

Aberdeen New Thai Investment Trust

Strong long-term absolute performance

Aberdeen New Thai Investment Trust (ANW) was launched in 1989 and is the only Thailand-focused investment trust listed in London. It aims to deliver a high level of long-term capital growth through investing in a relatively concentrated portfolio of quality companies, following a disciplined bottom-up approach. The Thai equity market has been relatively resilient this year compared to MSCI AC Asia ex-Japan and MSCI Emerging Markets, reflecting Thailand's solid economic fundamentals. The manager believes Thai companies are particularly well-placed to benefit from the fast-growing neighbouring economies of Cambodia, Laos, Myanmar and Vietnam, and ANW offers some indirect exposure to these markets. The trust has delivered strong absolute returns over the past 10 years; an annualised NAV total return of 20.5%. Recent returns, however, have lagged the benchmark and the shares have traded at a persistently wide discount to cum-income NAV. In May 2018, the board announced a package of changes to address these issues which, if successful, should support further narrowing of the discount.

12 months ending	Share price (%)	NAV (%)	SET Index (%)	MSCI AC Asia ex-Japan (%)	MSCI World (%)
30/11/14	26.3	22.1	22.9	11.0	14.5
30/11/15	(19.7)	(16.1)	(16.1)	(6.8)	3.9
30/11/16	31.6	27.7	39.0	29.5	25.0
30/11/17	18.5	18.1	16.9	25.1	14.8
30/11/18	2.3	3.6	5.0	(3.8)	6.8

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

Investment strategy: Bottom-up, detailed analysis

The manager follows a disciplined bottom-up approach to find high-quality companies that are well-managed with strong balance sheets, yet are attractively valued. The well-resourced Aberdeen Standard Asian team includes four Bangkok-based investment managers to support an intensive approach involving over 1,000 company meetings each year, and detailed fundamental analysis.

Market outlook: Supportive regional growth

The Stock Exchange of Thailand (SET) index peaked in late-January 2018 and has since retreated around 11%, significantly less than the c 23% and c 24% experienced by MSCI AC Asia ex-Japan and MSCI Emerging Markets indices respectively. This reflects Thailand's relatively resilient economy. Economic growth for Thailand, its neighbouring countries and the other ASEAN-5 countries are expected to be much superior to global growth, which should help underpin long-term performance prospects for Thai equities.

Valuation: Scope for discount

ANW's current 12.4% discount to cum-income NAV is slightly below its three-year average of 15.6% and at the bottom of the 12.4% to 21.3% over this period. The board recently announced a package of changes aiming to improve returns to shareholders, without affecting the investment process. Should these be successful, there is scope for the discount to tighten further over time.

Investment trusts

17 December 2018

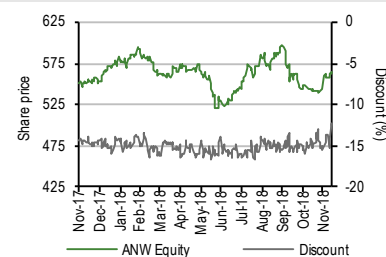
Price	562.0p
Market cap	£93.3m
AUM	£107.5m

NAV*	631.3p
Discount to NAV	11.0%
NAV**	641.6p
Discount to NAV	12.4%

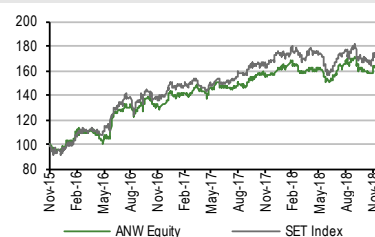
*Excluding income. **Including income. As at 13 December 2018.

Yield	2.0%
Ordinary shares in issue	16.6m
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	596.0p	521.0p
NAV** high/low	705.8p	615.5p

**Including income.

Gearing

Gross*	6.5%
Net*	5.1%

*As at 31 October 2018.

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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 holds 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

- 12 October 2018: Interim results to 31 August 2018. NAV total return -0.6%; SET index total return -2.2%. Interim dividend of 7.00p declared.
- 2 June 2018: Results of AGM. All resolutions passed.
- 2 May 2018: Annual results to 28 February 2018. NAV total return +17.7%; SET index total return +21.6%. The company declared an ordinary dividend of 11.10p per share for FY18.
- 2 May 2018: Board proposes changes to improve returns for shareholders.

Forthcoming

AGM	June 2019
Annual results	May 2019
Year end	28 February
Dividend paid	Interim and final
Launch date	December 1989
Continuation vote	No – see page 7

Capital structure

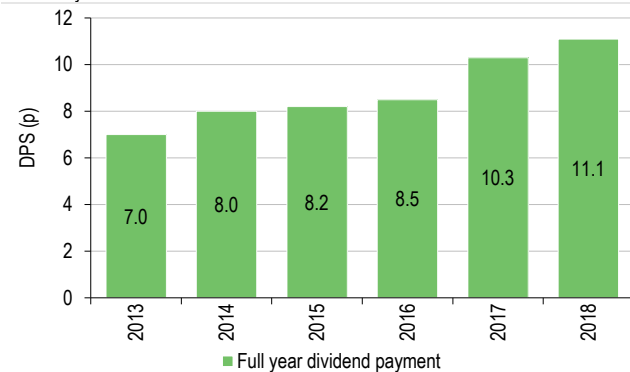
Ongoing charges	1.26%
Net gearing	5.1%
Annual mgmt fee	0.9%
Performance fee	None
Trust life	Indefinite (subject to vote)
Loan facilities	£15m multi-currency facility

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

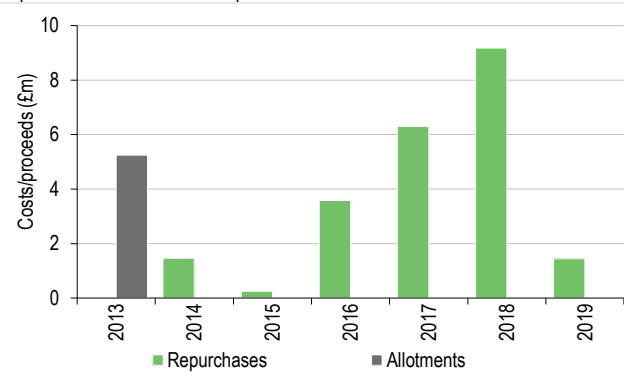
Dividend policy and history (financial years)

From FY18 the board introduced an interim dividend. Dividends payable June/July and November.

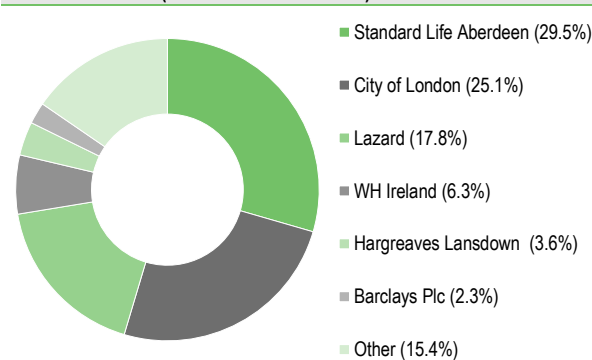


Share buyback policy and history (financial years)

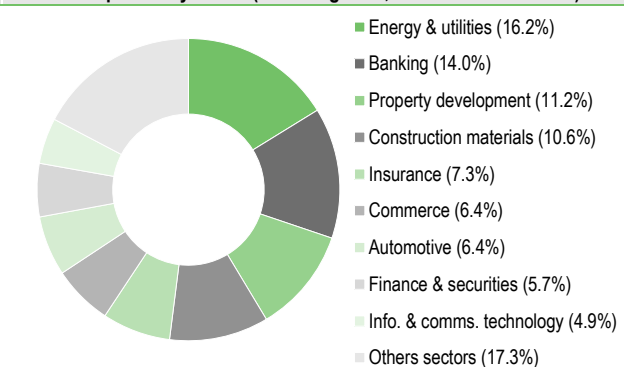
Renewed annually, the trust has authority to repurchase up to 14.99% and allot up to 10% of issued share capital.



Shareholder base (as at 19 November 2018)



Portfolio exposure by sector (excluding cash, as at 31 October 2018)



Top 10 holdings (as at 31 October 2018)

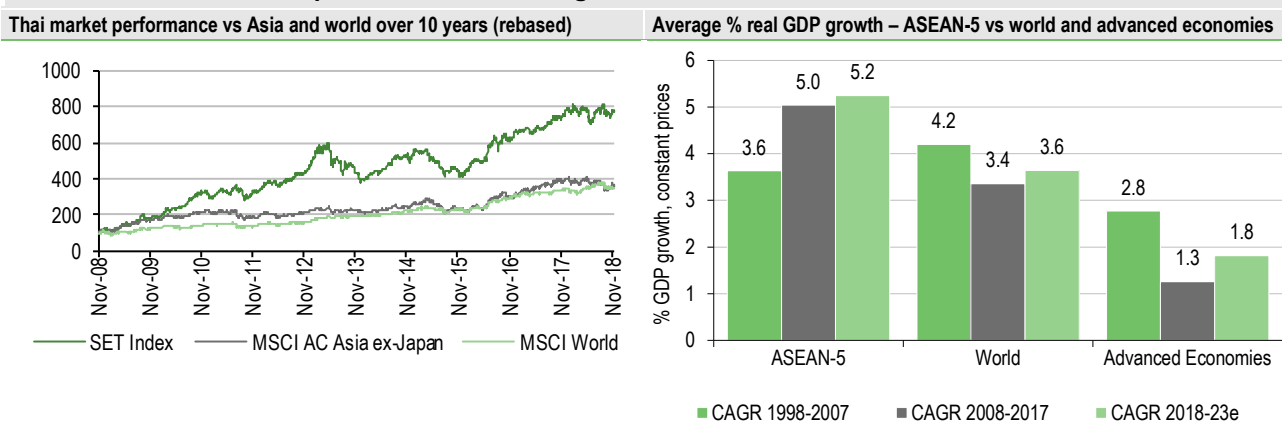
Company	Sector	Portfolio weight %	
		31 October 2018	31 October 2017*
Advanced Information	Telecoms	4.9	5.4
Central Pattana Public	Property development	4.8	4.4
Home Product Center	Commerce	4.6	5.2
AEON Thana Sinsap	Finance & securities	4.4	3.8
Bangkok Insurance	Insurance	4.3	4.9
Siam Cement	Construction materials	4.0	5.0
Kasikornbank	Banking	3.9	5.4
PTT Exploration and Production	Energy & utilities	3.8	3.5
Land and Houses	Property development	3.5	N/A
Thai Stanley Electric	Automotive	3.4	N/A
Top 10 (% of holdings)		41.6	45.2

Source: Aberdeen New Thai Investment Trust, Edison Investment Research, Bloomberg, Morningstar, Thomson. Note: *N/A where not in October 2017 top 10.

Market outlook: Resilience and growth

Thailand's equity market peaked in late January-2018 as abundant liquidity conditions and quantitative easing started to reverse. The Stock Exchange of Thailand (SET) index has fallen around 14% in US\$ terms since its peak, which is relatively modest compared to the c 22% and c 24% falls experienced by MSCI Asia ex-Japan and MSCI Emerging Markets respectively over the same period (Thailand is a constituent in both indices). This reflects Thailand's relatively resilient economy, which has a healthy current account surplus, good domestic liquidity and low inflation. Exports and tourism have been the pillars of the Thai economy for some time. Following the end of a one-year official mourning period for the passing of King Bhumibol in the second half of 2017, growth has broadened out to consumption, private and public spending as economic activity normalised. As shown in Exhibit 2 (RHS), the IMF forecasts the ASEAN-5 countries (Thailand, Indonesia, Malaysia, the Philippines and Vietnam) to achieve a compound annual growth of 5.2% pa over 2018-23. This is significantly faster than the 3.6% and 1.8% growth forecasts for the world and advanced economies respectively, which should support the performance of Thai equities over the medium to long term. As shown in Exhibit 2 (LHS), the SET index has significantly outperformed the MSCI AC Asia ex-Japan and MSCI World indices over the past 10 years.

Exhibit 2: Thailand market performance and GDP growth versus world



Source: Thomson Datastream, IMF October 2018 World Economic Outlook, Edison Investment Research

Fund profile: Thailand specialist, regional exposure

Launched in 1989, ANW is the only LSE-listed investment trust specialising in Thai equities. The trust's objective is to deliver a high level of long-term, above average capital growth through investing in Thailand. The manager follows a bottom-up and rigorous approach to stock selection. The fund also provides investors with indirect exposure to Thailand's fast-growing neighbours, including Cambodia, Laos, Myanmar and Vietnam (CLMV) as Thai companies are significant investors, with increasing presence in these countries.

In May 2018, after consultation with the manager, the board announced, a number of changes to help improve returns for shareholders while maintaining the long-standing investment process:

- exposure to small caps to be gradually increased;
- introduced permission to invest in unlisted companies ahead of a planned initial public offering;
- introduction of an interim dividend, the first paid in November 2018;
- more proactive use of gearing; at end-October 2018, ANW had increased net gearing of 5.1% (it was 1.5% at the 28 February 2018 year-end); and
- the management fee was reduced to 0.9% (previously 1.0%).

The fund manager: Asian team

The manager's view: Solid economic and market outlook

The manager believes the Thai economy is well-placed to grow strongly over the medium and long term. While an unwelcome development, the investment team thinks Thailand should be reasonably resilient to the effects of the US-China trade dispute, estimating a potential 0.5–1.0pp reduction in 2019 GDP growth. There may, however, also be positive effects for the economy over time, including more foreign direct investment (FDI) flows into Thailand and its neighbours (which are its fastest growing trading partners). China has been very successful in attracting FDI for some decades, and increased tariffs and geopolitical risks could encourage investors to look for geographical diversification.

The manager is also optimistic that Thai public spending will accelerate, and is forecasting it to grow 6.1% in 2018 and 7.7% in 2019. The government has an ambitious 20-year vision for Thailand's economy, which includes significant investment in infrastructure, digital technology and healthcare. These plans have been embedded into the constitutional framework, designed to help ensure continued implementation even when the government changes. The team thinks the government's clear commitment to large-scale infrastructure projects should also boost private investment, which has been weak over the past few years. The manager forecasts this to grow 3.7% in 2018 and 4.5% in 2019.

An election is expected as early as February 2019. The current military government has been in place since 2014, and in the manager's view, it has provided Thailand with political stability through a period which saw a change in the monarch, as well as the abscondment of Yingluck Shinawatra (the divisive former prime minister). The team thinks the next government will most likely continue the current government's policies and remain business-friendly. They believe a successful election could provide a boost to Thailand, lifting an overhang from multiple delayed elections that may have curtailed new FDI commitments, as some investors have been reluctant to make commitments under a temporary military regime.

The manager does not find Thai equities valuations to be compelling at a forward 2018 P/E multiple of around 15x, but views them as relatively attractive as this level is towards the lower end of the ASEAN-5 countries' range. Furthermore, the manager notes that the equity market is well-supported by an increasingly important domestic investor base, driven by growth in Thailand's mutual fund industry. Meanwhile, foreign participation is now relatively low following heavy selling earlier in the year.

Asset allocation

Investment process: Bottom-up, quality focused

The manager believes the Thai equity market is not always efficient and, through disciplined bottom-up stock selection, it aims to identify companies that are mispriced relative to their long-term fundamental value. Getting to know companies and managements is an important part of the investment process and the Aberdeen Standard Asian team, which includes four Bangkok-based investment managers, conducts over 1,000 company visits a year. The team firstly looks at a firm's quality of management, business focus, balance sheet strength and corporate governance record. A rigorous assessment of valuation is then undertaken prior to making an investment. The portfolio is not constrained by benchmark weightings, and the c 40 holdings reflect the manager's highest-conviction ideas. Risk is primarily mitigated through in-depth knowledge of the investee companies, and ensuring the portfolio is sufficiently diversified across sectors. Exposure to any single stock is limited to 10% of net assets and gearing is permitted up to 15% of net assets.

Current portfolio positioning

As shown in Exhibit 3, ANW is well-diversified across 14 sectors and over the year to end-October 2018, the exposures changed relatively little. The most significant sector increase is in energy & utilities (+2.4pp), making this the largest exposure in the portfolio at 16.2%. The manager has started to build a position in oil conglomerate PTT, marking a significant change of view on the company. Historically, ANW has not owned PTT, as the company has a complex holding company structure, with a broad mix of businesses, and the manager felt this structure lacked transparency, while the company has also been adversely exposed to regulatory changes (such as fuel price-capping to protect consumers). More recent developments, however, have led the team to reassess PTT's investment case. These include a potential restructuring and listing of the company's non-core businesses. The manager believes this could improve the transparency of the group's operations and unlock considerable value, as investors tend to ascribe higher values to simpler business structures. Furthermore, the team thinks the government is less likely to impose caps on PTT's product prices in the future, as the state's Oil Fund is now sufficiently sizeable to be able to subsidise fuel costs directly when necessary. PTT currently trades on a P/E multiple of 10x compared to the SET index multiple of 15x and the manager believes there is scope for a re-rating over time.

Exhibit 3: Portfolio sector exposure vs SET index benchmark (% unless stated)						
	Portfolio end-October 2018	Portfolio end-October 2017	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
Energy & utilities	16.2	13.8	2.4	22.7	(6.5)	0.7
Banking	14.0	16.9	(2.9)	13.3	0.7	1.1
Property development	11.2	9.3	1.9	6.8	4.4	1.6
Construction materials	10.6	10.4	0.2	4.7	5.9	2.3
Insurance	7.3	9.1	(1.8)	0.9	6.4	8.1
Automotive	6.4	4.3	2.1	0.5	5.9	12.8
Commerce	6.4	5.2	1.2	9.0	(2.6)	0.7
Finance & securities	5.7	4.7	1.0	2.5	3.2	2.3
Food & beverages	5.7	3.6	2.1	5.6	0.1	1.0
Info. & comms. technology	4.9	5.4	(0.5)	8.1	(3.2)	0.6
Healthcare services	4.6	4.3	0.3	4.8	(0.2)	1.0
Electronic components	2.4	3.3	(0.9)	1.1	1.3	2.2
Property fund	2.1	1.8	0.3	2.2	(0.1)	1.0
Packaging	1.1	1.8	(0.7)	0.4	0.7	2.8
Chemicals	0.0	2.2	(2.2)	0.0	0.0	N/A
Media & publishing	0.0	2.6	(2.6)	1.2	(1.2)	0.0
Transportation & logistics	0.0	0.0	0.0	8.4	(8.4)	0.0
Other	0.0	0.0	0.0	7.8	(7.8)	0.0
Cash	1.4	1.3	0.1		1.4	
	100.0	100.0		100.0		

Source: Aberdeen New Thai Investment Trust, Edison Investment Research

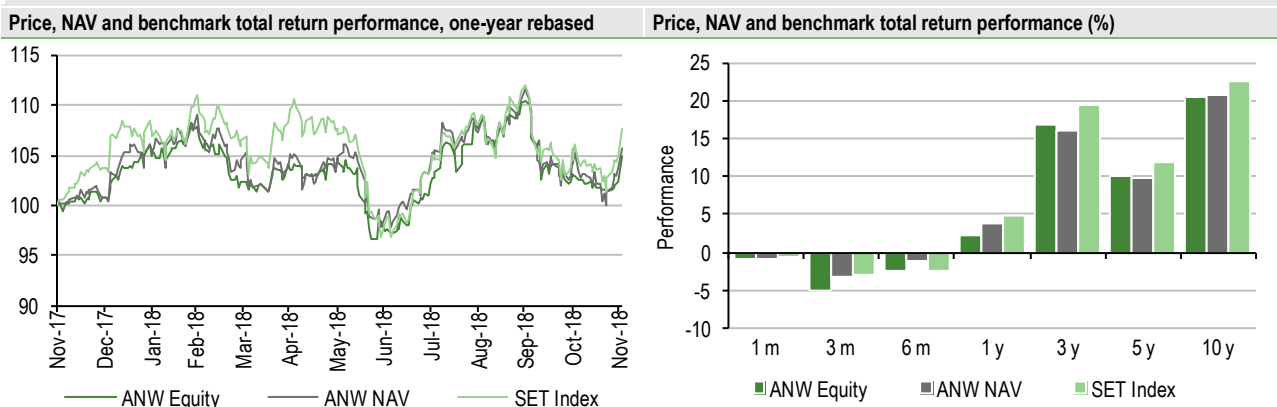
ANW's automotive sector exposure has increased by 2.1pp to 6.4%. Auto sales in Thailand have been moribund for several years as the previous government's first-car policy front-end loaded demand at the time and contributed to high levels of household debt. These schemes have now run off and falling household debt as a percentage of GDP, combined with robust consumer confidence, is supporting new autos purchases. The manager has added two new positions: Krungthai Car Rent & Lease; and Interhides, a manufacturer of leather for car seats, also benefiting from outsourcing from China, where operators may not meet the higher environmental standards attained by the company. The manager also added to the food & beverages sector (+2.1pp), largely through participation as a cornerstone investor in the listing of Osotspa, a long-established manufacturer of energy drinks. A new management team has been brought in from Unilever Thailand to drive a growth strategy that includes expansions in Myanmar, Cambodia and Laos. The manager believes Thailand's neighbouring countries of Cambodia, Laos, Myanmar and Vietnam (CLMV) offer exciting prospects for Thai companies, which are often already well-known, and can bring experienced management and access to capital.

The manager has trimmed positions in the banking sector (-2.9pp), which is facing pressure on fee income, as the growth in online banking has led to compressed margins and the elimination of transactions fees. The media & publishing sector (-2.6pp) has also suffered from pressures as advertising revenues have shifted to online channels. The manager has used this sector as a source of funds, and as at end-October 2018, ANW had no exposure to media & publishing.

Performance: Strong long-term absolute gains

As shown in Exhibit 4 (RHS), ANW has delivered strong absolute gains over the long-term; a 20.5% annualised NAV total return over 10 years. Although this lags the SET index, it significantly outperforms the MSCI AC Asia ex-Japan and MSCI World index returns (see Exhibit 5). ANW aims to generate capital growth through investing in a relatively concentrated portfolio of high-quality companies. This means its performance can differ considerably from the index, while its risk profile has tended to be lower. Over three years to end-September 2018, ANW has been less volatile than the SET index (as measured by its beta of 0.87, where the index beta is 1.00).

Exhibit 4: Investment trust performance to 30 November 2018



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)	(2.2)	0.2	(2.5)	(6.5)	(8.0)	(16.1)
NAV relative to SET Index	(0.2)	(0.5)	1.3	(1.3)	(8.4)	(9.0)	(13.8)
Price relative to MSCI AC Asia ex-Japan	(5.9)	0.7	6.3	6.4	2.4	0.4	76.3
NAV relative to MSCI AC Asia ex-Japan	(6.0)	2.4	7.5	7.8	0.3	(0.7)	81.2
Price relative to MSCI World	(2.0)	(1.2)	(5.0)	(4.2)	4.1	(11.2)	80.0
NAV relative to MSCI World	(2.2)	0.5	(3.9)	(3.0)	1.9	(12.2)	84.9

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-November 2018. Geometric calculation.

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

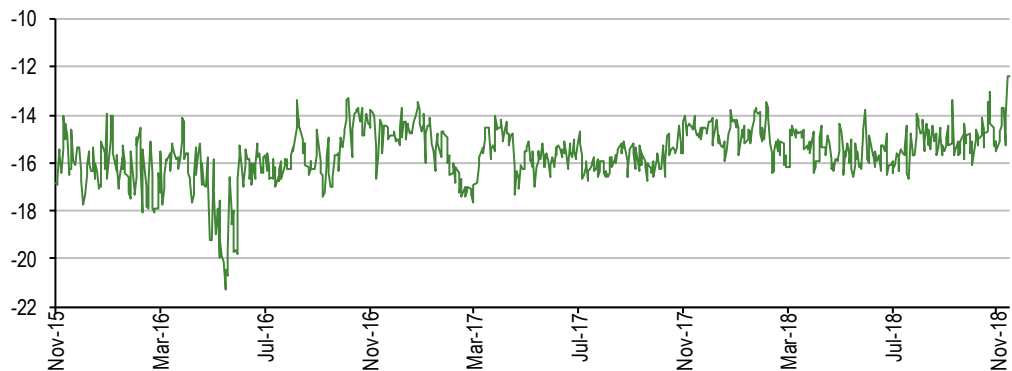


Source: Thomson Datastream, Edison Investment Research

Discount: Recent changes may help narrow discount

ANW's current discount to cum-income NAV of 12.4% is narrower than the three-year average of 15.6% and at the bottom of the 12.4% to 21.3% range over that period. The trust does not have a fixed life; however, under its Articles of Association, a special resolution to wind up the company will be proposed at the following AGM if the shares have traded at an average discount to cum-income NAV in excess of 15% for the 12 weeks preceding the financial year-end. The board is mindful of the discount and the changes proposed in May 2018, all of which were approved by shareholders at the AGM in June 2018, are designed to help tighten the trust's discount.

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; 16.6m ordinary shares are currently in issue. During the six months ended 31 August 2018, the company repurchased and cancelled 0.3m shares (2017: 0.5m shares) at a total cost of £1.4m (2017: £2.8m). ANW had a £10m revolving credit facility with Scotiabank Ireland, which was repaid in October 2018 and replaced with a larger £15m three-year multi-currency facility with Industrial Bank of China. As at end-October 2018, £5.65m was drawn down, representing gross gearing of 6.5%.

As part of the recent changes implemented by the board, the annual management fee payable to AAM Asia, a wholly owned subsidiary of Standard Life Aberdeen, has been reduced to 0.9% (previously 1.0%). The fee and interest charges are allocated in the proportion of 75:25 to capital and revenue accounts, respectively (previously 100% allocated to the revenue account). The fee reduction was backdated to 1 March 2018, and for the six months to end-August 2018 the ongoing charges declined to 1.26%, from 1.35% in the 12 months to end-February 2018.

Dividend policy and record

Historically, ANW paid an annual dividend in June/July. The recent changes announced by the board to allocate 75% of management fees and interest costs to the capital account helps increase the earnings available to pay dividends, and an interim dividend has been introduced, payable in November. For the six months to end-August 2018, ANW's revenue return was 15.10p per share, which partly reflects the board's decision to charge 75% of management and interest fees to capital. A maiden interim dividend of 7.00p per share was declared. In FY18, ANW's revenue return was 11.12p per share and an annual dividend of 11.10p per share was paid.

Peer group comparison

Exhibit 8 shows a peer group of closed-end Asia Pacific country specialist funds with a market capitalisation above £50m. The group has a broad range of country mandates and therefore direct comparisons may be less relevant. ANW is the smallest trust within this group. In terms of NAV total return performance, the trust ranks first over 10 years and absolute returns are substantially higher than the peer average. The trust ranks third over one year, fourth over three years, and ninth over five years. ANW's historic dividend yield ranks second and its discount to cum-fair NAV ranks third.

Exhibit 8: AIC country specialists: Asia Pacific peer group as at 14 December 2018*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
Aberdeen New Thai	93.3	3.6	56.2	60.1	561.4	(12.6)	1.26	No	105	2.0
Aberdeen New India	263.5	4.7	56.5	126.2	329.2	(14.4)	1.20	No	104	0.8
Fidelity China Special Situations	1,087.1	(12.2)	47.1	110.3		(12.1)	1.11	No	128	1.8
India Capital Growth	94.4	(20.6)	34.7	120.5	156.6	(14.1)	2.21	No	100	0.0
JPMorgan Chinese	173.8	(16.4)	47.3	62.2	253.0	(13.6)	1.34	No	119	1.5
JPMorgan Indian	702.7	(3.1)	43.5	109.9	246.2	(14.4)	1.20	No	100	0.5
Vietnam Enterprise	1,010.1	1.2	114.3	170.6	235.4	(12.8)	2.23	No	100	0.0
VietNam Holding	129.7	(1.5)	50.0	109.0	252.9	(13.0)	2.19	Yes	100	0.0
VinaCapital Vietnam Opp Fund	634.8	4.2	91.4	122.9	229.6	(16.0)	2.34	Yes	100	1.5
Weiss Korea Opportunity	124.9	(17.1)	15.4	51.5		(1.3)	1.89	No	100	2.3
Simple average	431.4	(5.7)	55.6	104.3	283.0	(12.4)	1.70		106	1.0
Rank	10	3	4	9	1	3	7		3	2

Source: Morningstar, Edison Investment Research. Note: *performance data to 30 November 2018. 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 independent non-executive directors. Chairman Nicolas Smith was appointed director in March 2013 and assumed his current role in June 2013. The other directors are Clare Dobie (appointed December 2013 – senior independent director June 2016), Andy Pomfret (appointed September 2014) and Sarah MacAulay (appointed December 2016).

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