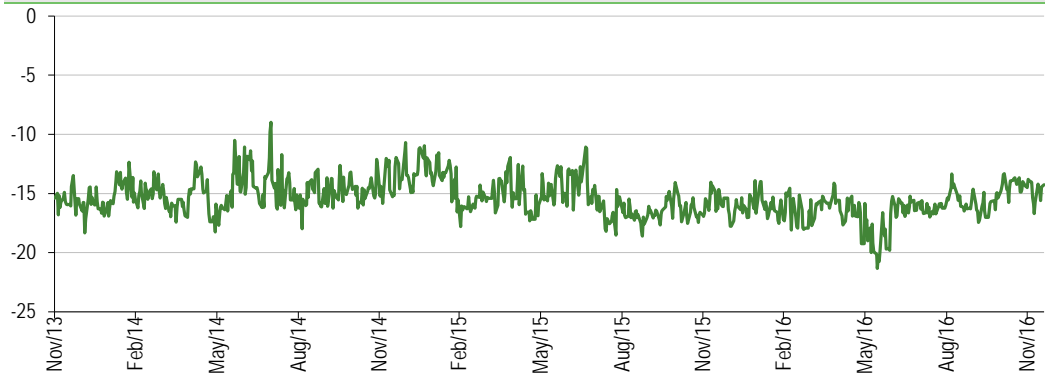
Source: Thomson Datastream, Edison Investment Research

## Discount: Broadly in line with five-year average

ANW's policy is to buy back shares selectively when it is considered to be in the best interest of shareholders. The trust has an indefinite life, but a special resolution to wind up the company will be proposed at the AGM, if in the 12 weeks preceding the financial year end the shares have traded at an average discount to NAV in excess of 15%. For previous financial years, the discount to NAV

excluding income was considered, but the board has determined that NAV including income will be used as the basis for this calculation in future. As shown in Exhibit 7, ANW's share price discount to NAV (including income) has predominantly moved in a 10% to 20% range over the last three years. The current 14.5% discount compares to its three- and five-year averages of 15.4% and 14.7%.

**Exhibit 7: Share price discount to NAV (including income) over three years (%)**



Source: Thomson Datastream, Edison Investment Research

## Capital structure and fees

ANW has 19.0m shares in issue. Since 28 February 2016, ANW has bought back and cancelled 0.9m shares, representing 4.4% of the shares in issue at the start of the financial year, a similar level to the repurchases made during the previous financial year.

ANW has a three-year £10.0m multi-currency revolving loan facility, which runs to October 2018. The facility requires borrowings not to exceed 20% of net asset value, adjusted for certain excluded assets, and requires net asset value to be above £28m. The board imposes a 15% restriction on gearing. At end-November 2016, £2.7m was drawn against the loan facility, equating to 2.5% gross gearing, while net gearing stood at 0.8%; net asset value was £106m.

ANW pays a monthly management fee to AAM Asia at a rate of 1.0% pa of NAV; there is no performance fee. For the year to 28 February 2016, ongoing charges were 1.45%.

## Dividend policy and record

ANW pays an annual dividend in June each year relating to the preceding financial year. The majority of earnings are paid out, making the trust's dividend dependent on the level of income received from portfolio investments in each year. As a result, the dividend paid to shareholders may fluctuate from year to year. ANW targets capital growth rather than income, but the board's attitude is to at least maintain the dividend to the extent that profits or revenue reserves are available for distribution. 96% of earnings were paid out in 2016, with the dividend increasing by 3.7% to 8.50p (see Exhibit 1). Adjusting for the payment of this dividend in June 2016, revenue reserves at the February 2016 year end equate to 10.58p per share, based on the current shares in issue.

## Peer group comparison

Exhibit 8 shows a comparison of ANW with a peer group of Asia Pacific country specialist closed-ended funds. ANW is the only fund in the group of 10, which is focused on Thailand and therefore, to a large extent, the comparison reflects performance differences between stock markets across the region. ANW's NAV total return is ahead of the peer group average over one year, below the

average over three and five years, but comfortably leads the smaller peer group of eight funds over 10 years. In terms of risk-adjusted returns, ANW's Sharpe ratios over one and three years largely reflect underlying relative performance. Although one of the smaller funds, ANW's ongoing charge is among the lowest in the peer group. ANW's share price discount to NAV is in line with the peer group average and it has the highest yield of the four dividend-paying funds in the peer group.

**Exhibit 8: Country Specialists: Asia Pacific peer group as at 20 December 2016**

% unless stated	Market cap £m	NAV TR 1 Year	NAV TR 3 Year	NAV TR 5 Year	NAV TR 10 Year	Sharpe 1y (NAV)	Sharpe 3y (NAV)	Discount (ex-par)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
Aberdeen New Thai	90.7	35.8	33.5	90.2	312.8	1.2	0.1	(12.7)	1.45	No	101	1.8
Barramundi Limited	79.7	28.9	28.7	50.6	95.9	0.4	(0.0)	(8.1)	1.99	Yes	100	0.0
Fidelity China Special	927.2	21.4	80.4	178.2		0.6	0.8	(13.5)	1.22	Yes	129	1.1
India Capital Growth	81.8	21.1	91.5	121.8	(1.7)	0.3	0.9	(17.1)	1.98	Yes	100	0.0
JPMorgan Chinese	141.6	16.9	32.7	86.5	165.2	0.2	0.2	(15.4)	1.48	No	109	0.8
JPMorgan Indian	628.6	17.9	69.3	91.6	123.3	0.1	0.7	(10.2)	1.24	No	108	0.0
New India	218.9	20.9	70.6	98.6	197.7	0.2	0.8	(10.6)	1.30	No	100	0.0
VietNam Holding	120.1	42.4	99.7	204.6	84.3	1.1	0.9	(16.5)	2.93	Yes	100	0.0
VinaCapital Vietnam Opp Fund	557.4	61.4	80.0	133.4	160.9	1.7	0.8	(18.8)	1.83	Yes	100	0.0
Weiss Korea Opportunity	136.4	16.2	39.9			(0.1)	0.2	(4.0)	1.82	No	100	1.6
<b>Average</b>	<b>298.2</b>	<b>28.3</b>	<b>62.6</b>	<b>117.3</b>	<b>142.3</b>	<b>0.6</b>	<b>0.5</b>	<b>(12.7)</b>	<b>1.72</b>		<b>105</b>	<b>0.5</b>
<b>Rank</b>	<b>8</b>	<b>3</b>	<b>8</b>	<b>7</b>	<b>1</b>	<b>2</b>	<b>9</b>	<b>5</b>	<b>7</b>		<b>4</b>	<b>1</b>

Source: Morningstar, Edison Investment Research. Note: TR=total return. Sharpe ratio is a measure of risk-adjusted return. The ratios shown are calculated by Morningstar for the past 12- and 36-month periods by dividing a fund's annualised excess returns over the risk-free rate by its annualised standard deviation. Net gearing is total assets less cash and equivalents as a percentage of net assets.

## The board

Sarah MacAulay will join the board as a director on 1 January 2017. She has 20 years' Asian investment experience in London and Hong Kong, including the management and marketing of Thai equity portfolios, and is a director of JPMorgan Income and Capital Trust. Her appointment follows the retirement of James Robinson at the June 2016 AGM after more than nine years' service, and brings the board back to five non-executive directors, four of whom are independent of the investment manager. Nicholas Smith (appointed director March 2013, chairman June 2013) is a director of JPMorgan European Smaller Companies Trust and Schroder AsiaPacific Fund. Clare Dobie (appointed December 2013) succeeded James Robinson as senior independent director; she is a director of Alliance Trust, F&C Capital & Income Trust and Schroder UK Mid Cap Fund. Andy Pomfret (appointed September 2014) is chairman of Miton UK MicroCap Trust and a director of Graphite Enterprise Trust. Non-independent director Hugh Young (director of Aberdeen Asset Management Asia and Aberdeen Asset Management) has served on ANW's board since its launch.

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