

Aberdeen Asian Income Fund Limited



Investment objective

To provide investors with a total return primarily through investing in Asian Pacific securities, including those with an above-average yield. The Company does not expect to have significant Japanese exposure.

Benchmark

The Company's portfolio is constructed without reference to the composition of any stockmarket index or benchmark. It is likely, therefore, that there will be periods when its performance will be quite unlike that of any index or benchmark and there can be no assurance that such divergence will be wholly or even primarily to the Company's advantage. The Company and Manager measures its performance against the MSCI AC Asia Pacific ex Japan Index (in sterling terms).

Cumulative performance (%)

	as at 30/09/11	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	158.1p	(8.6)	(10.4)	(0.8)	2.3	89.3	105.4
Diluted NAV ^A	152.4p	(6.8)	(9.9)	(5.0)	2.4	67.2	91.5
Warrant 2013 Price	42.8p	(7.6)	(11.9)	5.6	16.3	210.9	85.9
MSCI AC Asia Pacific ex Japan		(9.6)	(18.1)	(18.3)	(11.8)	47.0	53.9

Discrete performance (%)

Year ending:	30/09/11	30/09/10	30/09/09	30/09/08	30/09/07
Share Price	2.3	30.5	41.8	(8.6)	18.7
Diluted NAV ^A	2.4	25.1	30.5	(8.1)	24.6
Warrant 2013 Price	16.3	44.1	85.5	(53.4)	28.3
MSCI AC Asia Pacific ex Japan	(11.8)	18.6	40.6	(28.6)	46.7

Total return; NAV to NAV, net income reinvested, GBP. Share price total return is on a mid-to-mid basis. Dividend calculations are to reinvest as at the ex-dividend date. NAV returns based on NAVs with debt valued at par. Source: Aberdeen Asset Managers Limited, Factset and Morningstar.

^A Excluding current year revenue.

Past performance is not a guide to future performance. The value of shares may go down as well as up and an investor may not get back the amount invested.

Fund managers' report

Market review

Most Asian stock markets fell sharply in September, roiled by Europe's sovereign debt woes, fears of a double-dip recession, and worries of further credit curbs in China.

Regional economies continued to decelerate, prompting the Asian Development Bank to cut its 2011 growth forecast amid weakening global demand.

Most central banks held interest rates unchanged as worries shifted away from rising inflation towards a more uncertain economic growth outlook. Bucking the trend, India hiked rates by 25 basis points after wholesale prices accelerated.

In politics, Chinese premier Wen voiced support for the Eurozone but urged the region to put its finances in order. India enacted a new law to ensure fair compensation for land acquired by the government.

Fund managers' report continues overleaf

The risks outlined overleaf relating to gearing, emerging markets, exchange rate movements and warrants are particularly relevant to this trust but should be read in conjunction with all warnings and comments given.

Ten largest holdings

	Country	%
Deutsche Bank AG Indonesian Credit Linked Note ^B	Indonesia	5.4
Taiwan Semiconductor	Taiwan	4.8
Taiwan Mobile	Taiwan	4.5
QBE Insurance	Australia	3.9
DiGi	Malaysia	3.8
Guinness Anchor	Malaysia	3.6
British American Tobacco	Malaysia	3.6
Oversea-Chinese Banking Corp.	Singapore	3.5
Siam Makro	Thailand	3.5
United Overseas Bank	Singapore	3.3

Total **39.9**

Total number of investments **41**

^B Credit linked note issued by Deutsche Bank AG and linked to the Indonesian Government Bond 10% 15/07/17 as the underlying asset

Country allocation (%)

	AAIF	Regional Index	Month's market change
Singapore	20.8	5.2	(9.9)
Australia	18.8	25.7	(10.7)
Malaysia	13.9	3.4	(5.8)
Thailand	11.0	1.9	(13.4)
Hong Kong	9.6	8.2	(12.6)
Taiwan	9.4	11.7	(6.5)
Indonesia	5.4	3.0	(5.8)
China	4.8	17.1	(13.1)
Philippines	2.0	0.7	(5.1)
Japan	1.6	0.0	-
New Zealand	1.6	0.4	(4.0)
Korea	0.0	14.9	(9.0)
India	0.0	7.7	(2.3)
Cash	1.1	-	-
Total	100.0	100.0	

Month's market change represents the individual country returns calculated using the MSCI Index series (£).

Market change is total return in GBP. Index may not add up to 100 due to rounding.

Source: Aberdeen Asset Managers Limited and MSCI.

Portfolio characteristics

Three years to 30 September 2011 (£)

	Trust	Regional Index
Annualised Statistics		
Rate of return	18.7	13.7
Standard deviation	19.7	24.4
Tracking Error	8.9	-
Information Ratio	0.4	-
Monthly Statistics		
Max return	17.2	16.2
Min return	(17.0)	(16.7)
Average return	1.6	1.3
Regression Statistics		
Beta	0.8	1.0
Correlation to index	0.9	1.0

Source: Aberdeen Asset Managers Ltd, Russell/Mellon Analytical Services. Market Proxy: MSCI AC Asia Pacific Ex Japan, Risk Free Proxy: Sterling 3 months Interbank Rate.

Further information

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Receive the factsheet of your choice by email as soon as they are available by registering at www.investments.co.uk/ITemail

All sources (unless indicated): Aberdeen Asset Managers Limited 30 September 2011.

Aberdeen Asian Income Fund Limited

Fund managers' report – continued

Portfolio review

There were no major changes to the portfolio in September.

In corporate results, UOB increased its stake in Vietnam's Southern Commercial Joint Stock Bank from 15% to 19.99% for US\$11.3 million, a move in line with the lender's regional expansion plan. We see this as a positive step in expanding the bank's regional footprint, further diversifying its operations.

Outlook

Looking ahead, stock markets worldwide will face continued uncertainty. Political divides in Europe and the US are unlikely to bring about a swift resolution to the problems afflicting their economies and their lack of decisiveness in responding to fresh crises will cause financial markets to lurch between hope and despair. Despite the far superior economic growth rates in Asia, fund flows to and from regional markets will continue to be dictated by global investors, whose nervousness over China's economic prospects will drive risk aversion. As such, we are cautious over the short term. However, Asia's long-term fundamentals remain unchanged.

With some markets appearing oversold, opportunities to pick up quality companies trading at attractive levels have appeared and we have taken advantage of the market correction to add to some of our preferred holdings.

Key information

Calendar	
Year end	31 December
Accounts published	April
AGM	May
Warrants exercisable	2011 - 2013
Exercise price	120p
Dividend paid	February, May August, November December 2005
Launch date	December 2005

Fund manager	Asian Equities Team
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Total expense ratio	1.4% ^c
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^c Year ended 31 December 2010.

Annual management fee	1.0%
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Premium/(Discount)	3.8%
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Yield	4.1%
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Gearing^d	5.1%
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Assets	£m
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Gross assets	225.7
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Debt	11.0
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Prior charges	nil
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^d Gearing is expressed as a percentage of gross assets, which includes current year revenue, divided by shareholders' funds.

Capital structure	
Ordinary shares	136,928,071
Warrants 2013	6,160,930

Allocation of management fees and finance costs

Capital	60%
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Revenue	40%
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Borrowing policy

Up to 25% of net assets (measured at the time any borrowings are drawn down). The Company will not have any fixed, long-term borrowings.

Trading details	
Bloomberg/Epic/Reuters code	AAIF
Stockbroker	Canaccord Genuity
Market makers	SETSm

Important information

Risk factors you should consider prior to investing:

- Investment in the Company should be regarded as medium to long-term in nature and may not be suitable as a short-term investment.
- In common with most investment companies, investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of that NAV. There is no guarantee the company will realise its investment objective. The exercise of Warrants will result in a dilution of Shareholders' interests if the net asset value of the Ordinary Shares exceeds the exercise price payable on the exercise of a Warrant at the relevant time.
- The Company may invest in securities that are not readily tradable or may accumulate investment positions that represent a significant multiple of the normal trading volumes of an investment, which may make it difficult for the Company to sell its investments and may lead to volatility in the market price of the Ordinary Shares.
- Any debt securities that may be held by the Company will be affected by general changes in interest rates that will in turn result in increases and decreases in the market value of those instruments. When interest rates decline, the value of the Company's investments in fixed rate debt obligations can be expected to rise and, when interest rates rise, the value of those investments may decline. Adverse changes in the financial position of an issuer of debt securities or general economic conditions may impair the ability of the issuer to meet interest payments and repayments of principal. Accordingly, any debt securities that may be held by the Company will also be subject to the inherent credit or default risks associated with debt securities and there can be no assurance as to the levels of default and/or recovery that may be experienced with regard to such investments.
- Movements in exchange rates can impact on both the level of income received and the capital value of your investment. If the currency of your country of residence strengthens against the currency in which the underlying investments of the Company are made, the value of your investment will reduce and vice versa.
- The Company invests in emerging markets which tend to be 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. Political risks and adverse economic circumstances are more likely to arise putting the value of your investment at risk.
- The Company invests in small companies, and / or companies investing in technology or venture and development capital stocks where the potential volatility may increase the risk to the value of your investment. Above average price movements may be expected.
- The value of shares and the income from them can go down as well as up and you may get back less than the amount invested.
- Past performance is not a guide to the future.
- There is no guarantee that the market price of shares in the Company will fully reflect their underlying Net Asset Value. As with all stock exchange investments on purchase, the value of investment trust shares will immediately fall by the difference between the buying and selling prices, the bid-offer spread.
- As with all stock exchange investments the value of investment trust shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread.

Other Important Information:

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