

Aberdeen New Thai Investment Trust

Long-term Thai equities specialist

Aberdeen New Thai Investment Trust (ANW) is the only London-listed investment trust focused on Thailand. Launched in 1989, the managers have a long history of investing in the country, as well as the resources to support its bottom-up focus on identifying quality stocks to build a concentrated, yet diversified portfolio to generate long-term capital growth. This approach has delivered solid absolute performance with lower than market beta over three and five years. Thailand's economic recovery is proving stronger than expected, with scope to become more broad-based, which could support investment opportunities. The fund is currently trading at a wider than average discount to cum-income NAV of 16.6% and the board is committed to narrow this discount.

12 months ending	Share price (%)	NAV (%)	SET Index (%)	MSCI AC Asia ex-Japan (%)	MSCI World (%)
31/10/13	10.9	13.2	13.2	10.8	26.8
31/10/14	9.4	7.5	8.9	6.4	9.7
31/10/15	(14.3)	(15.5)	(13.8)	(3.6)	6.0
31/10/16	36.7	37.7	42.5	35.2	28.8
31/10/17	12.6	14.0	15.0	20.3	13.5

Source: Thomson Datastream. Note: All % on a total return basis in GBP.

Investment strategy: Long-term capital growth

ANW aims to generate a high level of long-term, above average capital growth by investing in Thai companies. The managers' disciplined bottom-up approach seeks high-quality, well-managed companies that are able to generate stable, long-term returns through economic cycles. The depth of research is supported by a well-resourced Asian team, including four Bangkok-based investment managers. ANW's portfolio is relatively concentrated at 40 holdings of the managers' highest conviction stocks, yet it is well diversified across a broad range of industries.

Market outlook: Economic recovery can broaden

Thailand's economic recovery has been stronger than many expected. GDP growth in Q217 of 3.7% was its fastest pace in four years, while August export growth was more than twice consensus expectations. The recovery has been driven primarily by exports, tourism and public spending, however, there is potential for this to broaden and deepen. Consumption has scope to recover from subdued levels, while public spending could increase meaningfully, given an ample capacity to borrow and the government's commitment to implement ambitious spending plans. The Thai stock market valuation at 15x prospective P/E is not cheap, however, not excessive relative to regional and global equities.

Valuation: Wider than average discount

ANW currently trades on a discount to cum-income NAV of 16.4%, wider than its ten year average of 15.3%. The dividend yield of 1.9% is high amongst peers, reflecting strong revenue income from its underlying, cash-generative investments. Meanwhile, the board is committed to narrowing the company's discount to NAV and has been actively promoting ANW and conducting share repurchases.

Investment trusts

13 November 2017

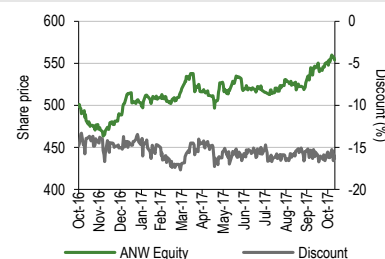
Price 554.0p
Market cap £97.6m
AUM £119.4m

NAV* 649.8p
Discount to NAV 14.7
NAV** 662.3p
Discount to NAV 16.4%

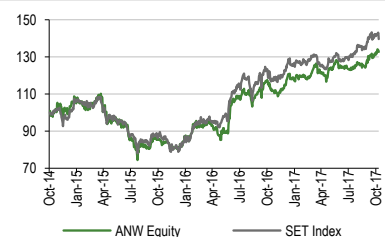
*Excluding income. **Including income. As at 10 November 2017.

Yield 1.9%
Ordinary shares in issue 17.6m
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 560.0p 463.0p
NAV** high/low 668.0p 545.0p

**Including income.

Gearing

Gross* 2.4%
Net* 0.2%

*As at 30 September 2017.

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'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

- 11 October 2017: Interim results to 31 August 2017. NAV total return +7.8%; SET index total return +7.9%.
- 1 July 2017: FY17 dividend of 10.3p per share paid.
- 28 June 2017: AGM. Hugh Young, non-independent director since inception stepped down.

Forthcoming

AGM	June 2019
Final results	April 2018
Year end	28 February
Dividend paid	July 2018
Launch date	December 1989
Continuation vote	No – see page 7

Capital structure

Ongoing charges	1.4%
Net gearing	0.2%
Annual mgmt fee	1.0%
Performance fee	None
Trust life	Indefinite (subject to vote)
Loan facilities	£10m multi-currency facility

Fund details

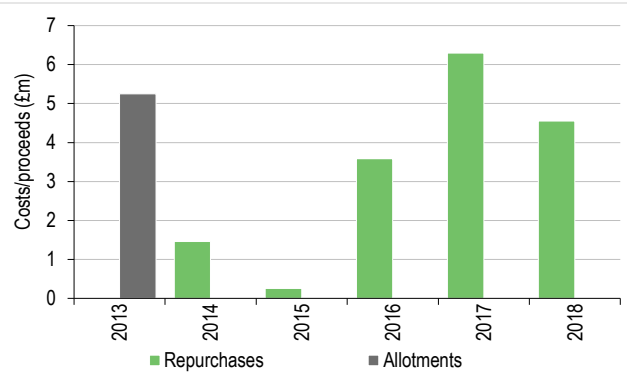
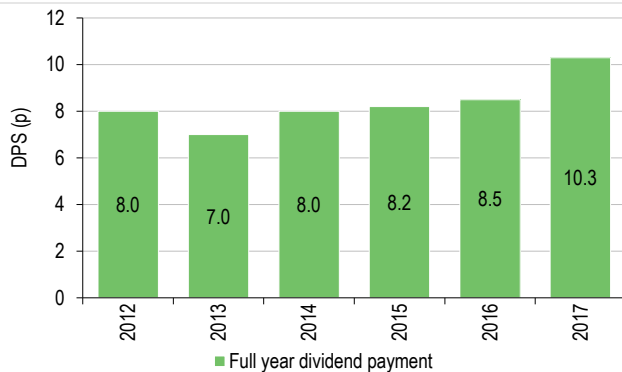
Group	AAM Asia
Manager	Asian Equities Team
Address	Bow Bells House, 1 Bread Street, London EC4M 9HH
Phone	+44 (0)500 000 040
Website	www.newthai-trust.co.uk

Dividend policy and history (financial years)

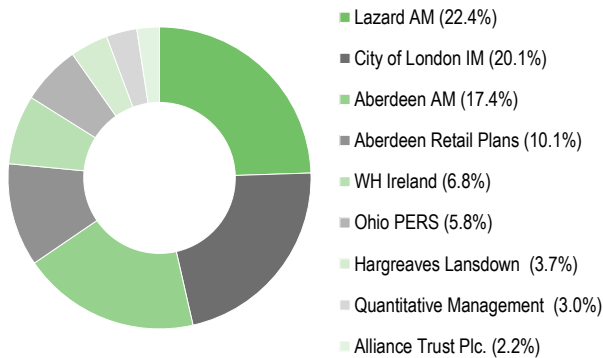
Annual dividend paid in July. ANW targets capital growth rather than income and dividends may fluctuate depending on the level of income received.

Share buyback policy and history (financial years)

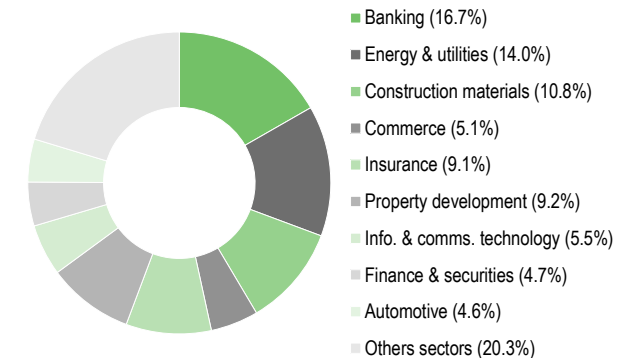
Renewed annually, the trust has authority to repurchase up to 14.99% and allot up to 10% of issued share capital.



Shareholder base (as at 31 October 2017)



Portfolio exposure by sector (excluding cash, as at 30 September 2017)



Top 10 holdings (as at 30 September 2017)

Company	Sector	Portfolio weight %	
		30 September 2017	30 September 2016*
Advanced Information	Telecoms	5.5	4.2
Siam Cement	Construction materials	5.3	5.9
Kasikornbank	Banking	5.3	4.9
Home Product Center	Commerce	5.1	3.6
Bangkok Insurance	Insurance	4.9	4.9
Siam Commercial Bank	Banking	4.6	4.5
Central Pattana Public	Property development	4.4	N/A
PTT Exploration and Production	Energy & utilities	3.7	3.5
AEON Thana Sinsap	Finance & securities	3.7	3.7
Hana Microelectronics	Electronic components	3.3	3.6
Top 10 (% of holdings)		45.8	44.1

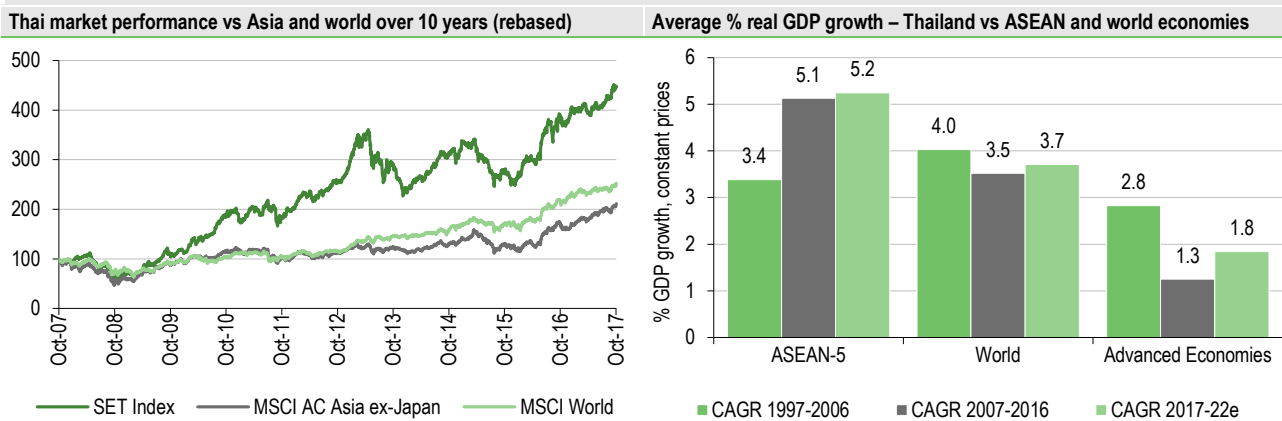
Source: Aberdeen New Thai Investment Trust, Edison Investment Research, Bloomberg, Morningstar, Thomson. Note: *N/A where not in September 2016 top 10.

Market outlook: Economic growth faster than expected

Thailand's GDP growth recovery has picked-up faster than many expected. Second quarter GDP rose by 3.7% year-on-year, its fastest pace in four years and well ahead of expectations, prompting the Bank of Thailand (BoT) to upgrade its 2017 GDP forecast to 3.8% from 3.4% previously. The recovery has been driven by exports, tourism and public spending. Exports have continued to surprise positively in the third quarter, reflecting strong economic recoveries in ASEAN (accounting for 25% of Thailand's total exports) as well as China and the US (each accounting for 12%). August 2017 exports increased 13.2% over the previous year, significantly greater than the 5% consensus expectation. Tourism accounts for nearly 16% of GDP and continues to be a resilient contributor to the economy. According to Visa International, Bangkok is the world's most visited city and is one of the most popular destinations for tourists from China.

The one-year official mourning period for the passing of King Bhumibol ended in late October 2017. Succession to the Crown Prince Maha Vajiralongkorn has been smooth and his coronation is expected to be announced shortly. The mourning period dampened consumption and state sector spending, thus there is scope for recovery as Thailand returns to 'business as usual'. Household debt remains high at around 80% of GDP, though it has been stabilising. Public finances, however, are in better shape with public debt to GDP at around 50%. Furthermore, the government appears determined to push through ambitious public investment plans. These include a Transport Action Plan to improve the speed of travel of goods as well as connect the East-West and North-South economic corridor. Another key initiative is the Eastern Economic Corridor (EEC) plan, aimed at developing this region into an economic zone, attracting innovation industries and foreign investment. Around THB1.5tn (US\$45bn) is expected to be invested over five years, including favourable tax incentives for private sector investors and workers.

Exhibit 2: Thailand market performance and GDP growth versus world



Source: Thomson Datastream, IMF October 2017 World Economic Outlook, Edison Investment Research

As shown in Exhibit 2, the SET index has performed strongly since the beginning of 2016 and is now trading on a prospective P/E of around 15x, which is high relative to its own history, though middle of the range amongst markets within the MSCI AC Asia ex-Japan index. IMF projections show that prospects for Thailand's and ASEAN countries' growth, however, are favourable compared to the world, and more than double that of advanced economies (as shown in the right hand chart of Exhibit 2).

Fund profile: Thai specialist, ASEAN region exposure

ANW was launched in 1989 and continues to be the only LSE-listed investment trust specialising in Thailand. The trust's objective is to provide a high level of long-term, above average capital growth

through investment in Thailand. Indirectly, the fund also provides investors with a nascent exposure to the Kingdom's populous and fast growing neighbours, including Cambodia, Laos, Myanmar and Vietnam (CLMV), as many of its holdings have established businesses in these countries. The portfolio is relatively concentrated and reflects the managers' bottom-up stock selection in the absence of benchmark constraints. It is focused on identifying cash-generative companies with strong balance sheets. As a result, although the managers target capital growth rather than income, the portfolio consistently generates a high revenue income, which in turn supports ANW's above peer group average dividend yield.

The fund manager: Asian team, Bangkok presence

The manager's view: Economic recovery can continue

The managers are positive about the investment potential within Thailand. Economic recovery has already surprised positively, underpinned by exports, tourism and public spending, however, they see reasons to believe growth can broaden and strengthen:

- Household debt levels can improve. The previous government's schemes to stimulate private consumption helped push household debt levels to around 80% of GDP. Efforts by the BoT and the current government to curb excessive personal borrowing has resulted in the stabilisation of household debt, while the natural conclusion of schemes, such as the first-time car buyer scheme, should lower leverage levels automatically. Furthermore, the end of the mourning period and a period of celebration to welcome the new King could also help boost consumption.
- The government is showing determination to deliver on spending promises. The managers are increasingly encouraged by evidence of the government's commitment to public spending, including budget approvals and progress with tenders. In the managers' view, a significant and sustained increase in public expenditure to improve infrastructure would be a "game changer" for the country's long-term economic prospects. They are also encouraged by proposals to 'hard-wire' public spending commitments, to avoid the historical pattern of about-turns when new leaders come into power, including amending the constitution to require future governments to adhere to the 20-year national strategic roadmap.
- Elections could boost consumption and stimulate foreign investment. Elections for a new government are due to be held in November 2018. Although the managers think there is a good chance elections may get delayed again, progress on this front should be positive for the economy. They believe consumption would be boosted by politicians' campaign-related spending, while a successful outcome would lift an overhang for foreign direct investment (FDI). Since the military coup in 2014, FDI has been very weak, as foreign investors shun the uncertainty of a transition government. FDI in 2016 at US\$1.6bn was a historic low (except 2011 when Thailand suffered severe flooding).

The managers believe the portfolio is well-placed to benefit from these themes, with its exposures to domestically-oriented companies, including Siam Cement and Land & Houses (public spending), and Minor International (tourism).

Asset allocation

Investment process: Fundamental and long term

The managers follow a disciplined, bottom-up approach to stock selection. A well-resourced Asian team, including four Bangkok-based investment managers, enables the managers to conduct over 1,000 meetings a year with company managements and undertake in-depth analysis of portfolio and potential investments. The team focuses on companies with strong cash flows and solid

balance sheets, where management has experience of business cycles, that exhibit good corporate governance, yet trade at reasonable valuations. Top-down considerations are secondary as they seek companies that can provide stable returns through economic cycles. Given the managers' long-term investment horizon, they are able to develop a deep understanding of a company's business and its management's honesty and competence over multiple years of engagement. This is a differentiating factor and key in helping mitigate investment risk.

The managers are agnostic to benchmark weightings and focus on individual stocks in building a well-diversified portfolio, which can diverge significantly from the index. Exposure to any single stock is limited to 10% of net assets and gearing is permitted up to 15% of net assets. Reflecting ANW's long-term investment horizon portfolio, turnover is typically around 10-15% per annum.

Current portfolio positioning

As at the end of September 2017, ANW held 40 stocks across a broad range of sectors (as shown in Exhibit 3) and the portfolio's sector positioning is little changed compared with a year ago. Although the turnover for the past 12 months has picked up slightly to 17% from 12% in the prior year, it nevertheless remains low and consistent with the managers' long-term investment horizon. The most significant change over the year is a 4.0 percentage point decrease in commerce. This largely reflects the disposal of long-held Big C in an attractive tender offer. The trust also sold Amarin Printing and Publishing due to its deteriorating operating environment, taking the media and publishing weight down 1.9 percentage points. The weight in property development increased 2.6 percentage points, reflecting the purchase of Land & Houses, one of Thailand's leading property developers, with an attractive land bank and experienced management team. ANW was able to take advantage of an unjustified sharp sell-off in this stock on bad news. The trust also added to Advanced Info Services on easing competitive pressures in the telecoms industry.

Exhibit 3: Portfolio sector exposure vs SET index benchmark (% unless stated)						
	Portfolio end- September 2017	Portfolio end- September 2016	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Banking	16.7	16.5	0.2	14.0	2.7	1.2
Energy & utilities	14.0	13.3	0.7	19.9	(5.9)	0.7
Construction materials	10.8	11.6	(0.8)	5.5	5.3	2.0
Property development	9.2	6.6	2.6	6.8	2.4	1.4
Insurance	9.1	9.6	(0.5)	1.1	8.0	8.3
Info. & comms. technology	5.5	4.2	1.3	8.5	(3.0)	0.6
Commerce	5.1	9.1	(4.0)	9.7	(4.6)	0.5
Finance & securities	4.7	4.7	0.0	2.1	2.6	2.2
Automotive	4.6	4.2	0.4	0.6	4.0	7.7
Healthcare services	4.2	3.8	0.4	4.5	(0.3)	0.9
Food & beverages	3.7	3.6	0.1	6.3	(2.6)	0.6
Electronic components	3.3	3.3	0.0	1.5	1.8	2.2
Media & publishing	2.6	4.5	(1.9)	1.5	1.1	1.7
Packaging	1.9	2.0	(0.1)	0.4	1.5	4.8
Property fund	1.9	2.0	(0.1)	2.0	(0.1)	1.0
Chemicals	1.5	0.0	1.5	7.8	(6.3)	0.2
Cash	1.2	1.0	0.2	0.0	1.2	N/A
Transportation & logistics	0.0	0.0	0.0	7.8	(7.8)	0.0
	100.0	100.0		100.0		

Source: Aberdeen New Thai Investment Trust, Edison Investment Research

ANW recently participated in the IPO of TOA Paints, raising the chemicals sector exposure from zero to 1.5%. The company has a strong brand and market position, commanding a 50% share of the Thai paint market. Prospects are bright for its expansion plans into Vietnam, Malaysia and the region. The share price has performed strongly since its listing.

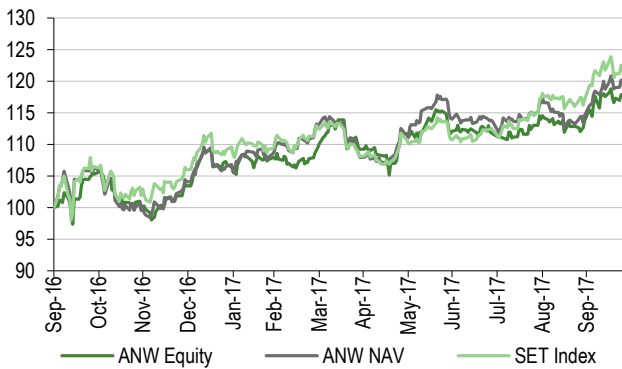
ANW continues to provide investors with an element of exposure to the faster growing economies of Cambodia, Laos, Myanmar and Vietnam (CLMV). Many of its portfolio companies have capitalised on their strong balance sheets and corporate reputations to build a growing presence in the region, including Siam Cement, Siam City Cement and AEON Thana Sinsap.

Performance: Solid absolute returns, lower risk

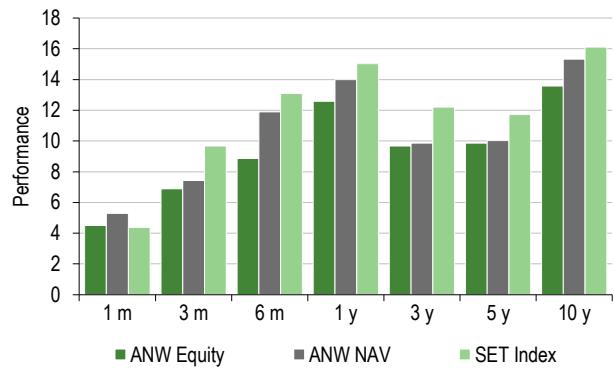
As shown in Exhibits 4 and 5, ANW's NAV total return has lagged its SET benchmark over one, three, five and 10 years, with relative weakness over three months accounting for a large part of the longer-term underperformance. Absolute returns, however, have been strong, with annualised three and five year returns of 9.9% and 10.0% respectively. Reflecting the managers' focus on quality companies, this has been achieved with a portfolio that, compared to the SET index, is less risky and volatile as measured by its beta of around 0.9 over three and five years.

Exhibit 4: Investment trust performance to 30 September 2017

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



Price, NAV and benchmark total return performance (%)



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	0.1	(4.0)	(0.8)	(2.8)	(5.6)	(5.8)	(23.0)
NAV relative to SET Index	(1.5)	(4.9)	(2.8)	(2.1)	(7.1)	(6.8)	(10.4)
Price relative to MSCI AC Asia ex-Japan	3.5	(1.8)	(4.2)	(4.5)	(15.8)	(9.4)	64.8
NAV relative to MSCI AC Asia ex-Japan	1.8	(2.7)	(6.1)	(3.7)	(17.2)	(10.3)	91.9
Price relative to MSCI World	1.1	(0.1)	1.4	(1.1)	(16.1)	(24.1)	43.4
NAV relative to MSCI World	(0.6)	(1.0)	(0.7)	(0.3)	(17.4)	(24.9)	67.1

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-September 2017. Geometric calculation.

Exhibit 6: NAV total return performance relative to benchmark over 10 years



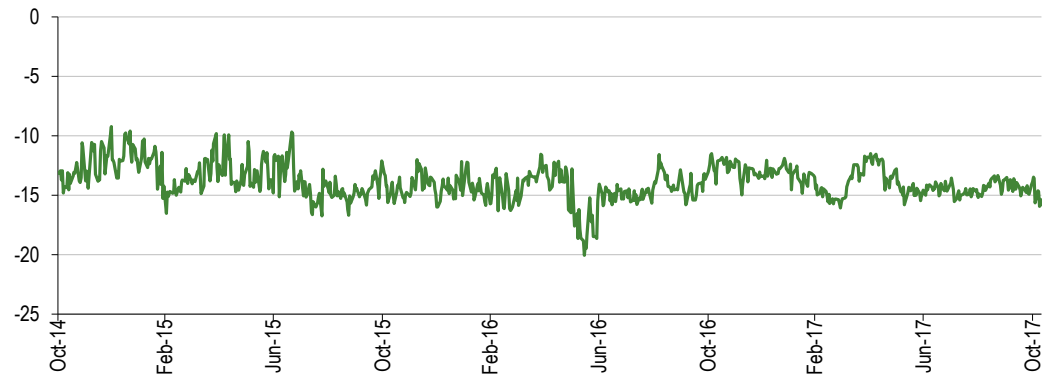
Source: Thomson Datastream, Edison Investment Research

Discount: Wider than average, scope to narrow

ANW is currently trading at a 16.4% discount to NAV (including income), which is wider than the three-year average of 15.6% though well within the period's 11-21% range. The trust does not have a fixed life, although under its Articles of Association, if in the 12 weeks preceding the financial year end the shares have traded at an average discount to NAV (including income) in excess of 15%, a

special resolution to wind up the company will be proposed at the AGM. The board is committed to narrowing the discount to NAV and has been actively promoting the trust as well as buying back shares.

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



Source: Thomson Datastream, Edison Investment Research

Capital structure and fees

ANW is a conventional investment trust with one class of shares and 17.7m ordinary shares in issue. Since 28 February 2017, ANW has bought back and cancelled around 0.9m shares, representing 4.7% of the shares in issue at the start of the financial year. This is similar to the pace of purchases in the previous year.

ANW has a US\$10m three-year multi-currency loan facility with Scotiabank, which runs until October 2018. As at end September 2017, £2.7m has been drawn down equating to gross gearing of 2.4%. An annual management fee of 1.0% is paid out of revenues to AAMAL, a wholly-owned subsidiary of Aberdeen Asset Management. There are no performance-related fees and for the year ended February 2017, the ongoing charge was 1.4%.

Dividend policy and record

ANW pays an annual dividend each July relating to the previous financial year. Although the trust's primary objective is capital growth over income, it has a long track record of paying good dividends, and for FY17, paid 10.30p, a significant increase on the 8.50p paid for FY16. In part, this increase reflected currency translation gains in sterling terms. Historically, the trust has paid out almost all of its revenue earnings, and future dividends may therefore fluctuate in accordance with income received from its portfolio. The managers' approach to invest in cash-generative, high quality companies should help support the continuation of appreciable dividend payments.

Peer group comparison

Exhibit 8 shows ANW against a peer group of the ten largest Asia Pacific country specialist closed-end funds (there are 14 funds in total in this group). It is, however, the only fund with exclusive focus on Thailand, thus making comparisons less meaningful as performance is heavily influenced by individual markets and not just manager performance. ANW stands out as having the strongest NAV total returns over 10 years, though it has lagged in more recent periods. It is also notable for having the second highest dividend yield amongst peers.

Exhibit 8: AIC country specialists: Asia Pacific peer group as at 13 November 2017*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (ex-par)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
Aberdeen New Thai	97.8	13.3	31.8	60.4	313.8	(13.4)	1.4	No	100	1.9
Barramundi Limited	75.9	(0.5)	30.9	28.4	60.0	(22.6)	1.99	Yes	100	0.0
Fidelity China Special Situations	1,315.6	22.9	97.1	252.2		(12.3)	1.16	Yes	126	1.1
India Capital Growth	116.3	18.9	70.6	142.1	(6.5)	(14.5)	1.79	No	100	0.0
JPMorgan Chinese	229.7	35.7	78.2	135.3	116.4	(10.7)	1.44	No	110	0.5
JPMorgan Indian	784.4	9.5	57.1	108.9	78.3	(11.8)	1.22	No	109	0.0
India Capital Growth	116.3	18.9	70.6	142.1	(6.5)	(14.5)	1.79	No	100	0.0
VietNam Holding	171.7	(2.7)	50.0	184.9	83.0	(13.8)	2.85	Yes	100	0.0
VinaCapital Vietnam Opp Fund	610.4	13.2	70.0	135.6	115.2	(17.4)	2.07	Yes	100	2.4
Weiss Korea Opportunity	156.5	28.9	59.7			(5.4)	1.80	No	100	1.8
Simple average	367.4	15.8	61.6	132.2	94.2	(13.6)	1.75		105	0.8
Rank	9	6	9	8	1	5	8		4	2

Source: Morningstar, Edison Investment Research. Note: *Performance data to 10 November 2017. 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 members, all of whom are non-executive and independent:

- 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, senior independent director June 2016) 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.
- Sarah MacAulay joined the board in December 2016, bringing 20 years of Asian investment experience as a fund manager, including the management and marketing of Thai equity portfolios with Kleinwort Benson, Eagle Star and Baring Asset Management (Asia). She is also a director of JPMorgan Income and Capital Trust.

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