

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 30/09/08	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	123.8p	(15.2)	(12.7)	(17.5)	(18.3)	12.4	79.5
NAV ^A	141.8p	(12.0)	(10.1)	(15.4)	(18.8)	24.1	74.5
MSCI AC Asia ex Japan		(14.6)	(13.9)	(20.8)	(29.9)	20.9	75.6

Discrete performance (%)

Year ending:	30/09/08	30/09/07	30/09/06	30/09/05	30/09/04
Share Price	(18.3)	22.9	11.9	49.0	7.2
NAV ^A	(18.8)	32.5	15.3	35.1	4.0
MSCI AC Asia ex Japan	(29.9)	47.8	16.6	33.6	8.7

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 Fundamental Data.

^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 equity markets fell sharply in September, following the financial sector upheaval, which has spread from the US to Europe, and US lawmakers' initial rejection of the Treasury's US\$700bn rescue package.

Regional economic growth continued to contract further as demand for exports from the West weakened. Taiwan launched an economic stimulus package, while Korea and Indonesia cut taxes.

Retreating commodity prices helped inflation moderate across most of the region, although prices rose in the Philippines and Malaysia. China and Taiwan cut interest rates (the former for the first time in more than six years), whereas Indonesia, the Philippines and Thailand raised rates.

In Thailand, Somchai Wongsawat took over as prime minister after Samak Sundaravej was forced out; Malaysian opposition leader Anwar Ibrahim, having served a five-year ban, was sworn in to parliament after winning a by-election.

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	%
Oversea-Chinese Banking Corp.	Singapore	4.2
Samsung Electronics pref.	South Korea	4.0
Swire Pacific 'B'	Hong Kong	3.5
United Overseas Bank	Singapore	3.3
Singapore Telecommunications	Singapore	3.2
Jardine Strategic	Singapore	3.1
Taiwan Semiconductor	Taiwan	3.1
China Mobile	Hong Kong	3.0
Public Bank	Malaysia	2.7
Singapore Technologies	Singapore	2.6
Total		32.7
Total number of investments		56

Country allocation (%)

	Portfolio	Benchmark	Months market change ^B
Singapore	24.0	7.3	(13.0)
Hong Kong	15.7	13.0	(15.4)
India	11.2	10.5	(16.5)
Korea	8.9	20.6	(8.6)
Taiwan	6.4	16.2	(17.0)
Malaysia	6.0	4.0	(6.7)
China	5.8	22.6	(18.5)
Thailand	4.1	2.2	(9.9)
Indonesia	2.4	2.6	(19.0)
Philippines	2.1	0.8	(4.1)
Sri Lanka	0.8	0.0	-
Pakistan	0.0	0.2	(0.9)
Cash	12.6	-	-
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 30 September 2008 (£)

	Trust	Regional Index
Annualised statistics		
Rate of return	7.5	6.5
Standard deviation	18.8	22.0
Monthly statistics		
Max return	11.3	11.1
Min return	(12.4)	(14.6)
Average return	0.8	0.7
Regression statistics		
Beta	0.8	1.0
Correlation to index	0.9	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 30 September 2008.

Edinburgh Dragon Trust plc

Fund managers' report – continued

Portfolio Review

In September, we sold Kookmin Bank, accepting its repurchase offer, and divested China's Zhejiang Expressway because of its poor business outlook, with stagnating revenue growth from its toll roads and a lack of clear direction in its securities arm.

We also pared several resilient holdings, including Hong Kong's CLP and Malaysia's Public Bank.

Conversely, we added selectively to holdings that we believe will emerge from the current turmoil in a stronger position, or those that have corrected sharply this year. They include Jardine Strategic, Infosys Technologies and China Mobile.

Outlook

Looking ahead, markets are likely to remain unsettled as the worsening credit crisis takes its toll on the global financial sector. Global economic growth is expected to slow further, particularly with the massive job losses from the rapid consolidation in the financial sector worldwide. Meanwhile, Asia's dependence on exports makes it susceptible to the slowdown in the West, even though it remains the fastest-growing region for now. On a brighter note, inflation appears to be receding, with the retreat in the prices of oil and other commodities. This should alleviate pressures on corporate margins and wages, and enable policymakers to pursue growth more freely. Although we expect corporate earnings growth to stall, we are optimistic that Asia, with its quality companies, will weather the downturn. In addition, any indiscriminate selling may present opportunities for us to add to our preferred holdings.

Key information

Calendar	
Year end	31 August
Accounts published	November
Dividend paid	December
AGM	December
Established	1987
<hr/>	
Fund manager	Peter Hames
<hr/>	
Total expense ratio	1.2%
<hr/>	
Premium/(Discount)	(12.7)%
<hr/>	
Discount with debt at market value	(12.4)%
<hr/>	
Yield	0.9%
<hr/>	
Gearing^c	13.7%
<hr/>	
Assets	£m
Gross	372.4
US\$80m 7.26% Loan 2008	44.9
<hr/>	
^c Gearing is expressed as a percentage of gross assets divided by shareholders' funds.	
<hr/>	
Capital structure	
Ordinary shares	230,954,375
<hr/>	
Allocation of expenses and interest	
Capital	0%
Revenue	100%
<hr/>	
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. 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. Aberdeen Asset Managers Limited and Edinburgh Fund Managers plc are members 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.