

Edinburgh Dragon Trust plc



Investment objective

To achieve long term capital growth through investment in the Far East. The company's benchmark is the MSCI AC Asia ex Japan Index. Investments are made in stock markets in the region, with the exception of Japan and Australasia, principally in large companies. When appropriate, the trust will utilise gearing to maximise long term returns.

Benchmark

MSCI AC Asia ex Japan Index. This benchmark excludes Japan, Australia, New Zealand and Sri Lanka.

Cumulative performance (%)

	as at 31/01/10	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	181.1p	(6.4)	5.9	9.9	47.3	37.6	123.9
NAV ^A	197.8p	(4.0)	5.2	10.8	50.8	36.8	120.6
MSCI AC Asia ex Japan		(5.3)	3.6	9.2	54.2	34.4	109.6

Discrete performance (%)

Year ending:	31/01/10	31/01/09	31/01/08	31/01/07	31/01/06
Share Price	47.3	(14.5)	9.3	3.3	57.5
NAV ^A	50.8	(20.7)	14.4	12.5	43.3
MSCI AC Asia ex Japan	54.2	(27.7)	20.6	11.9	39.3

Total return, NAV to NAV, net income reinvested, GBP. 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

Asian markets fell in January, with sentiment hurt by fears about monetary tightening in China, along with proposed banking reforms and disappointing employment data in the US. Among the laggards were China, Hong Kong and Taiwan, whereas Indonesia bucked the downtrend.

China unexpectedly raised the proportion of deposits that banks must set aside as reserves in an attempt to curb bank lending. China temporarily stopped several banks from extending new loans, while raising the reserve requirements for the sector. India similarly hiked lenders' reserve ratios. Most central banks in the region continued to keep interest rates unchanged, even though inflation started to creep higher.

Exports saw a spurt across most of the region, boosted by China's sharp fourth-quarter GDP growth. Only Korea's economic growth rate decelerated amid declining exports and domestic demand.

In politics, a religious row threatened to escalate in Malaysia after three churches were attacked by arsonists.

Fund managers' report continues overleaf

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

Ten largest equity holdings

	Country	%
Jardine Strategic	Singapore	4.4
Samsung Electronics Pref.	South Korea	4.4
Oversea-Chinese Banking Corp.	Singapore	4.1
Swire Pacific 'B'	Hong Kong	4.1
Singapore Technologies Engineering	Singapore	3.5
Singapore Telecommunications	Singapore	3.4
City Developments	Singapore	3.3
HDFC	India	3.3
Infosys Technologies	India	3.3
China Mobile	China	3.1
Total		36.9
Total number of investments		46

Country allocation (%)

	Portfolio	Benchmark	Month's market change ^B
Singapore	24.8	6.9	(5.3)
Hong Kong	18.1	10.8	(5.9)
India	15.9	11.1	(4.6)
South Korea	8.4	19.0	(3.6)
China	7.6	25.8	(7.9)
Thailand	5.5	2.0	(4.6)
Taiwan	5.3	16.7	(5.8)
Malaysia	5.0	4.2	(0.1)
Philippines	2.5	0.6	(5.1)
Indonesia	2.0	3.0	2.8
Sri Lanka	2.0	0.0	n/a
Cash	2.9	n/a	n/a
Total	100.0	100.0	

^B Represents the individual country returns calculated using the MSCI Index series (£). Market change is Total Return in GBP.

Source: Aberdeen Asset Managers Limited and MSCI. Figures may not add up to 100 due to rounding.

Portfolio characteristics

Three years to 31 January 2010 (£)

	Trust	Regional Index
Annualised statistics		
Rate of return	11.0	10.4
Standard deviation	23.5	28.3
Tracking Error	8.9	-
Information Ratio	(0.1)	-
Monthly statistics		
Max return	13.5	17.3
Min return	(14.4)	(16.2)
Average return	1.1	1.2
Regression statistics		
Beta	0.8	1.0
Correlation to index	1.0	1.0

Source: Aberdeen Asset Managers Limited and Russell Mellon Analytical Services. Market Proxy: MSCI AC Asia Pacific ex Japan, Risk-free proxy is Sterling 3 months Interbank Rate.

Further information

Private investors **0500 00 00 40**

Institutional investors **Ian Massie**

+44 (0)131 528 4000

Website **www.edinburghdragon.co.uk**

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

All sources (unless indicated): Aberdeen Asset Managers Limited 31 January 2010.

Edinburgh Dragon Trust plc

Fund managers' report – continued

Portfolio Review

There were no major changes to the portfolio in January.

Our holdings posted largely positive results. Infosys' quarterly profits were better than expected, while Housing Development Finance Corporation's net interest margin expanded. Samsung Electronics benefited from stronger earnings from its semiconductor and LCD divisions. Elsewhere, PTT Exploration and Production's full-year profits fell less than expected, despite lower product prices and expenses related to the Montara oil spill.

Outlook

Looking ahead, it is uncertain how long the market correction will last. In the near term, sentiment appears highly sensitive to worries about the removal of fiscal stimulus and the start of the monetary tightening cycle. The faster regional economies recover, the more nervous investors will become. Given the extent of last year's rally, however, such a pullback would be healthy as market valuations will realign with fundamentals and present buying opportunities. As bottom-up stock pickers with a focus on quality, we are cautiously optimistic about the year ahead, believing that markets will become more discriminating after last year in which, generally, the shares of weaker companies performed best. Our focus will remain on well-run businesses that have good long-term prospects, emerging from the downturn in a stronger position than they entered it.

Tender offer

On 15 January 2010 the Company announced that the special resolution authorising the Company to buy back up to 34,643,156 ordinary shares in connection with a Tender Offer was passed. A total of 62,862,548 shares were validly tendered under the Tender Offer. As a result, the Basic Entitlement of all shareholders who validly tendered their shares were accepted in full and excess tenders were satisfied to the extent of approximately 39.82 per cent. of the excess shares tendered.

34,643,156 Shares were repurchased by the Company at the Repurchase Price of 197.2794 pence per share and cancelled; this equated to 15 per cent. of the Company's shares in issue at 10 November 2009. Following the implementation of the Tender Offer, the Company had 196,311,219 shares in issue.

Key information

Calendar	
Year end	31 August
Accounts published	November
Dividend paid	December
AGM	December
Established	1987
Fund manager	
	Peter Hames
Total expense ratio	
	1.3%
Premium/(Discount)	
	(8.4)%
Yield	
	0.8%
Gearing	
	nil
Assets	
Gross	£m
	388.3
Debt ^c	nil
<small>^c The Company has available a £40 million facility which is undrawn as at 30 November 2009.</small>	
Capital structure	
Ordinary shares	196,311,219
Allocation of expenses and interest	
Capital	0%
Revenue	100%
Trading details	
Bloomberg/Epic/Reuters code	EFM
Stockbroker	WINS Investment Trusts
Market makers	SETSmm

Important information

Risk factors you should consider prior to investing:

- 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.
- 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 Trust are made, the value of your investment will reduce and vice versa.
- The Trust 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 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 Trust will fully reflect their underlying Net Asset Value.
- 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:

Issued by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Services Authority in the United Kingdom. Registered Office: 10 Queen's Terrace, Aberdeen AB10 1YG. Registered in Scotland No. 108419. The Trust is managed by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Services Authority in the United Kingdom. Aberdeen Asset Managers Limited is a member of the Aberdeen Asset Management group of companies. An investment trust should be considered only as part of a balanced portfolio. Under no circumstances should this information be considered as an offer or solicitation to deal in investments.