



Aberdeen

Aberdeen Global – Asia Pacific Equity Fund

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- Investment in this fund may involve a high degree of risk and may not be suitable for all investors. Past performance is not indicative of future results. The value of the fund can be volatile and could go down substantially within a short period of time. It is possible that the entire value of your investment could be lost.
- Please read the offering documents for further details and the risk factors, particularly the risk of investment in equities.
- Investors should not make investment decision(s) based solely on this document.

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Andrew Gillan
Investment Manager

Andrew Gillan, investment manager of the fund's investment advisor, Aberdeen Asset Management Asia Limited in Singapore, discusses the attractions of the region and the benefits of allocating directly into a focused portfolio.

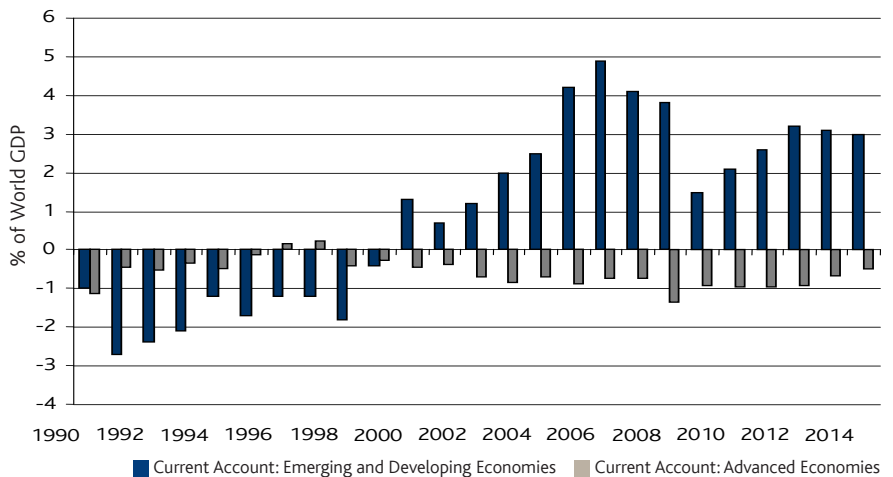
Asian economies have proved remarkably resilient in the face of a collapse in demand in the West. How do you explain their relative strength?

The foundations were laid after Asia's own crisis a decade ago, following which governments, corporates and households alike began to pay down debts and rebuild balance sheets. That process has led to the situation today whereby banks are relatively well capitalised, and have stuck to their task of taking deposits and lending; businesses are profit-led; and policies have supported them, with governments encouraging growth through stable currencies that kept exports cheap and enabled external surpluses to grow. These strong fundamentals have put the region's economies in a position to stimulate growth, yet without the debt problems that constrict the West.

So the economies in Asia are healthier than those in the developed world?

No question. It's true Asian economies are still export dependent, which is why they were hit very quickly in the aftermath of the Lehman debacle, when global credit dried up and order books collapsed. But the turnaround since then has been swift because of the willingness of governments to spend. They have used the usual demand tools -- public spending, tax breaks and rebates -- and importantly these are working, helped along by easier monetary conditions, too. In many countries growth has turned positive. In the largest, namely China, India and Indonesia, the slowdown was only mild and there never was a contraction. China is still growing at 7-8% and India is not far behind.

Chart 1: Governments in good shape



Source: IMF, WEO database projections, April 2009

Key points

- Asian economies are in far better shape than those in the developed world
- Despite some near term challenges, the region offers compelling long term investment potential
- Disciplined, proprietary research-led investment approach with twin emphasis on company quality and value
- An unconstrained, actively managed portfolio that is never compelled to own a stock because of the benchmark
- Significant local knowledge, with teams in Singapore, Bangkok, Hong Kong, Kuala Lumpur and Sydney

What challenges do you foresee in the coming months?

The main short-term danger is of renewed asset bubbles as liquidity flows into stock markets and property. At some point Asian governments must consider when to reduce the stimulus and whether to raise interest rates. This issue is tied to a longer-term one. Ideally, Asia should redress its imbalances by letting currencies rise, which would give consumers more purchasing power, stimulate imports and reduce the reliance on exports. But to enable that, governments need to look also at welfare. Asia's household savings are excessive because of their precautionary needs. If these savings were properly mobilised Asia's domestic markets would be huge. At the moment growth remains largely driven by exports but the hope is that its factories can switch from making goods for export to goods for home markets.

Recent economic data suggest the recession may now be over in Western economies. If so, is this likely to have a significant impact in Asia?

Asia should benefit from the developed world returning to growth. But we are sceptical over the pace of global recovery because of deep-rooted structural problems in the West. That is why Asia must put its future more in its own hands. That aside, the region continues to industrialise, there are huge requirements to develop infrastructure. At the same time the emergence of an urban middle class is opening up opportunities. Demographics

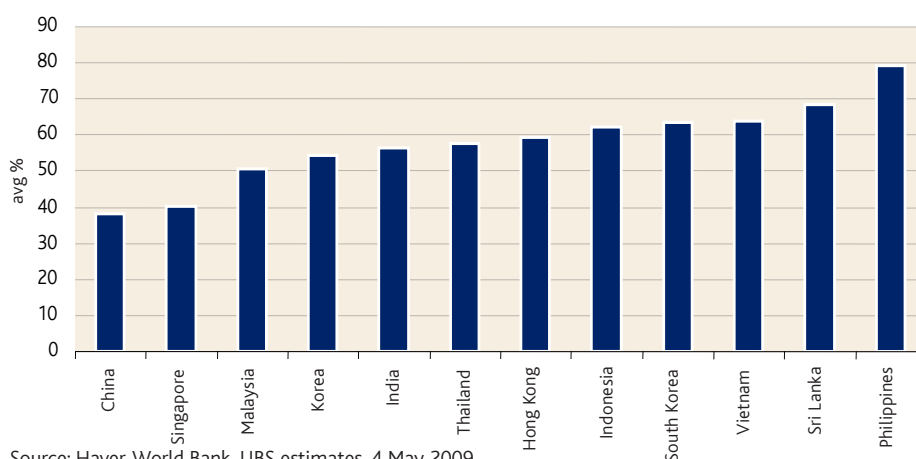
are also favourable, costs are low and the West will continue to have to outsource its manufacturing. The glory days of ultra cheap exports might be over but the plain fact is that Asia's share of global GDP is rising – and unstoppable.

Which of the region's economies are performing well?

As mentioned, China and India hardly blinked. But all the other major economies in Asia are now out of recession and many are recording impressive rates of growth. A lot of that is due to Chinese demand itself. Intra-regional trade is a secular trend. We've probably seen a trough in exports and now we've moved to a phase of restocking and inventory rebuilding, reflected in rising industrial production. However, stimulus measures continue to be the driving force in many countries. It would be invidious to pick any out-performers. Among those that actually contracted, Hong Kong and Singapore will probably emerge fastest as they are most exposed to global trade and hence any upturn.

Chart 2: Household consumption on the rise

Household consumption
Share of GDP (2005-07)



Source: Haver, World Bank, UBS estimates, 4 May 2009

Key Information

Domicile	Luxembourg
Currency	US Dollars
Benchmark	MSCI AC Asia Pacific Ex Japan
Date of Launch	26 April 1998*
Investment Team	Asian Equities Team
ISIN Code	LU0011963245
Bloomberg Code	AETASEILX
Reuters Code	972857X.DX

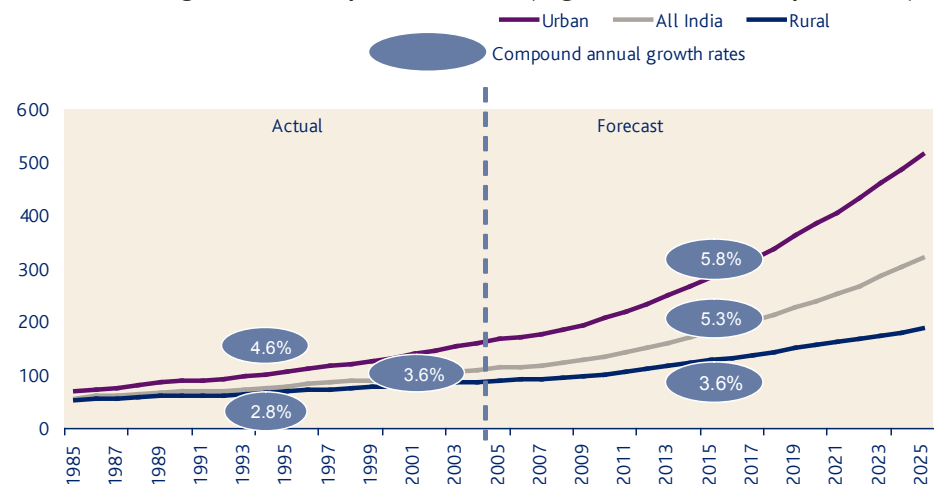
Where do you currently see the best opportunities?

Well, the flippant answer is everywhere! We always stress that we invest in companies, not economies or indeed markets. For instance, we see good quality companies in Singapore and Hong Kong where businesses are benefiting from going regional, in Singapore's case, and from China, in Hong Kong's. We also like India, where we see a great diversity of investment opportunities ranging from software and BPO to financials and pharmaceuticals. In common with many other Asian countries, India is also benefiting from a government encouraging the development of a consumer society. The consumer, broadly interpreted, is one of the themes that underpin our choice of stocks, across the region.

Are there particular sectors that you look to gain exposure to / or to avoid?

Our investment approach is to identify and invest in good quality companies that will add value to the portfolio. We only invest in companies we can understand and can value. This naturally impels us towards simpler businesses that are often domestic in focus. Sector considerations are secondary, and really come into play at the portfolio construction level when we want to ensure balance. We don't consciously avoid anything but industrial cyclicals, such as petrochemicals or shipbuilding, government-run banks and low value-added technology manufacturers are things that won't naturally fit into our portfolios. But it's important to keep an open mind, do the fundamental research and then decide.

Chart 3: Growing household disposable income: (avg, thousand, Indian rupees, 2000)



Source: Hindustan Unilever Limited, Morgan Stanley India Summit, 2 Jun 09

What is your investment philosophy?

Our investment philosophy is centred on a belief that, over the long term, share prices reflect underlying business fundamentals. We therefore commit significant resources to in-depth research, company visits and meetings with management teams in order to provide us with the foundations to assess both the quality and valuation of a business. In this respect the research process is the risk control as it ought to help us avoid poor quality and/or over priced companies that will turn out to be value destroying.

So company research is an important part of your investment process?

Yes, absolutely. Granted, doing one's own research may not seem unique these days but we differentiate ourselves, we believe, by the breadth and depth of our coverage and how we use it. Our research is very independent; we don't rely on third parties. Plus we only invest in companies after we've visited management. The research is also cumulative insofar as

monitoring existing holdings is a big chunk of our time: we re-visit companies over and over again. The other key point is that we don't assign this research to individuals; team members cross-cover.

How many companies do you visit?

We conducted around 1,300 company meetings in 2008 across our teams. With a long track record of investing in Asia we have built up a considerable knowledge of the investment universe to the point that of the core MSCI universe of 620 stocks, we have visited over 95% of its constituent companies – plus hundreds more outside the benchmark.

Does this mean that there is a high turnover of stocks in the portfolio?

No, our turnover is very low, under 20% per year for the past five years. It still surprises us that investors sometimes equate 'active' management with high turnover. Nothing could be further from what we understand by the term. To us 'active' means we must have high conviction in every stock. Furthermore, once invested we are invested for the long term. Short term performance only reflects market price action whereas

longer periods reflect the performance of the business. Over the life of a holding we tend to act independently of market momentum, building or reducing positions based on price or relative valuation. Actual name changes in the portfolio are relatively few, however.

Given the research intensive approach, do you consider the holdings in the benchmark when you make stock selection decisions?

No, once again a characteristic of active management is that one chooses stocks independent of benchmark constituents. It's anathema to us, say, to express a dislike of a stock in the benchmark by going underweight. Why hold it at all? We never feel compelled to own stocks we don't like. As mentioned, our decisions are an outcome of our research discipline, with quality and price the two key filters. Of course we are always aware of the benchmark, but that's mainly for performance comparison -- never for portfolio construction purposes.

*On 24 March 2006, the Aberdeen International Asia Pacific Fund has merged with Aberdeen Global-Asia Pacific Fund. On 1 October 2008, the fund name has been changed from Aberdeen Global - Asia Pacific Fund to Aberdeen Global - Asia Pacific Equity Fund and the fund investment objective has been changed and is as set out in this document.

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Investors should note that emerging markets tend to be less liquid and more volatile than mature markets and the value of your investment could move sharply up or down. In some circumstances, the underlying investments may become illiquid which may constrain the Investment Manager's ability to realise some or all of the portfolio. The registration and settlement arrangements in emerging markets may be less developed than in more mature markets so the operational risks of investing are higher. Emerging markets may have relatively unstable government and may be more susceptible to adverse economic conditions which expose investors to higher levels of risks and political risks.

Investing in equity securities may offer a higher rate of return than those in short term and longer term debt securities. However, the risks associated with investments in equity securities may also be higher, because the investment performance of equity securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might decrease in value.

Investors are reminded that a fund which focuses on investing in a geographical area or country is likely to be more volatile and may be more susceptible to fluctuations in value resulting from adverse conditions in the geographical area or country in which a fund invests. In addition, prices of small cap stocks tend to be more volatile than the prices of other stocks and are sometimes less liquid and harder to value than securities of large cap stocks. Investors are also reminded of concentration risks and volatility associated with sector funds which invests in a specialist market sector.

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