Aberdeen Asian Income Fund

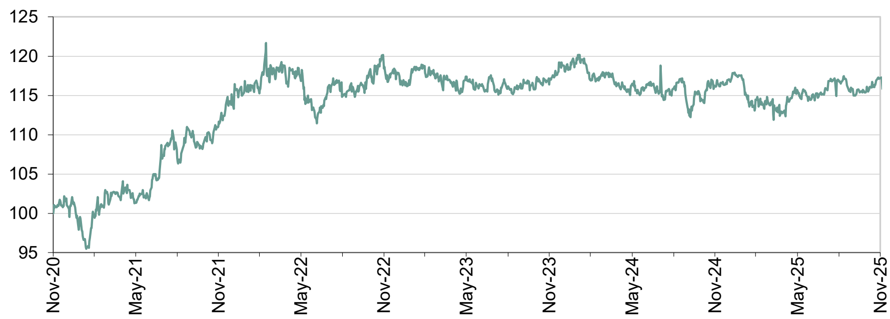
New manager enhancing the fund's offering

Investment companies	
Asia Pacific Equity Income	

15 December 2025

Aberdeen Asian Income Fund (AAIF) is celebrating its 20th anniversary with improved performance under new manager Isaac Thong, who joined Aberdeen's Singapore-based Asia Pacific Equities team as a senior investment director in May 2025. He is making his mark in terms of increased portfolio activity as he and investment director Eric Chan have reduced the active geographic positions and increased stock-specific risk. Recent results are encouraging and are building on the company's longer-term record of outperformance. In early 2025, AAIF's board announced an enhanced dividend policy and a three-year continuation vote, which should increase the company's appeal to both existing and prospective shareholders.

Exhibit 1: Five-year NAV outperformance versus MSCI AC Asia Pacific ex Japan



Source: LSEG Data & Analytics, Edison Investment Research

Why consider AAIF?

Since its launch in December 2005, AAIF has provided access to the current and future leading, reasonably priced, dividend-paying Asian companies. This strategy has continued under the new manager. The portfolio is diversified by geography, sector and market cap, and its prudent nature means that AAIF's share price is unlikely to keep up with strong growth markets, but should perform relatively well during gradually rising markets with broad participation.

Asia is a region with above-average growth potential that remains attractively valued and has delivered solid total returns for shareholders, What may not be fully appreciated is its income prospects: since the beginning of the century, more than 50% of the returns have come from dividends. Thong reports that Asian company fundamentals are very strong, with high levels of free cash flow generation, which has led to an increased focus on paying dividends.

AAIF's relative performance is showing steady improvement. The company has maintained a solid outperformance versus the MSCI Asia Pacific ex Japan Index over the last five years (Exhibit 1), and is now modestly ahead over the last decade in both NAV and share price terms.

The company's enhanced dividend policy, which is based on quarter-end NAV rather than income, should widen AAIF's appeal. Also, with a likely 17-year record of higher dividends, the company is just three years away from earning its place on the list of AIC dividend heroes.

Price		**255.00p**
Market cap		**£363m**
Total assets		**£435m**
NAV		279.7p
[1]At 11 December 2025.		
Discount to NAV		8.8%
Current yield		7.3%
Shares in issue		142.5m
Code/ISIN		AAIF/GB00B0P6J834
Primary exchange		LSE
AIC sector		Asia Pacific Equity Income
Financial year end		31 December
52-week high/low	263.0p	187.0p
NAV high/low	290.4p	208.5p
Net gearing		6.2%
[1]At 5 December 2025.		

Fund objective

The investment objective of Aberdeen Asian Income Fund is to provide investors with a total return primarily through investing in Asia-Pacific securities, including those with an above-average yield. Within its overall investment objective, the company aims to grow its dividends over time.

Bull points

- An unwavering focus on high-quality companies should ensure less performance risk over the long term.
- Proprietary ESG research has been an integral part of the research process for many years.
- Long-term approach results in low portfolio turnover.

Bear points

- Improved investor sentiment could favour capital growth rather than income strategies.
- Discount is persistently wider than the AIC Asia Pacific Equity Income sector average.
- Emerging regions tend to be more volatile than developed markets.

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Edison profile page

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AAIF: Diverse Asian income with good capital growth prospects

Since becoming lead manager in May 2025, Thong and Chan have taken advantage of market volatility to reduce the portfolio's active geographic positions and increase stock-specific risk, while retaining the focus on quality and income. The managers are part of Aberdeen's Singapore-based Asian equity team, which benefits significantly from its proximity to AAIF's investment universe in terms of building relationships and seeking out interesting investment opportunities. During its 20-year life, the company has weathered a succession of market and economic cycles and has benefited from its closed-end fund structure. Over time, the use of gearing has enhanced returns, and having long-term permanent capital has enabled investment in smaller-cap companies; currently, these sub-£5bn businesses make up around 15% of NAV.

Perspectives from AAIF's new manager

Thong explains that for income investors seeking diversification, AAIF fits the bill. It offers a very attractive dividend yield, and there are many more income opportunities available in Asia than in the UK. The manager invests in high-quality dividend franchises, which are robust businesses generating reliable free cash flow and have strong dividend policies. Interestingly, in general, there has been an increase in the dividend culture among Asian corporates. Thong notes that these companies are generating record levels of free cash flow, which, along with strong balance sheets, have supported much higher levels of organic earnings and dividends growth in recent years. The manager highlights that AAIF's dominant feature is quality. He invests in companies with more stable and predictable earnings, which provide a reliable buffer during market turbulence. Thong is an active investor; he and Chan have taken advantage of stock price volatility to invest in quality companies at advantageous prices, while ensuring that AAIF is adequately diversified by geography and sector and the portfolio is not overexposed to a single market factor.

The manager says that while he is aware of the macroeconomic environment, the stock selection approach is based on bottom-up considerations. He comments that there may be longer-term risks from US tariffs affecting inflation and global trade, but so far, their effects have been manageable. Thong does acknowledge that political risk is higher in Asia than in developed markets but varies by country. He points to political risks in Indonesia, along with Thailand due to less stable leadership, but China and South Korea both have policy tailwinds. In China the authorities are implementing looser monetary and fiscal policies to support economic growth, while South Korea has the Corporate Value-up Program to address the 'Korea discount' and enhance shareholder value, which is supported across the political spectrum.

Thong remains positive on the prospects for Asian stocks next year. Stock market strength in 2025 has been mainly due to higher valuation multiples, and while the revaluation versus developed markets may have further to go, the manager believes that corporate earnings will be the next driver of Asian stock market performance. He highlights that there are some overlooked areas in the region such as in Southeast Asia, which is home to a variety of companies with compelling dividend yields.

Current portfolio positioning and activity

Exhibit 2: Top 10 holdings at 31 October 2025

Company	Country	Industry	31-Oct-25	31-Oct-24
Taiwan Semiconductor Manufacturing Co (TSMC)	Taiwan	Information technology	12.0	13.0
Tencent	China	Communication services	6.1	N/A
Samsung Electronics	South Korea	Information technology	5.8	3.4
DBS Group Holdings	Singapore	Financials	3.8	3.9
Alibaba	China	Consumer discretionary	3.4	N/A
HDFC Bank	India	Financials	2.9	N/A
PICC Property & Casualty	China	Financials	2.5	2.5
MediaTek	Taiwan	Information technology	2.3	N/A
Hang Lung Properties	Taiwan	Real estate	2.3	N/A
ASE Technology	Taiwan	Information technology	2.2	N/A
Top 10 (% of holdings)			**43.3**	**40.4**

Source: AAIF, Edison Investment Research. Note: N/A where not in end October 2024 top 10. Numbers subject to rounding.

At the end of October 2025, there were 55 holdings in AAIF's portfolio, which was two lower than 57 at the end of October 2024. The top-10 concentration of 43.3% was higher than 40.4% 12 months earlier; four names were common to both periods.

Exhibit 3: Portfolio geographic exposure versus MSCI Asia Pacific ex Japan Index (% unless stated)

Country	Portfolio at 31 October 2025	Portfolio at 31 October 2024	Change (pp)	Index at 31 October 2025	Active weight (pp)
China	29.3	12.6	16.7	28.2	1.1
Taiwan	20.9	25.4	(4.5)	20.1	0.8
Australia	12.7	16.1	(3.4)	12.8	(0.1)
South Korea	9.7	3.8	5.9	12.7	(3.0)
India	8.4	7.8	0.6	15.0	(6.6)
Singapore	6.6	18.9	(12.3)	3.4	3.2
Thailand	4.0	3.8	0.2	1.0	3.0
Indonesia	3.4	2.8	0.6	1.1	2.3
Hong Kong	2.3	5.7	(3.4)	3.9	(1.6)
New Zealand	0.0	1.4	(1.4)	0.3	(0.3)
Malaysia	0.0	0.0	0.0	1.1	(1.1)
Philippines	0.0	0.0	0.0	0.4	(0.4)
Cash	2.8	0.6	2.2	0.0	2.8
Total	**100.0**	**100.0**		**100.0**	

Source: MSCI, Edison Investment Research. Note: Numbers subject to rounding.

The managers' actions to reduce AAIF's active geographic positions are clearly shown in Exhibit 3. At the end of October 2025, the most notable changes year-on-year were a 16.7pp higher allocation to China, moving from an underweight to a modest overweight position, and a 12.3pp reduction in the Singapore weighting, thereby reducing its overweight exposure.

Portfolio activity

Portfolio activity has been higher than average, with the managers reducing the fund's geographic active weights and increasing stock-specific risk. New holdings include:

- **Amcor**, which is a global packaging company that was founded in Australia but is headquartered in Switzerland. The company is upgrading its product mix with a shift towards higher-growth segments such as healthcare and beauty, while divesting non-core assets. The integration of acquired Berry Global should add to the management team's record of extracting M&A synergies. Amcor offers an attractive above-6% dividend yield.
- **ANZ Group**, a large Australian company with a strong franchise in retail and institutional banking. Under a new CEO, there appears to be a clear roadmap for operational improvement, and the bank is a beneficiary of an improvement in the Australian economy. ANZ offers an attractive mix of steady growth and income.
- **Shenzhou International**, a Chinese company, and the world's largest vertically integrated sportswear manufacturer, supplying major global brands, including Nike, Adidas and Uniqlo. Despite recent volatility from tariffs and restocking cycles, the company continues to gain share through operational efficiency and capacity expansion in Vietnam and Cambodia. As well as having good growth prospects, Shenzhou's robust margins and strong balance sheet support a sustainable dividend.
- **DB insurance**, a modestly valued South Korean insurer with a strong balance sheet, a high return on equity and an attractive dividend yield. The company's high solvency ratios support sustainable dividend payments. DB Insurance recently made an accretive acquisition of Fortegra in the US.
- **Yutong Bus**, a leading Chinese bus manufacturer with good prospects for global expansion based on its strong R&D capabilities, electric powertrain technology and broad international dealership network. A focus on high-value, high-margin orders and efficient capital allocation helps to support cash flow generation and a high payout ratio.

Companies sold to fund better opportunities included: Dah Sing Financial (a Hong Kong investment holding company), Hangzhou Robam Appliances (a Chinese kitchen appliances company), Insurance Australia Group, National Australia Bank, Singapore Telecommunications, Taiwan Mobile and Telstra Group (an Australian telecom and information services business).

Performance: Ahead of the reference index over the last 10 years

The AIC Asia Pacific Equity Income Sector is home to five funds (Exhibit 4), with AAIF being one of the smaller companies. Its NAV total return is above-average over the last five and three years, ranking second and fourth respectively. Despite these results, AAIF currently has the widest discount in the sector, which may be considered unwarranted. It has an average ongoing charge (no performance fee is payable) and an above-average level of gearing. Following the implementation of an enhanced dividend policy, AAIF has the second-highest yield in the sector; however, the only fund with a higher yield has significantly lower NAV total returns.

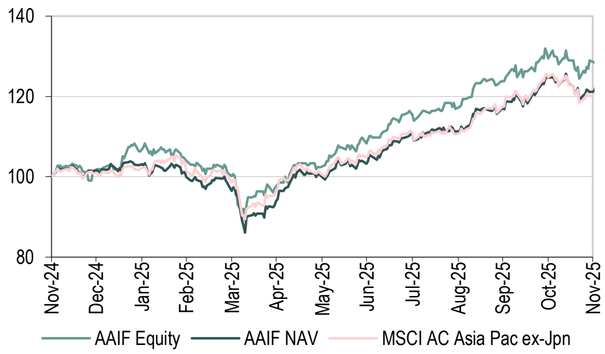
Morningstar classifies three members of the AIC Asia Pacific Equity Income sector as large-cap blended funds: AAIF, Invesco Asia Dragon Trust (IAD) and JPMorgan Asia Growth & Income (JAGI); while the other two – Henderson Far East Income Trust (HFEL) and Schroder Oriental Income Fund (SOI) – are large-cap value funds. Looking at market cap breakdowns, AAIF has more than 15% of its portfolio in small- and mid-cap stocks, which is larger than for its peers. It also has the highest concentration in its top 10 holdings, although there is not much difference between AAIF and two of its peers. In terms of cyclicality, AAIF's breakdown between cyclical (c 55%), economically sensitive (c 40%) and defensive (c 5%) sectors shows the company has an above-average exposure to cyclical stocks, which is broadly offset by a lower than average exposure to economically sensitive businesses.

Exhibit 4: AIC Asia Pacific Equity Income sector at 12 December 2025

% unless stated	Market cap (£m)	NAV TR 1Y	NAV TR 3Y	NAV TR 5Y	NAV TR 10Y	Prem/disc	Ongoing charge	Performance fee	Net gearing	Dividend yield
Aberdeen Asian Income Fund	363.4	19.7	39.3	44.6	175.7	(9.4)	0.9	No	109	7.3
Henderson Far East Income	450.2	12.3	18.7	13.6	85.6	3.8	1.1	No	106	11.2
Invesco Asia Dragon Trust	873.5	22.2	40.1	41.5	224.7	(5.8)	0.7	No	103	3.5
JPMorgan Asia Growth & Income	295.5	20.4	41.9	24.5	209.3	(8.2)	0.8	No	105	4.9
Schroder Oriental Income	758.1	23.4	48.7	55.4	198.7	(3.5)	0.9	Yes	105	3.6
Simple average (5 funds)	**548.2**	**19.6**	**37.8**	**35.9**	**178.8**	**(4.6)**	**0.9**		**105**	**6.1**
Rank	**4**	**4**	**4**	**2**	**4**	**5**	**3**		**1**	**2**

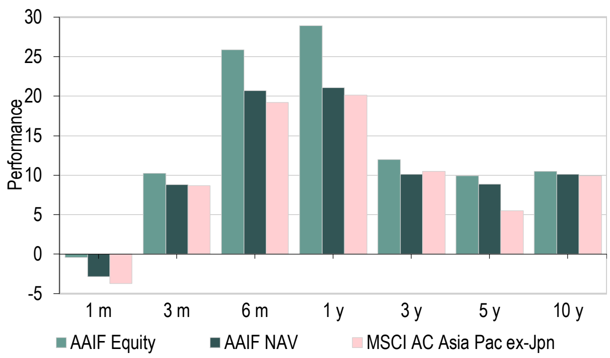
Source: Morningstar, Edison Investment Research

Exhibit 5: Price, NAV and index total return performance (rebased, to 30 November 2025)



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 6: Price, NAV and index total return (%)



Source: LSEG Data & Analytics, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

Exhibit 7 shows AAIF's relative returns, which are showing steady improvement. We have reported before on the company's strong outperformance versus the MSCI Asia Pacific ex Japan Index over the last five years. However, the fund is now also outpacing this index over the last decade.

Thong is cautiously optimistic that AAIF's outperformance can be maintained. He notes strong performance from Chinese internet stocks, including holdings in Tencent and Alibaba, which have been beneficial to the company's performance. Other areas of strength include Taiwanese semiconductor stocks and Australian real estate. The South Korean stock market has been buoyant, which has detracted from performance as AAIF has an underweight position. However, the managers have been increasing exposure to this country, finding some opportunities in South Korean financial stocks.

Exhibit 7: Share price and NAV total return performance, relative to indices (%)

	1 month	3 months	6 months	1 year	3 years	5 years	10 years
Price relative to MSCI AC Asia Pac ex Jpn	3.5	1.5	5.6	7.3	4.1	22.8	5.3
NAV relative to MSCI AC Asia Pac ex Jpn	0.9	0.1	1.2	0.8	(1.1)	17.1	1.6
Price relative to MSCI AC Asia Pac ex Jpn HDY	0.8	3.2	8.4	5.7	(7.5)	(4.7)	(0.6)
NAV relative to MSCI AC Asia Pac ex Jpn HDY	(1.8)	1.9	3.9	(0.7)	(12.1)	(9.1)	(4.1)
Price relative to CBOE UK All Cos	(1.1)	4.2	12.0	7.5	(1.1)	(10.6)	24.6
NAV relative to CBOE UK All Cos	(3.6)	2.8	7.4	0.9	(6.0)	(14.7)	20.2

Source: LSEG Data & Analytics, Edison Investment Research. Note: Data to the end of November 2025. Geometric calculation. HDY is high dividend yield.

Exhibit 8: Five-year discrete performance (%)

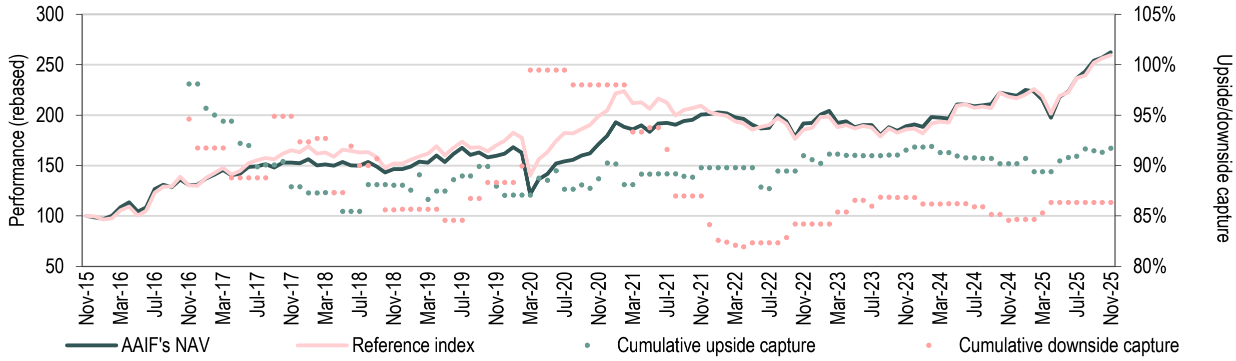
12 months ending	Share price	NAV	MSCI AC Asia Pac ex-Japan	MSCI AC Asia Pac ex-Jpn HDY	CBOE UK All Companies
30/11/21	10.8	14.2	2.8	6.1	17.1
30/11/22	3.2	0.4	(5.8)	4.5	7.9
30/11/23	(6.9)	(5.3)	(3.7)	1.3	1.5
30/11/24	17.0	16.4	16.6	23.0	16.7
30/11/25	28.9	21.1	20.1	22.0	20.0

Source: LSEG Data & Analytics. Note: All % on a total returns basis in pounds sterling.

Upside/downside capture analysis

AAIF has a low beta portfolio, which is illustrated by upside and downside capture rates of less than 100%. Over the last decade, its cumulative upside capture of 89% suggests that the fund should underperform a rising market by around 11%. The company has a lower downside capture rate of 82%, suggesting a defensive portfolio that should fall around 18% less than its reference index in a falling market.

Exhibit 9: AAIF's upside/downside capture over the last 10 years



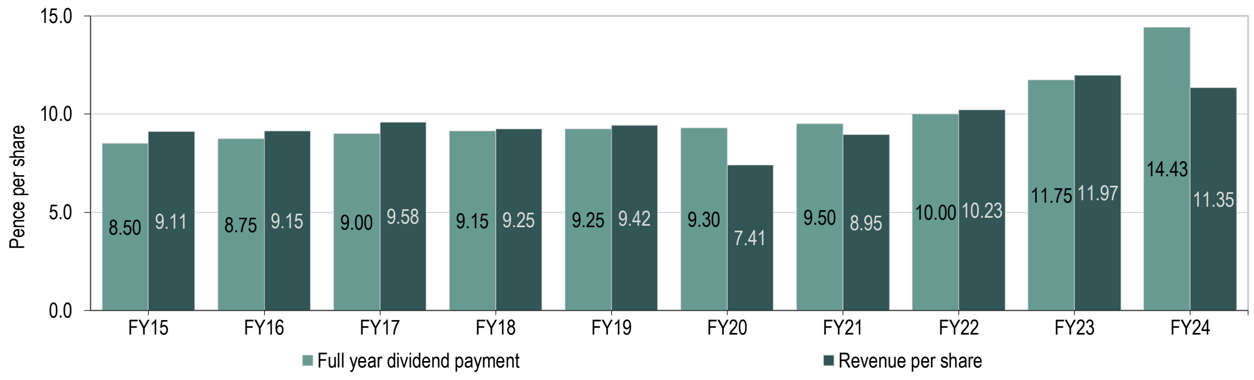
Source: LSEG Data & Analytics, Edison Investment Research
Note: Cumulative upside/downside capture calculated as the geometric average NAV total return (TR) of the fund during months with positive/negative reference index TRs, divided by the geometric average reference index TR during these months. A 100% upside/downside indicates that the fund's TR was in line with the reference index's during months with positive/negative returns. Data points for the initial 12 months have been omitted in the exhibit due to the limited number of observations used to calculate the cumulative upside/downside capture ratios.

Dividends: Based on quarter-end NAV

From the end of March 2025, quarterly dividends are set at 1.5625% of the company's quarter-end NAV (equivalent to 6.25% of NAV per year). There is an ability to pay dividends out of capital, as well as revenue reserves, in years when AAIF's dividends exceed income, although capital has not yet been required.

So far in 2025, three interim dividends of 3.65p, 3.84p and 4.29p per share have been paid. In total, the three payments of 11.78p per share in respect of FY25 are 54.0% higher than the first three interim dividends (all 2.55p per share) in FY24. Although last year the fourth dividend payment was by far the largest at 6.78p per share, it would seem unlikely that the last dividend payment in respect of 2025 will upset what will be a 17-year record of higher annual dividends (as it would mean a decline in AAIF's NAV to 169.6p per share or below at 31 December 2025). Hence, the company should be one step closer to the 20 years required to move from a next-generation to a full AIC dividend hero.

Exhibit 10: AAIF's 10-year dividend and revenue history



Source: AAIF, Edison Investment Research

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