



abrdn Asia Focus plc

A fundamental, high conviction portfolio of well-researched Asian small caps

Performance Data and Analytics to 29 February 2024

Investment objective

The Company aims to maximise total return to shareholders over the long term from a portfolio made up predominantly of quoted smaller companies in the economies of Asia excluding Japan.

The full investment policy is available for download on the Company's website.

Comparative benchmark

With effect from 1 August 2021 the MSCI AC Asia ex Japan Small Cap Index (currency adjusted) has been adopted as the comparative index and performance is also measured against the peer group. Given the Manager's investment style, it is likely that performance will diverge, possibly quite dramatically in either direction, from the comparative index. The Manager seeks to minimise risk by using in depth research and does not see divergence from an index as risk.

Cumulative performance (%)

| | as at 29/02/24 | 1 month | 3 months | 6 months | 1 year | 3 years | 5 years | Since BM Change 31/7/21 |
|--------------------------|-------------------|------------|-------------|-------------|-----------|------------|------------|-------------------------------|
| Share Price | 259.0p | 1.0 | 2.2 | 2.1 | 3.4 | 19.9 | 39.7 | 6.4 |
| Diluted NAV ^a | 309.6p | 2.8 | 2.7 | 3.3 | 8.8 | 21.5 | 48.2 | 8.1 |
| Composite Benchmark | | 3.4 | 4.3 | 6.8 | 13.0 | 20.4 | 58.1 | 10.0 |

Discrete performance (%)

| | 29/02/24 | 28/02/23 | 28/02/22 | 28/02/21 | 29/02/20 |
|--------------------------|----------|----------|----------|----------|----------|
| Share Price | 3.4 | 2.4 | 13.2 | 24.4 | (6.3) |
| Diluted NAV ^a | 8.8 | 1.4 | 10.1 | 22.0 | 0.0 |
| Composite Benchmark | 13.0 | (0.1) | 6.7 | 36.0 | (3.4) |

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 fair value. Source: abrdn Investments Limited and Morningstar.

Past performance is not a guide to future results.

^a Including current year revenue.

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Morningstar Rating™



^B Morningstar Rating™ for Funds

Morningstar rates funds from one to five stars based on how well they've performed (after adjusting for risk and accounting for all sales charges) in comparison to similar funds.



Ten largest equity holdings (%)

| | | |
|---------------------------|-----------|-------------|
| Park Systems | Korea | 4.1 |
| Bank OCBC Nisp | Indonesia | 4.1 |
| Cyient | India | 3.9 |
| FPT Corp | Vietnam | 3.8 |
| AKR Corp | Indonesia | 3.8 |
| Aegis Logistics | India | 3.6 |
| Taiwan Union Technology | Taiwan | 3.1 |
| John Keells | Sri Lanka | 3.0 |
| Prestige Estates Projects | India | 2.6 |
| Mega Lifesciences | Thailand | 2.6 |
| Total | | 34.6 |

Country allocation (%)

| | Trust | MSCI AC Asia ex Japan Small Cap Index | Month's market change |
|----------------|--------------|--|-----------------------------|
| India | 18.8 | 31.9 | (0.2) |
| Indonesia | 11.7 | 2.2 | 1.6 |
| Taiwan | 11.6 | 27.0 | 5.6 |
| China | 11.6 | 8.0 | 9.5 |
| Korea | 7.6 | 15.3 | 7.1 |
| Vietnam | 7.3 | - | - |
| Philippines | 5.4 | 0.9 | 2.4 |
| Malaysia | 5.2 | 2.8 | 0.9 |
| Thailand | 4.7 | 3.4 | (1.7) |
| Hong Kong | 3.2 | 3.6 | 6.4 |
| Sri Lanka | 3.0 | - | - |
| Singapore | 2.5 | 4.7 | -1.4 |
| United Kingdom | 2.4 | - | - |
| Denmark | 1.4 | - | - |
| New Zealand | 1.3 | - | - |
| Myanmar | 0.3 | - | - |
| Cash | 2.0 | - | - |
| Total | 100.0 | 100.0 | |

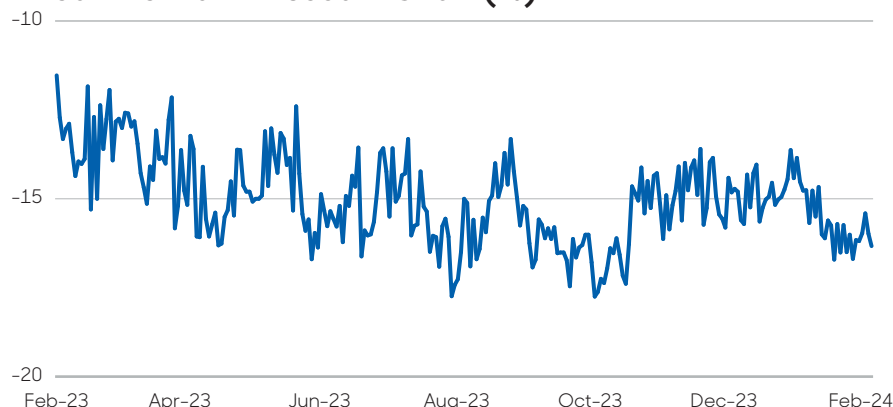
MSCI AC Asia ex Japan Small Cap. Month's market change represents the individual country returns calculated using the MSCI Index series (£). Market change is Total Return in GBP. Index may not add up to 100 due to rounding. Source: abrdn Investments Limited and MSCI.

All sources (unless indicated): abrdn: 29 February 2024.

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1 Year Premium/Discount Chart (%)



Fund managers' report

Market review

After a weak January, Asian small-cap equities rebounded in February. The benchmark MSCI AC Asia Ex Japan Small Cap Index returned 3.38% in sterling terms, while the Trust underperformed the benchmark by 59 basis points (on a NAV basis).

Markets in China and Hong Kong were among the best performers, boosted by encouraging post-Lunar New Year spending and travel data, a cut to the mortgage-rate benchmark, and signs that China's national team was buying key A-share exchange-traded funds to support the equity market. Small caps in South Korea and Taiwan also did well on the positive momentum in technology stocks, after impressive results and strong guidance from artificial intelligence (AI)-related technology group NVIDIA. South Korean stocks were helped further by foreign inflows after the government released guidelines for a 'Corporate Value-Up' programme to reform capital market policies and structures. Equities in India, Indonesia, Malaysia and Vietnam also advanced. On the other hand, Singapore and Thailand underperformed. Singapore's manufacturing production lost steam in January. In Thailand, weak manufacturing and GDP data weighed on sentiment, despite improving tourism numbers and spending.

At a stock level, Singapore-based semiconductor equipment maker AEM Holdings' remained weak owing to the overhang created from an inventory shortfall issue, while the company's soft guidance for the first half of 2024 also weighed on sentiment. We think the company's growth prospects remain intact over the longer run, supported by the addition of a fifth new customer and the potential for rising sales and improving margins as semiconductor demand recovers. Thailand's Hana Microelectronics, which reported full-year performance figures, also came under pressure given a mixed near-term growth outlook. India-based Prestige Estates was another detractor. Although the property developer continued to report strong momentum in its pre-sales, the stock was probably due some profit taking after a very strong run in 2023. Finally, although Affle India saw a decent set of results for the third quarter, growth failed to beat market expectations.

Conversely, Indian downstream oil and gas company Aegis Logistics was among the leading contributors thanks to its robust quarterly earnings. Improving market sentiment and higher oil prices were also helpful. Elsewhere, the Trust's off-benchmark exposure to Vietnam-based FPT, which released a solid set of full-year results, was helpful. Order signings for the year were healthy and the number of clients with revenue contributions of US\$1 million increased by 28%.

Fund managers' report continues overleaf

^c Expressed as a percentage of average daily net assets for the year ended 31 July 2023. The Ongoing Charges Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Company. It is made up of the Annual Management Fee and other charges. It does not include any costs associated with buying shares in the Company or the cost of buying and selling stocks within the Company. The Ongoing Charges figure can help you compare the annual operating expenses of different Companies.

^d With effect from 1 August 2021, 0.85% per annum for the first £250 million of the Company's market capitalisation, 0.6% per annum for the next £500 million, and 0.5% per annum for market capitalisation of £750 million and above, based on the closing Ordinary share price quoted on the London Stock Exchange multiplied by the number of Ordinary Shares in issue (excluding those held in treasury), valued monthly.

^e Calculated using the Company's publicly announced target dividend yield of 6.4p for the year ending 31 July 2022 and month end share price.

^f Net gearing is defined as a percentage, with net debt (total debt less cash/cash equivalents) divided by shareholders' funds.

^g The 'Active Share' percentage is a measure used to describe what proportion of the Company's holdings differ from the benchmark index holdings.

Total number of investments 61

Fund risk statistics

| | 3 Years | 5 Years |
|---------------------------------------|---------|---------|
| Annualised Standard Deviation of Fund | 11.60 | 14.95 |
| Beta | 0.87 | 0.87 |
| Sharpe Ratio | 0.44 | 0.43 |
| Annualised Tracking Error | 4.10 | 5.25 |
| Annualised Information Ratio | 0.25 | (0.27) |
| R-Squared | 0.90 | 0.89 |

Source: abrdn & Factset.
Basis: Total Return, Gross of Fees, GBP.
Please note that risk analytics figures are calculated on gross returns whereas the performance figures are based on net asset value (NAV) returns. In addition, the risk analytics figures lag the performance figures by a month.

Key information

Calendar

| | |
|--|---|
| Year end | 31 July |
| Accounts published | October |
| Annual General Meeting | December |
| Dividends paid | March, June, September, December |
| Launch date | October 1995 |
| Fund managers | Flavia Cheong, Gabriel Sacks, Xin-Yao Ng, |
| Ongoing charges ^c | 0.92% |
| Annual management fee ^d | 0.85% Market Cap (tiered) |
| Premium/(Discount) with debt at fair value | (16.3)% |
| Yield ^e | 3.3% |
| Net cash/(gearing) with debt at par ^f | (11.5)% |
| Active share ^g | 97.6% |

AIFMD Leverage Limits

| | |
|----------------|------|
| Gross Notional | 2.5x |
| Commitment | 2x |

Fund managers' report – continued

reflecting the company's ability to land larger deals. Indonesia-based Bank OCBC NISP also contributed to relative returns as shares advanced after the company announced a 23% jump in net profit for the 2023 financial year.

In key portfolio activity we initiated a new holding in Korea Shipbuilding & Offshore Engineering (KSOE), which owns three shipbuilding entities. Combined, they form the world's largest shipbuilding company with a 17% global market share. We see two key pillars of support for KSOE's prospects. The first is that the industry is undergoing a long-term upswing in orders for new vessels, due to the need to replace ageing ships and comply with tougher emission regulations, pointing to a material improvement in industry profitability in the coming years. Second, there is a green transition angle to KSOE as we see it as the global leader in more eco-friendly ships due to its robust R&D capabilities and continued commitment to investments in innovation. We see KSOE playing a critical role in the industry's decarbonisation, with its market leading LNG-dual fuel engines, that reduces the usage of heavy-fuel oil.

Another company we added in February was Century Pacific Food, the largest canned food company in the Philippines. Its portfolio of brands caters mainly to the mass and premium mass markets across three key segments: marine, meat and plant-based, although the company has expanded its portfolio to include milk and other emerging consumer categories. We see the company benefiting from strong underlying demand in the Philippines. Management's product diversification strategy is also helping to stabilise blended margins and expand the company's addressable market.

We also bought shares in Humanica, a leading provider of HR software technology and outsourcing services in Thailand. We see significant room for growth in this industry locally although the company's prospects have been further enhanced by a merger with the largest provider of HR solutions in Indonesia. We like the company's asset-light platform which creates operating leverage and ensures the company can operate at high levels of profitability.

Finally, we initiated a position in Tongcheng-Elong (TCEL), the biggest online travel agency by monthly active users in China, offering mainly air, train and bus tickets as well as hotel bookings. It has strong backing from Tencent and Trip.com, its two largest shareholders. The company also enjoys strong margins. We see TCEL as well placed to benefit from increasing domestic travel among the Chinese living in lower tier cities.

In contrast, we exited Syngene in India on valuation grounds and Tisco Financial in Thailand to fund better opportunities elsewhere.

Outlook

The final weeks of 2023 saw the clearest signal yet from the US Federal Reserve that its long period of tightening monetary policy could finally be coming to an end. The precise timing and scale of future rate cuts remains to be seen, but the benefits of potentially lowering borrowing costs and a weaker US dollar are likely to boost the appeal of Asian assets and currencies.

The near-term outlook in China remains challenging but we are seeing some signs of stabilisation and green shoots of recovery. Although valuations of domestic equities are relatively high in India, they are well anchored by solid corporate fundamentals and resilient earnings prospects in a world of lacklustre growth. In addition, renewed capex, real estate and credit cycles are driving growth. The technology sector is likely to be a key driver of growth, with the semiconductor cycle turning and the adoption of artificial intelligence (AI) rising rapidly. We maintain a close watch on elections. With polls already over in Taiwan and Indonesia, it will be India's turn next in April. The US elections in November could increase political polarisation and geopolitical uncertainty. Asia remains attractive versus markets like the US, along with expectations of better earnings performance through 2024. We continue to ensure that our positioning appropriately reflects our conviction, focusing on earnings visibility and cash flow.

At the trust level, although we have been buffeted by the headwinds from the value recovery over the past two years, we continue to believe that the Trust offers attractive, high-quality exposure to structural growth opportunities in Asia. We have adapted the portfolio to capitalise on the most attractive stock ideas from our research platform and to account for the significant volatility in markets over the last two years. The balance of risk in the portfolio remains firmly towards our stock-specific insights, where we retain an information edge. We remain focused on ensuring that our conviction is appropriately reflected in our positioning and we continue to believe that quality companies with solid balance sheets and sustainable earnings prospects will emerge stronger in tough times. We feel all these developments put us in good stead for the rest of 2024.

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

Important information overleaf

Assets/Debt (£m)

| | |
|-------------------------|-------|
| Gross Assets | 542.6 |
| Debt (CULS + bank loan) | 66.2 |
| Cash & cash equivalents | 11.2 |

Capital structure as at 31 July 2022^H

| | |
|---|-------------|
| Ordinary shares | 154,093,669 |
| Treasury shares | 54,617,090 |
| Convertible Unsecured Loan Stock 2025 (CULS) at nominal value | £36,605,647 |

Allocation of management fees and finance costs

| | |
|---------|-----|
| Capital | 75% |
| Revenue | 25% |

Trading details

| | |
|-----------------------------|----------------|
| Reuters/Epic/Bloomberg code | AAS |
| ISIN Code | GB00BMF19B58 |
| Sedol code | BMF19B5 |
| Stockbrokers | Panmure Gordon |
| Market makers | SETSm |



Factsheet

Receive the factsheet by email as soon as it is available by registering at www.abrdn.com/trustupdates www.asia-focus.co.uk



Contact

Private investors
trusts@abrdn.com

Institutional Investors
InvestmentTrustInvestorRelations-UK@abrdn.com

Ben Heatley
Head of Closed End Fund Sales
Ben.Heatley@abrdn.com

Important information

Risk factors you should consider prior to investing:

- The value of investments, and the income from them, can go down as well as up and investors may get back less than the amount invested.
- Past performance is not a guide to future results.
- Investment in the Company may not be appropriate for investors who plan to withdraw their money within 5 years.
- The Company 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 any movement in the value of the company's assets will result in a magnified movement in the NAV.
- The Company may accumulate investment positions which represent more than normal trading volumes which may make it difficult to realise investments and may lead to volatility in the market price of the Company's shares.
- The Company may charge expenses to capital which may erode the capital value of the investment.
- The Company invests in smaller companies which are likely to carry a higher degree of risk than larger companies.
- Movements in exchange rates will impact on both the level of income received and the capital value of your investment.
- There is no guarantee that the market price of the Company's shares will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.
- 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.
- Specialist funds which invest in small markets or sectors of industry are likely to be more volatile than more diversified trusts.
- Yields are estimated figures and may fluctuate, there are no guarantees that future dividends will match or exceed historic dividends and certain investors may be subject to further tax on dividends.

Other important information:

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