Aberdeen Asian Opportunities Fund

Monthly factsheet - performance data and analytics to 31 March 2015

Investment objective

To provide investors with high capital growth over the medium to long term (3-5 years) by seeking exposure to the Asian markets (other than the Japan market).

Investment strategy

The Fund invests primarily in a concentrated portfolio of around 35-55 Asian (excluding Japan) listed securities with the potential for capital growth and increased earning potential.

Our Asian equity managers, located in Singapore, Bangkok, Kuala Lumpur and Hong Kong, seek to identify and invest in good quality Asian listed securities through first hand company visits.

Performance (%)

				Per annum		
	1 Month	3 Months	1 Year	3 Years	5 Years	Since Inception[1]
Aberdeen Asian Opportunities Fund net returns[2]	2.46	11.10	29.99	16.87	12.21	11.88
Aberdeen Asian Opportunities Fund gross returns[3]	2.56	11.42	31.52	18.25	13.53	13.20
MSCI All Countries Asia Accumulation Index (ex Japan) AUD unhedged	2.90	12.37	34.67	18.55	10.51	9.97
Net returns[2] vs index	-0.44	-1.27	-4.68	-1.68	1.70	1.91
Gross returns[3] vs index	-0.34	-0.95	-3.15	-0.30	3.02	3.23

1. This figure represents the annualised performance of the Fund from the first full month of operation.
2. Net performance figures are calculated using end-of-month exit prices, post standard fees, reflect the annual reinvestment of distributions and make no allowance for tax. If investing through an IDPS Provider, the total after fees performance returns of your investment in the Fund may be different from the information we publish due to cash flows specific to your portfolio and any fees charged by the IDPS Provider.
3. Gross performance figures are calculated using end-of-month exit prices, pre-fees, reflect the annual reinvestment of distributions and make no allowance for tax. These returns are provided for the purpose of wholesale investors only. Retail investors should refer to net returns.
Past performance is not a reliable indicator of future results.

Performance review

The Fund returned 2.56% in March (before fees), underperforming the benchmark by 0.34%.

The underweight to China was the main reason for the relative underperformance. The rally in Chinese stocks was, in our view, not supported by improving fundamentals, but rather by hopes of looser monetary policy in response to a substantially slowing economy. Meanwhile, recent corporate results pointed to weaker earnings growth: within the banking sector, non-performing loans and credit costs continued to trend upwards; retailers posted negative sales growth; and there was little sign that competitive pressures within the consumer sector were easing. In terms of stock selection, our core holding China Mobile lagged on concerns over weak mobile revenue growth and average revenue-per-user trends. We remain positive about the company as there is potential upside from the sharing of tower assets with other domestic telcos and further monetisation of its 4G subscriber base. Furthermore, the stock's valuation remains cheaper than regional peers. PetroChina also lagged as weak crude prices continued to dampen sentiment. Its recent results met expectations; the disappointment arose from the view that capital expenditure reduction for 2015 did not go far enough.

Also detracting from performance was not holding Hanergy Thin Film Power, whose stock price has risen close to 150% in the year to-date. The drastic surge in its share price was questioned by institutions including the Hong Kong stock exchange, which requested an explanation for the record turnover in early March. The company's market value rose to a little over US$38 billion as of end-March, making it the world's largest listed manufacturer of equipment used in solar panels. There have also been questions over related-party transactions, including the large percentage of revenues derived from sales to its parent company and affiliates that make the solar panels. Moody's also highlighted the 86% surge in receivables, with the parent company responsible for about half of the outstanding amount.

Top ten holdings (%)

	Fund	Index
Aberdeen Gbl Indian Eq Fund	13.8	0.0
Samsung Electronics	5.6	5.0
Jardine Strategic Holdings	4.9	0.0
Oversea Chinese Banking Corp	4.9	0.7
AIA Group	4.4	2.3
TSMC	3.7	3.5
China Mobile	3.6	2.4
HSBC Holdings	3.6	0.0
Swire Pacific	3.6	0.3
Siam Cement	3.4	0.2
Total	**51.5**	**14.4**

Sector breakdown (%)[4]

	Fund	Index
Financials	51.4	33.2
Industrials	10.9	8.5
Information Technology	10.8	22.5
Teleco Services	8.6	6.7
Consumer Staples	5.4	5.3
Energy	4.1	4.8
Materials	3.4	4.6
Consumer Discretionary	3.0	8.4
Health Care	0.0	2.0
Utilities	0.0	4.1
Cash	2.4	0.0
Total	**100**	**100**

4. Exposure to India via Aberdeen Global Indian Equity Fund. GICS Sector Classification - Diversified Financial. Underlying holdings available upon request.
Figures may not always sum to 100 due to rounding.

Country breakdown (%)[5]

	Fund	Index
Hong Kong	23.9	12.6
Singapore	21.1	5.6
India	13.8	8.9
China	8.8	27.6
South Korea	8.0	17.9
Taiwan	5.8	15.3
Thailand	4.4	2.9
Philippines	3.6	1.7
Malaysia	3.2	4.2
United Kingdom	3.1	0.0
Indonesia	1.0	3.3
Sri Lanka	0.9	0.0
Macao	0.0	0.1
Cash	2.4	0.0
Total	**100**	**100**

5. Exposure to India via Aberdeen Global Indian Equity Fund. GICS Sector Classification - Diversified Financial. Underlying holdings available upon request.
Figures may not always sum to 100 due to rounding.

Key information

APIR Code	**EQI0028AU**
Benchmark	**MSCI All Countries Asia Accumulation Index (ex Japan) AUD unhedged**
Date of launch	**October 2003**
Income payable	**30 June**
MER	**1.1811% pa**
Buy/Sell spread	**+0.55%/-0.55%**
Fund size	**A$777.52m**
Redemption unit price	**$2.8566**

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Important information overleaf

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Where we added value was stock selection in Korea. We did not hold steel manufacturer Posco, while our holding E-Mart outperformed the local market. Elsewhere, the market continued to re-rate AIA Group's share price after the company posted solid results that reflected improvement in both margins and the value of new business. Notably, its Chinese operations continued to grow robustly and, given the focus on margins, now account for 13% of the total value of new business. Our non-benchmark position in Standard Chartered also added to relative performance as investors took a positive view over the changes in senior management.

There were no significant changes to the portfolio in March.

Market review

The Asian equity benchmark rose in March. Chinese markets rallied as Beijing indicated it was open to further stimulus given the dimmer economic outlook. In particular, speculative activity drove sharp gains in Chinese A-shares, after a relaxation in guidelines that will allow Hong Kong investors to sell A-shares without first having to deliver them. This standardises how trades are executed in both the A-share market and Hong Kong, addressing investors' concerns. Other markets gained as the US Federal Reserve (Fed) hinted at a more gradual pace of interest-rate hikes because of uncertainty over the improvement in employment data as well as the US dollar's strength, which was felt across most currencies worldwide. In Malaysia, the market fell as the ringgit sank to a five-year low on the back of a further fall in the oil price.

On the policy front, central banks in Korea and Thailand trimmed rates, as they sought to stave off deflation and boost competitiveness to counter weak economic activity. The Indonesian government announced plans to extend the scope of tax incentives to export-focused manufacturers and companies that reinvest their profits domestically to cap liquidity outflows and aid growth.

Outlook

Familiar concerns remain. In China, the effects of the slowdown are reverberating through the corporate sector and deflationary threats are rising. Given Beijing's anti-corruption crackdown and caution surrounding new infrastructure projects, growth is unlikely to pick up. However, the government's initiative to better connect China to other countries along the Silk Road could help revive the economy. Reforms being rolled out across the region also offer some optimism, although implementation could be long drawn and fraught. Thus, short-term policy measures will likely dictate market direction. Meanwhile, we should see further divergence as central banks everywhere, including China, Japan and Europe, appear to be more accommodative, except in the US. Yet, the normalisation of Fed policy is based on the assumption of a sustainable US recovery, which should bode well for export-led economies in Asia. That said, the region still boasts some of the world's fastest-growing countries, despite slower expansion. Policymakers have tried to fix structural weaknesses and the region seems better able to withstand short-term fund outflows. At the corporate level, there are few signs of an earnings recovery, but companies are making progress in cutting costs to operate more efficiently. We remain confident in the region's prospects, given favourable demographics and the anticipated improvement in corporate profitability.

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