

The Scottish Oriental Smaller Companies Trust Plc

Client Update

31 December 2011



Susie Rippingall Susie has been part of the Asian Equities team since 1995, when she joined Stewart Ivory & Co Ltd. Between 1991 and 1995 Susie worked at Lehman Brothers Global Asset Management and prior to

that she was a graduate trainee in the Corporate Finance Department at Credit Lyonnais Securities. She graduated in Economics at Edinburgh University.

Susie was appointed Portfolio Manager of The Scottish Oriental Smaller Companies Trust PLC on 19th October 2000. She moved from Edinburgh to Singapore in January 2001, and then to Hong Kong in August 2002.

Investment Objective

To achieve long term capital growth by investing mainly in smaller Asian quoted companies with market capitalisations under US\$ 1,000m at the time of investment, or the equivalent. Asia is deemed to include the Indian subcontinent but excludes Japan and Australasia.

Fund Information

Launch Date	29 March 1995
NAV per share (p)	577.0
Share price (p)	528.0
Discount (%)	8.5
Shares in issue	30,213,650
Total Assets £m	195.2
Net assets £m	174.3
Market capitalisation £m	159.5
Debt £m	20.9
Sedol	783613

The Board

James Ferguson (Chairman), Alexandra Mackesy, Janet Morgan, Anne West.

Top 10 holdings

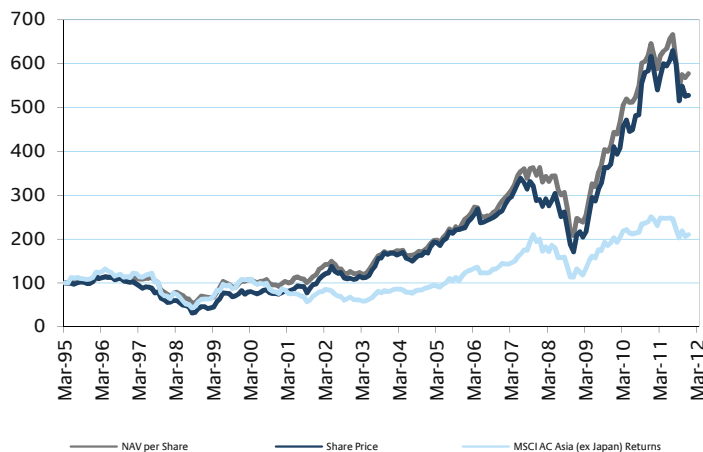
Stock name	% of total assets
Aeon Credit Service	2.3
Security Bank	2.2
TK Corp	2.2
Ezion Holding	1.9
Media Prima	1.8
Supermax	1.8
Tisco Financial	1.8
Aeon Company	1.7
Vietnam Enterprise	1.7
Texwinca	1.7
Total	19.1

Cumulative Performance

Time Period	3 mths	6 mths	1 yr	3 yrs	5 yrs	10 yrs
NAV %	5.6	-12.2	-10.7	133.2	101.0	387.0
Benchmark* %	3.5	-15.4	-16.5	58.8	45.1	181.9
Small Cap Index** %	-0.5	-21.7	-26.1	80.5	43.6	200.0
Share price %	2.5	-13.2	-14.4	152.0	99.3	441.5

* MSCI AC Asia (ex Japan) Index

** MSCI Asia (ex Japan) Small Cap Index



Investment Report

Review

There was a mixed performance from Asian stockmarkets in December. Ongoing concerns over the Eurozone and its impact on global economic growth resulted in a stronger US dollar and correction in commodity prices. China was one of the best performing markets over the month as lower inflation provided the opportunity for an easing of monetary policy. India fell sharply in US dollar terms as inflation remained high, economic growth slowed and the currency continued to weaken. Economic reform in India appeared to have stalled with the Government forced to suspend its plans to allow foreign investment in the Country's retail sector.

Asian smaller companies underperformed their larger counterparts over the month with significant declines in China and India.

Outlook

Although the short term outlook for Asian equities continues to be influenced by events in Europe and the US, there are a number of positive developments which should provide support for the markets over the longer term. Firstly, forecasts for corporate earnings in Asia have been revised down to reflect more modest expectations for global economic growth and valuations have returned to reasonable levels. Secondly, lower or stable commodity prices should result in a decline in inflation for most of the Region, thereby providing greater flexibility for the authorities to ease monetary policy if economic growth falters. Lastly, domestic consumption should remain robust supported by a high savings rate, young populations and the development of the modern retailing format.

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Special Report

Aeon Credit Service (Malaysia)

February 2012 PE 9x

P/BV 2.9x

Dividend Yield 4.2%

Aeon Credit Service, a subsidiary of the Aeon Group in Japan, provides consumer finance via credit cards, hire purchase and cash loans. The target market is low to middle income Malays, particularly those that do not qualify for a credit card issued by the local banks. The Company enjoys a dominant position in the motorcycle hire purchase market which it uses to develop customer relationships and cross-sell products. A key marketing aspect of Aeon Credit Service is its ability to approve and process loans quickly. Management believes there is room to improve overall productivity and expects to be able to grow loans by 10-12% pa over the medium term with no major increase in its personnel. Valuations are attractive given that earnings are expected to grow by more than 10% per annum over the medium term.

Sector Weightings	% of total assets
Consumer Discretionary	31.5
Financials	24.1
Industrials	12.8
Information Technology	10.7
Health Care	9.4
Consumer Staples	5.7
Energy	3.0
Utilities	1.4
Telecommunication Services	0.8
Materials	0.6
Gearing	-12.0
Cash	12.0
Total	100.0

Country Weightings	Trust (%)	Benchmark (%)	Small Cap Index (%)
China	15.7	24.7	17.1
Hong Kong	10.5	11.4	10.0
Taiwan	13.8	15.1	20.5
	40.0	51.2	47.6
India	1.3	8.6	7.8
Indonesia	5.7	4.1	5.4
Malaysia	10.1	4.9	5.8
Philippines	4.4	1.0	1.4
Singapore	16.6	6.7	8.3
Sri Lanka	1.5	0.0	0.0
South Korea	11.9	20.8	19.5
Thailand	6.8	2.7	4.2
Vietnam	1.7	0.0	0.0
Gearing	-12.0	0.0	0.0
Cash	12.0	0.0	0.0
Total	100.0	100.0	100.0

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The Scottish Oriental Smaller Companies Trust ("Scottish Oriental") is an investment trust, incorporated in Scotland with registered number SC156108, whose shares have been admitted to the Official List of the London Stock Exchange plc. Scottish Oriental's investment manager is First State Investment Management (UK) Limited ("First State Investments").

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