

Aberdeen New Thai Investment Trust

Thai market relatively resilient despite headwinds

Aberdeen New Thai Investment Trust (ANW) is an actively managed closed-ended fund investing in companies listed in Thailand. The trust targets capital growth rather than income, but the manager's focus on cash-generative companies with strong balance sheets makes yield a differentiating feature and ANW has the highest yield among peers. While recent performance has been affected by political unrest and a resulting economic slowdown, the Thai market has outpaced many Asian markets over the long-term, and the manager points to opportunities for Thai companies to expand into faster growing neighbouring ASEAN countries.

12 months ending	Total share price return (%)	Total NAV return (%)	SET Index (%)	MSCI AC Asia Ex-Japan (%)	MSCI World (%)
31/08/12	23.0	20.7	17.1	(0.3)	11.5
31/08/13	11.5	14.2	8.7	10.1	21.5
31/08/14	19.2	16.1	17.3	13.2	13.4
31/08/15	(16.0)	(15.1)	(12.2)	(9.1)	4.1

Note: 12-month rolling discrete £-adjusted total return performance.

Investment strategy: Disciplined bottom-up approach

Through market fluctuations, the manager maintains a consistent bottom-up investment process, seeking to add value through stock selection. The investment team aims to identify good quality companies that are considered to be trading too cheaply relative to their long-term potential. Meetings with management are seen as essential prior to investment. Stock and sector exposures are influenced by diversification and are not restricted by benchmark allocations. A long-term approach is taken with portfolio turnover averaging below 10% over the last five years. Restricted to 15%, gearing is used selectively to enhance returns.

Market outlook: Economic and political headwinds

The Thai economy is facing a number of headwinds, with declining exports, weak consumption and investment, and tourism likely to be affected by the August bomb blast in Bangkok. Uncertainty over the timing of the next election has also weighed on sentiment. Against this backdrop, although declining, the Thai stock market has proved relatively resilient, being one of the stronger Asian markets in August and outperforming the wider region since mid-April 2015. Macroeconomic uncertainties including the timing of US interest rate rises and China's economic growth prospects may lead to continued market volatility. However, investors taking a long-term view may be attracted by the Thai market's valuation (forward P/E multiple at a 7% discount and yield at a 23% premium to world markets), with the prospect of Thailand's longer-term economic trends being reestablished in due course.

Valuation: Discount towards wider end of range

ANW's share price discount to NAV (excluding income) has largely stayed within a 10% to 15% range over the last two years, averaging 13.1%. The discount currently sits towards the wider end of this range at 14.3%, suggesting scope for it to narrow as sentiment improves. ANW has the highest yield of the four dividend-paying funds in the peer group of 10 Asia-Pacific country specialist funds.

Investment trusts

16 September 2015

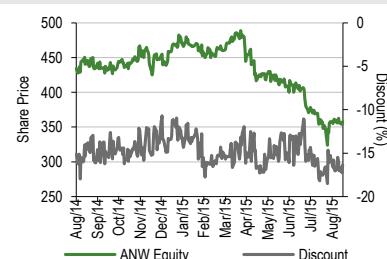
Price 358p
Market cap £72m
AUM £86.8m

NAV* 417.7p
Discount to NAV 14.3%
NAV** 427.8p
Discount to NAV 16.3%

*Excluding income. **Including income.

Yield 2.3%
Ordinary shares in issue 20.1m
Code ANW
Primary exchange LSE
AIC sector Country specialists: Asia Pacific

Share price/discount performance



Three-year cumulative perf. graph



52-week high/low 489.0p 324.0p
NAV* high/low 568.3p 397.6p

*Including income.

Gearing

Gross* 3.0%
Net* 2.4%

*As at 31 July 2015.

Analysts

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[Edison profile page](#)

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. Its assets are invested in a diversified portfolio of equity shares in companies, spread across a range of industries, listed on the Stock Exchange of Thailand.

Recent developments

- 31 July 2015: Numis Securities appointed as corporate broker.
- 28 April 2015: final results to 28 February 2015. NAV total return +31.9%; SET index total return +35.3%.
- 28 April 2015: 8.20p final dividend proposed.

Forthcoming

AGM	June 2016
Interim results	October 2015
Year end	28 February
Dividend paid	June 2016
Launch date	December 1989
Continuation vote	No – see page 7

Capital structure

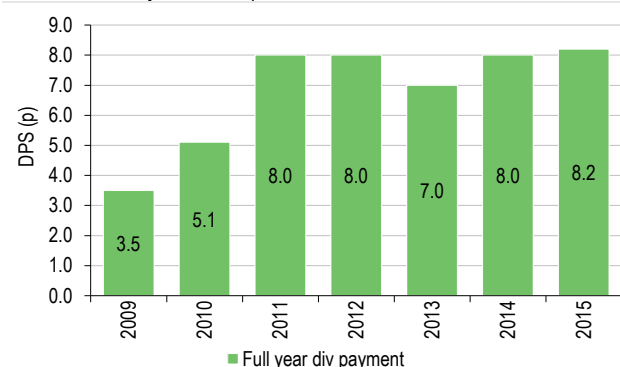
Ongoing charges	1.39%
Net gearing	2.4%
Annual mgmt fee	1.0% of net assets
Performance fee	None
Trust life	Indefinite
Loan facilities	£10m multi-currency facility

Fund details

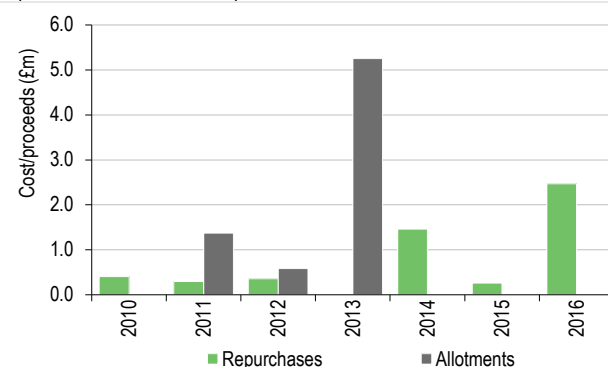
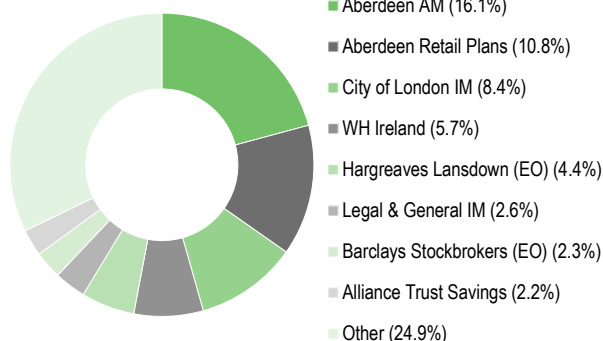
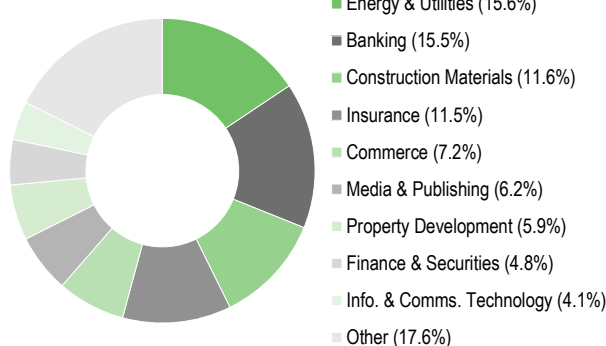
Group	AAM Asia Limited
Manager	Asian Equities Team
Address	Bow Bells House, 1 Bread Street, London EC4M 9HH
Phone	+44 (0)500 000 040
Website	www.newthai-trust.co.uk

Dividend policy and history

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


Share buyback policy and history

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 August 2015)

Portfolio distribution (as at 31 July 2015)

Top 10 holdings (as at 31 July 2015)

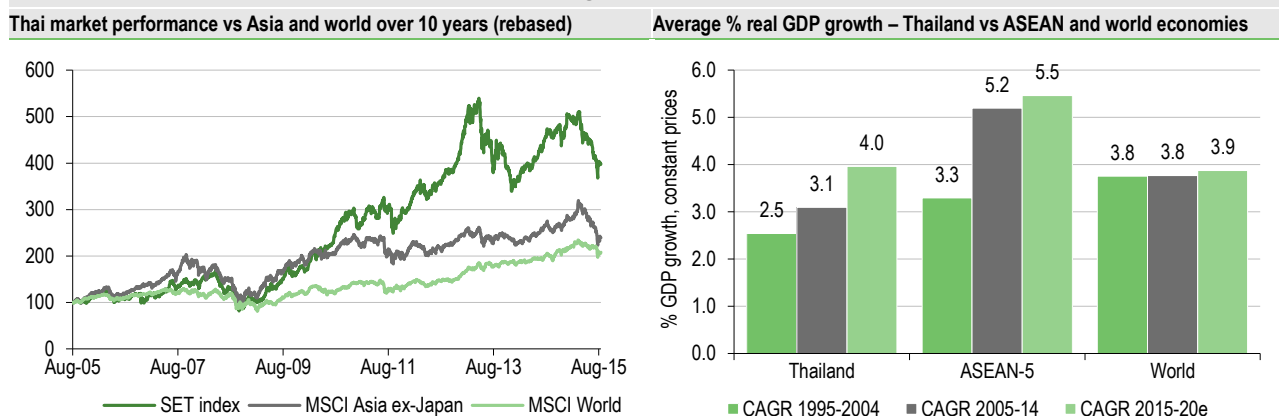
Company	Country	Sector	Portfolio weight %	
			31 July 2015	31 July 2014
Siam Cement	Thailand	Construction materials	6.5	5.2
Bangkok Insurance	Thailand	Insurance	5.7	5.6
Siam Commercial Bank	Thailand	Banking	5.1	5.5
PTT Exploration and Production	Thailand	Energy & utilities	5.0	5.5
Kasikornbank	Thailand	Banking	4.6	5.4
Big C Supercenter	Thailand	Commerce	4.5	4.8
BEC World	Thailand	Media & publishing	4.3	4.9
Advanced Info Services	Thailand	Info. & comms. technology	4.1	3.5
AEON Thana Sinsap	Thailand	Finance & securities	3.2	4.0
Eastern Water Resources	Thailand	Energy & utilities	3.1	N/A
Top 10			46.1	N/A

Source: Aberdeen New Thai Investment Trust, Edison Investment Research. Note: N/A where not in July 2014 top 10.

Market outlook: Economic and political headwinds

The Thai economy has been facing a number of headwinds, including declining exports, weak consumption and a slower than expected pace of government investment, with GDP growth slowing to 2.8% pa in the second quarter of 2015 (from 3.0% pa in Q115), and the central bank of Thailand cutting its 2015 growth forecast from 3.8% to 3.0%. With China a major trading partner, the recent devaluation of the yuan could be expected to weigh on Thai exports. However, the Thai baht also depreciated sharply in August. Tourism (c 10% of GDP) has been a key economic driver in 2015, with visitor numbers rising 32% year-on-year to end-July. However, the growth in tourist arrivals appears likely to slow following the August bomb blast in Bangkok. Uncertainty around the schedule for the next election and enactment of a new constitution has also weighed on sentiment. Against this backdrop, the Thai stock market has proved relatively resilient, being one of the stronger Asian markets in August and outperforming the broader region since peaking in mid-April 2015, with the SET index down 22% in sterling-terms compared with a 25% fall in the MSCI Asia ex-Japan index.

Exhibit 2: Thailand market performance and GDP growth versus world



Source: Thomson Datastream, IMF April 2015 World Economic Outlook, Edison Investment Research

Although it has fallen from a peak of 15.1x the forward P/E multiple of the SET index remains above its 10-year average, emphasising the country's positive disposition towards the May 2014 military coup and potentially reflecting a perception that current headwinds are likely to be temporary. Macroeconomic uncertainties including the timing of US interest rate rises and changing views towards China's economic growth prospects may lead to market volatility persisting in the near term. However, investors taking a long-term view may be encouraged by the prospect of Thailand's longer-term economic trends (Exhibit 2 right-hand chart) being reestablished in due course as well as the market's relative valuation. Despite substantial outperformance over the last 10 years (Exhibit 2 left-hand chart), the Thai market's current forward P/E multiple of 13.2x represents a 7% discount to world markets and its 3.2% dividend yield represents a 23% premium to world markets.

Fund profile: Thai equities specialist

Launched in December 1989, ANW is the only LSE-listed investment company focusing 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 equity securities quoted on the Stock Exchange of Thailand (SET). Performance is benchmarked against the SET index but sector allocations are not set with reference to index exposures and fund performance can diverge considerably from the benchmark. While targeting capital growth rather than income, the manager's focus on cash-generative companies with strong balance sheets means that income is not insubstantial and dividend yield is a differentiating feature of ANW in comparison with peers. 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

The managers' view: ASEAN region provides growth potential

The managers acknowledge the lacklustre near-term economic outlook for Thailand, but point to the faster-growing neighbouring ASEAN¹ countries, which provide opportunities for Thai companies looking to expand beyond the domestic market. While scope is seen for Thailand's GDP growth forecasts to be trimmed further to account for a short-term weakening in the growth of tourist visitors, 2015 forecasts are expected to remain in a 2.0% to 3.0% range and tourism, travel and consumer-related equities are already considered to have adjusted to potential earnings downgrades. Longer term, the managers consider the tourism industry to be resilient, with Thailand enjoying a strong competitive edge and expect 2016 GDP growth forecasts to be stable at c 4.0%.

The potential is seen for positive economic developments in the second half of 2015. The significant weakening of the Thai currency since April 2015 is expected to help exports and the outcome of a cabinet reshuffle during August is encouraging for the pace of implementation of government investment projects. There are hopes that some investments can now be fast tracked. The managers note that there is scope to reduce the Bank of Thailand's 1.5% benchmark interest rate to the historical low of 1.25%, which could help economic growth prospects.

Corporate earnings have reflected recent economic weakness, especially in the banking, commodity and energy sectors, but the managers highlight that portfolio companies maintain strong balance sheets (average net debt/equity ratios of c 30%) and remain able to pay steady dividends supported by cash flow generation with the c 3.5% portfolio yield similar to the wider market. This is evidenced by holdings such as Siam Cement, which has recently increased its dividend. Strong relative performances have been seen from companies in the healthcare, insurance (ANW's largest overweight position) and telecoms sectors. These include portfolio holding Bumrungrad Hospital, which enjoys a strong franchise in the growing medical tourism industry and top 10 holding Bangkok Insurance, one of Thailand's largest non-life insurance companies. The addition of Bangkok Bank (trading below book value) to the portfolio in March 2015, while reducing positions in Kasikornbank and Siam Commercial Bank (trading at much higher valuation multiples), has also helped relative performance. One of the weakest performers in the portfolio has been top-10 holding PTT Exploration and Production, which has been affected by the fall in the oil price and the recent appointment of a new energy minister, raising concerns over potential regulatory changes.

Asset allocation

Investment process: Disciplined bottom-up stock selection

A consistent bottom-up investment process is followed, based on a disciplined evaluation of companies, with the manager seeking to add value through stock selection. The investment team aims to identify good-quality companies that are considered to be trading too cheaply relative to their long-term potential. A range of qualitative and valuation measures are used to assess companies and meeting management is considered essential prior to investment. Qualitative factors considered include management strength, business focus, balance sheet strength and corporate governance, while valuation is assessed with reference to financial ratios relative to the

¹ The Association of Southeast Asian Nations (ASEAN) comprises Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei Darussalam, Vietnam, Lao People's Democratic Republic, Myanmar and Cambodia.

overall market, peer group and business prospects. Top-down investment factors are secondary in the portfolio construction process and diversification guides sector exposures rather than formal restrictions, with single stock exposure limited to 10% of net assets. A long-term approach is taken and portfolio turnover is typically c 10% pa. Gearing is used selectively to enhance portfolio returns and is restricted to a 15% maximum.

Current portfolio positioning

ANW has a relatively concentrated portfolio, which comprised 42 investments providing exposure to 39 companies at 31 July 2015, compared with the SET index's 510 constituent companies. ANW's top 10 holdings represented 46.1% of the portfolio (see Exhibit 1), slightly lower than 48.2% at end July 2014, when the portfolio comprised 40 investments. Portfolio turnover was low at 9.2% in the year to February 2015, similar to the 9.6% five-year average, and the manager reports that it remains low in the current financial year with Bangkok Bank the only major addition to the portfolio.

As shown in Exhibit 3, although the portfolio is concentrated, it is broadly diversified across 15 sectors. The bottom-up investment approach means that sector weightings can diverge considerably from the benchmark SET index, which is reflected by the 10.0pp overweight in insurance and 8.7pp underweight in information & communication technology. Other significant active sector exposures are underweights in transport & logistics and petrochemicals & chemicals and overweights in construction materials, media & publishing, automotive and finance & securities. The most notable change in active exposure over the last year has been a 2.3pp increase in banking, moving it from underweight to a small overweight. Other significant changes in active exposure are 1.6pp and 1.4pp increases in construction materials and commerce, while there has been a 1.2pp reduction in finance & securities.

Exhibit 3: Portfolio sector allocations relative to benchmark as at 31 July 2015

% unless stated	Trust weight 31 July 2015	Trust weight 31 July 2014	Change	SET index weight	Active weight vs index	Trust weight/ index weight
Energy & utilities	15.6	15.9	(0.3)	16.8	(1.2)	0.9
Banking	15.5	16.1	(0.6)	14.8	0.7	1.1
Construction materials	11.6	10.0	1.6	6.7	4.9	1.7
Insurance	11.5	11.4	0.1	1.5	10.0	7.9
Commerce	7.2	6.8	0.4	8.0	(0.8)	0.9
Media & publishing	6.2	7.0	(0.8)	1.9	4.3	3.2
Property development	5.9	5.6	0.3	6.8	(0.9)	0.9
Finance & securities	4.8	5.9	(1.1)	1.7	3.1	2.9
Info. & comms. technology	4.1	3.5	0.6	12.8	(8.7)	0.3
Automotive	3.9	4.1	(0.2)	0.5	3.4	7.7
Healthcare services	3.7	3.5	0.2	4.5	(0.8)	0.8
Food & beverages	3.1	3.2	(0.1)	5.6	(2.5)	0.6
Electronic components	2.6	3.0	(0.4)	1.4	1.2	1.8
Property fund	1.8	1.8	0.0	2.5	(0.7)	0.7
Packaging	1.6	1.5	0.1	0.3	1.3	4.8
Transport & logistics	0.0	0.0	0.0	6.1	(6.1)	0.0
Petrochemicals & chemicals	0.0	0.0	0.0	3.5	(3.5)	0.0
Construction services	0.0	0.0	0.0	1.7	(1.7)	0.0
Other	0.0	0.0	0.0	2.8	(2.8)	0.0
Cash	0.9	0.7	0.2	0.0	0.9	N/A
	100.0	100.0		100.0		

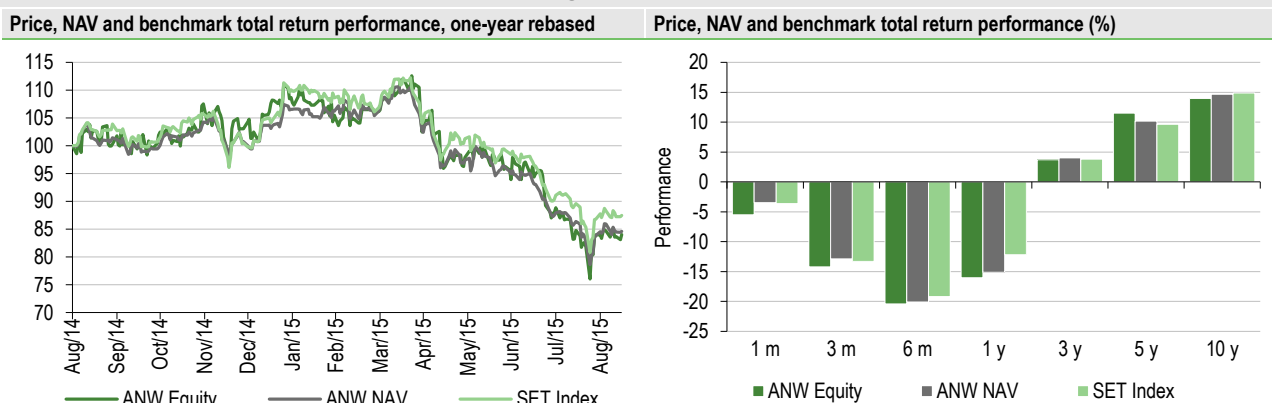
Source: Aberdeen New Thai Investment Trust, Edison Investment Research.

Performance: Similar to index over the longer term

ANW's NAV total return has been similar to its SET index benchmark over three, five and 10 years, while it has modestly underperformed over one year. As illustrated in Exhibit 4, ANW's divergence from the index was broadly similar during both the rising market from August 2014 to April 2015 and the subsequent market correction. ANW's significant outperformance of regional and world indices

over 10 years (Exhibit 5) reflects the Thai market's strong long-term performance, while the market correction over the last four months accounts for most of ANW's underperformance relative to the MSCI world index over one and three years. Exhibit 6 shows the divergence of ANW's performance from the index over the last 10 years, with periods of relative strength and weakness largely offsetting over the period as a whole. Recent SET index underperformance relative to the MSCI AC Asia ex-Japan index reflects the decline in Thailand's short-term economic outlook.

Exhibit 4: Investment trust performance to 31 August 2015



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

Exhibit 5: Share price and NAV total return performance, versus indices (percentage points)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to SET Index	(2.0)	(1.0)	(1.5)	(4.3)	(0.3)	8.9	(7.7)
NAV relative to SET Index	0.1	0.5	(1.1)	(3.3)	0.6	2.6	(1.5)
Price relative to MSCI AC Asia Ex-Japan	3.2	6.2	(7.3)	(7.6)	(1.5)	47.0	53.2
NAV relative to MSCI AC Asia Ex-Japan	5.5	7.8	(6.9)	(6.6)	(0.7)	38.6	63.4
Price relative to MSCI World	(0.3)	(7.0)	(15.9)	(19.3)	(22.2)	(0.8)	76.4
NAV relative to MSCI World	1.8	(5.6)	(15.6)	(18.5)	(21.5)	(6.5)	88.2

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-August 2015. Geometric calculation.

Exhibit 6: NAV performance relative to benchmark over 10 years



Source: Thomson Datastream, Edison Investment Research.

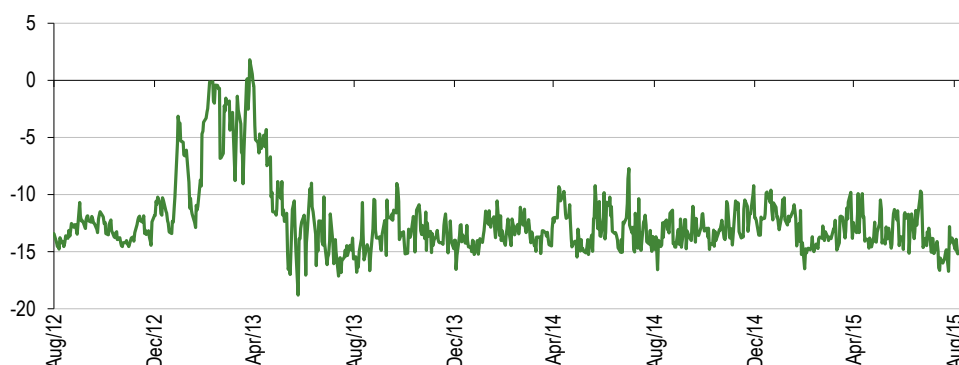
Discount: At the wider end of its 12-month range

ANW's policy is to buy back shares selectively when it is considered to be in the best interest of shareholders. Although the trust has an indefinite life, its articles of association require a resolution to be proposed at the AGM to wind up the company, if in the 12 weeks preceding the financial year end the shares have traded at an average discount to NAV (excluding income) in excess of 15%.

As illustrated in Exhibit 7, although peaking at 17% and reaching a low of 8%, ANW's share price discount to NAV (excluding income) has largely stayed within a 10% to 15% range over the last two

years averaging 13.1%. The discount currently sits towards the wider end of this range at 14.3%, suggesting scope for it to narrow as sentiment improves. Between January 2013 and April 2013 as the SET Index approached its peak level of the last three years, there was an increase in volatility accompanied by a narrowing of the discount and the shares briefly traded at a premium to NAV.

Exhibit 7: Share price premium/discount to NAV (excluding income) over three years (%)



Source: Thomson Datastream, Edison Investment Research. Note: Positive figures represent a premium, negative figures represent a discount.

Capital structure and fees

ANW has 20.1m shares in issue. Since 28 February 2015, ANW has bought back and cancelled 0.7m shares, representing 3.2% of the shares outstanding, while only 0.1m shares were repurchased during the previous financial year. In October 2013, ANW entered into a two-year £10.0m multi-currency revolving loan facility with Scotiabank and would expect to renew this facility in October 2015. The facility requires borrowings not to exceed 20% of net asset value adjusted for certain excluded assets, while the board imposes a 15% restriction on gearing. A second covenant requires net asset value to be above £28m. At end July 2015, £2.7m was drawn under this facility, gross gearing was 3.0% (net 2.4%) and net asset value was £89m.

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 2015, ongoing charges were 1.39%.

Dividend policy

ANW pays an annual dividend in June each year relating to the preceding financial year. The trust pays out substantially all of its earnings, leaving the dividend dependent on the level of income received from portfolio investments. As a consequence, the level of dividends paid to shareholders may fluctuate from year to year. While ANW targets capital growth rather than income, the board's attitude is to at least maintain the dividend to the extent that profits or revenue reserves are available for distribution. 100% of earnings were paid out in 2015, increasing the dividend by 2.5% to 8.20p (see Exhibit 1). Excluding the June 2015 dividend payment, revenue reserves at end February 2015 equate to 9.42p per share.

Peer group comparison

Exhibit 8 shows a comparison of ANW with a closed-ended peer group of country specialist funds within the Asia-Pacific region. None of the peers replicate ANW's focus on Thailand and thus the comparison reflects, to a large extent, differing stock market performances of individual countries

across the Asia-Pacific region to a large extent. ANW's NAV total return is at the lower end of the peer group over one and three years, but it ranks second over five years and comfortably leads the peer group over 10 years. In terms of risk-adjusted returns, ANW's lower than average Sharpe ratios over one and three years reflect the weaker underlying performance. Although ANW's share price discount to NAV is wider than the peer group average, it sits close the middle of the range. ANW's ongoing charge is among the lowest in the peer group and it has the highest yield of the four dividend-paying funds in the peer group of 10.

Exhibit 8: Country specialists: Asia-Pacific sector as at 15 September 2015

% 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	72.3	(16.4)	7.1	61.6	289.4	(1.2)	0.3	(15.6)	1.41	No	102	2.3
Barramundi Limited	32.2	(18.9)	(12.9)	(5.3)		0.2	0.4	(6.7)	1.99	Yes	100	
Fidelity China Special Sits	666.6	5.9	84.3	38.0		0.5	1.1	(15.7)	1.36	Yes	120	1.1
India Capital Growth	45.0	3.0	46.2	(7.1)		0.7	0.8	(14.3)	2.50	Yes	96	
JPMorgan Chinese	119.2	(4.4)	29.9	23.0	184.5	(0.1)	0.7	(16.0)	1.40	Yes	116	1.0
JPMorgan Indian	514.3	5.3	37.4	12.5	168.1	0.5	0.7	(10.8)	1.26	No	97	
New India	180.0	3.5	39.7	27.6	188.7	0.6	0.8	(8.4)	1.40	No	98	
VietNam Holding	65.3	(3.5)	76.8	68.4		(0.5)	1.2	(13.2)	3.00	Yes	94	
VinaCapital Vietnam Opp Fund	335.4	(9.2)	33.2	30.4	165.2	(1.8)	1.0	(23.5)	2.33	Yes	98	
Weiss Korea Opportunity	109.6	(20.9)				(1.4)		(6.9)	1.82	No	100	1.7
Average	214.0	(5.6)	38.0	27.7	199.2	(0.2)	0.8	(13.1)	1.85		102	1.5

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

The board comprises 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. Senior independent director James Robinson (appointed December 2006) is a director of Invesco Asia Trust, Fidelity European Values, JPMorgan Elect, Polar Capital Global Healthcare Growth and Income Trust and Montanaro UK Smaller Companies Investment Trust. Clare Dobie (appointed December 2013) is a director of 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 December 1989.

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