

# 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 31/12/09	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	193.5p	7.9	8.9	33.7	56.8	50.6	151.2
NAV <sup>A</sup>	206.0p	5.5	6.6	29.5	50.1	44.9	133.7
MSCI AC Asia ex Japan		6.0	5.6	29.5	53.6	40.4	126.8

## Discrete performance (%)

Year ending:	31/12/09	31/12/08	31/12/07	31/12/06	31/12/05
Share Price	56.8	(22.6)	24.1	8.9	53.1
NAV <sup>A</sup>	50.1	(24.4)	27.7	14.7	40.6
MSCI AC Asia ex Japan	53.6	(33.9)	38.2	17.3	37.7

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 Morningstar.

<sup>A</sup> 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 rose in December as economic data continued to improve across most of the region. Among the best performing markets were Taiwan and Korea, with their exports posting the first increase in more than a year.

China's recovery continued to gather pace in November on the back of brisk bank lending, while India posted a strong rebound in industrial activity, despite shrinking farm output caused by the poor monsoon.

Inflation accelerated in China, India and Thailand. Most central banks kept interest rates at record lows.

In policy news, Beijing stepped up measures to curb real estate speculation and reduce overcapacity in several industries. In India, policymakers plan to help finance infrastructure spending from the sale of shares in three state-owned power companies.

### Portfolio Review

During the month, we pared ABB India following its strong relative performance.

In other portfolio-related news, Oversea-Chinese Banking Corporation and United Overseas Bank said they have little exposure to Dubai World. Korea's Samsung Electronics reshuffled its top management in an ongoing reorganisation to streamline operations.

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	%
Samsung Electronics Pref.	South Korea	4.6
Oversea-Chinese Banking Corp.	Singapore	4.4
Jardine Strategic	Singapore	4.3
Swire Pacific 'B'	Hong Kong	4.1
HDFC	India	3.3
Singapore Technologies Engineering	Singapore	3.3
Infosys Technologies	India	3.2
United Overseas Bank	Singapore	3.2
CNOOC	China	3.1
PTT Exploration and Production	Thailand	3.1
<b>Total</b>		<b>36.6</b>
<b>Total number of investments</b>		<b>47</b>

## Country allocation (%)

	Portfolio	Benchmark	Month's market change <sup>B</sup>
Singapore	24.9	6.9	7.2
Hong Kong	18.5	10.9	3.8
India	15.1	11.0	5.2
Korea	8.6	18.8	10.1
China	7.1	26.4	2.1
Thailand	5.8	2.0	9.1
Taiwan	5.0	16.8	10.3
Malaysia	4.6	3.9	2.3
Philippines	2.4	0.6	4.4
Indonesia	2.1	2.8	7.4
Sri Lanka	1.6	0.0	2.4
Cash	4.3	n/a	n/a
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

<sup>B</sup> 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 December 2009 (£)

	Trust	Regional Index
<b>Annualised statistics</b>		
Rate of return	13.2	12.0
Standard deviation	23.3	28.1
Tracking Error	9.0	–
Information Ratio	0.0	–
<b>Monthly statistics</b>		
Max return	13.5	17.3
Min return	(14.4)	(16.2)
Average return	1.3	1.3
<b>Regression statistics</b>		
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**

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Receive the factsheet of your choice by email as soon as they are available by registering at [www.invtrusts.co.uk/ITemail](http://www.invtrusts.co.uk/ITemail)

All sources (unless indicated): Aberdeen Asset Managers Limited 31 December 2009.

## Edinburgh Dragon Trust plc

## Fund managers' report – continued

## Outlook

Looking ahead, Asian markets may continue to rise, although it will be harder to make headway, given the strong performances posted in 2009. Recent corporate earnings growth has been driven by one-off factors, such as cost-cutting and inventory restocking, and a more fundamental improvement in profitability will be required if the rally is to be sustained. On the other hand, rising fiscal indebtedness will pressure governments of developed economies in Japan and the West to withdraw stimulus support, increasing the risk of policy mistakes. With the inherent imbalances in the global economy still not addressed, the likelihood of a global correction appears to have been carried over into 2010. In such an environment, we see our stock-picking approach as especially relevant. Our well-managed holdings are financially sound, and should emerge stronger, whatever the current headwinds.

## Key information

<b>Calendar</b>	
Year end	31 August
Accounts published	November
Dividend paid	December
AGM	December
Established	1987
<b>Fund manager</b>	
	Peter Hames
<b>Total expense ratio</b>	
	1.3%
<b>Premium/(Discount)</b>	
	(6.1)%
<b>Yield</b>	
	0.8%
<b>Gearing</b>	
	nil
<b>Assets</b>	
	£m
Gross	475.6
Debt <sup>c</sup>	nil
<sup>c</sup> The Company has available a £40 million facility which is undrawn as at 30 November 2009.	
<b>Capital structure</b>	
Ordinary shares	230,954,375
<b>Allocation of expenses and interest</b>	
Capital	0%
Revenue	100%
<b>Trading details</b>	
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:

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