Investor note
January 2020

Scottish Oriental Smaller Companies Trust plc

This is the ninth semi-annual update on the Scottish Oriental Smaller Companies Trust plc ("The Trust" or "Scottish Oriental"). Our aim is to provide a general update on some of our current thoughts and views, insights about existing holdings, and changes to the portfolio over the period.

How we invest

Scottish Oriental is managed by the FSSA Investment Managers team, an independent investment management team within First State Investments. The team manages a range of Asia Pacific equity strategies on behalf of institutional and wholesale clients globally, with offices in Hong Kong, Singapore and Edinburgh.

The Trust aims to achieve long-term capital growth by investing mainly in smaller listed companies across the Asia region; that is companies with market capitalisations of below US$3 billion, or the equivalent thereof, at the time of first investment.

We are conviction-based, bottom-up stock selectors with a strong emphasis on high quality proprietary research. Our investment approach adopts an absolute return mind-set and is inherently conservative, focusing on capital preservation as well as capital growth. By focusing on the potential downside (not just the upside) when making any investment decision, the risk to long-term client returns is significantly reduced. We are long-term investors and prefer to invest in quality companies that we can hold on to for many years.

The most significant source of investment ideas for the portfolio comes through country and company visits. As a team, we conduct more than a thousand direct company meetings throughout the year, seeking to identify a small sub-set of quality companies that meet our investment criteria. We place a clear emphasis on frequent visits to countries in the Asia region and on meeting the management of those companies in which the Trust is invested, or might invest.

While cultural, political, economic and sectoral influences play an important part in the decision-making process, the availability of attractively-priced, good quality companies with solid long-term growth prospects is the major determinant of Scottish Oriental's investment policy. Our country weightings bear no relationship to regional stock market indices and we do not consider ourselves obliged to hold investments in any individual market, sector or company. As a result, our asset allocation on a country and industry level is a residual of our stock selection process.

Small caps vs. large caps

Scottish Oriental's annual general meeting was held in December 2019 and one of the shareholders that attended had a very pertinent question – why are smaller companies underperforming and is this likely to change?

In the absence of any better alternatives we have used the MSCI Asia (ex Japan) index as a proxy for larger companies and the MSCI Asia (ex Japan) Small Cap index as a proxy for smaller companies. There is no doubt that smaller companies have indeed underperformed of late, as can be seen below:

Index Performance (gross) in GBP (%)

	1 year (%)		3 years (%)		5 years (%)		10 years (%)	
	Small cap index**	Asia Index*	Small cap index**	Asia Index*	Small cap index**	Asia Index*	Small cap index**	Asia Index*
MSCI Asia (ex Japan) - cumulative performance	3.4	13.9	9.3	34.9	30.6	64.0	66.8	125.1
(cumulative small cap underperformance)	10.5		25.6		33.4		58.3	
MSCI Asia (ex Japan) - annualised performance	3.4	13.9	3.0	10.5	5.5	10.4	5.2	8.4
(annualised small cap underperformance)	10.5		7.5		4.9		3.2	

Source: First State Investments. As at 31 December 2019.
* MSCI AC Asia (ex Japan) Index
** MSCI Asia (ex Japan) Small Cap Index

For discrete index annual performance figures please refer to the tables at the end of the document.

The significant bulk of smaller companies' underperformance has occurred in the last three years. This isn't obvious by looking at cumulative performance but becomes clearer when looking at annualised performance. The below table further clarifies by showing the balance of five and ten year smaller company underperformance (i.e. excluding the most recent three years).

Small cap index** underperformance compared to Asia index*	3 years (%) (1/1/17 - 31/12/19)	Balance of 5 years (%) (1/1/15 - 31/12/16)	Balance of 10 years (%) (1/1/10 - 31/12/16)
Annualised under-performance	7.5	0.9	1.4

Source: First State Investments. As at 31 December 2019.
* MSCI AC Asia (ex Japan) Index
** MSCI Asia (ex Japan) Small Cap Index

So, in the seven years to 31 December 2016, smaller companies underperformed their larger counterparts by 1.4% per annum and in the two years to 31 December 2016, smaller companies underperformed their larger counterparts by just 0.9% per annum. Of note is that in the ten years to 31 December 2009, smaller companies outperformed their larger counterparts by 1.2%. Therefore over the last twenty years, smaller companies have performed in line with their larger counterparts, excluding the most recent three years. Conventional wisdom is that we should expect smaller companies to outperform over longer time periods. However, even excluding the most recent three years, over the last twenty years this has not happened. We can only speculate why this is the case, and can imagine that the impact of the Global Financial Crisis and the rise of index funds will have contributed. As for the most recent three years, clearly something has changed given the scale of the discrepancy.

What has happened over the last three years?

Firstly, we should make it clear that we don't look at indices as a matter of course. Our objective is to grow capital with a healthy regard for risk. We would expect, in the long term, to outperform an index as a consequence of this objective, but our primary objective is not to beat an index over a particular timeframe. With this caveat, below are the characteristics for MSCI Asia (ex Japan) and its smaller counterpart:

	As at 31 Dec 2019		As at 31 Dec 2016	
	P/E forward	Price/Book value*	P/E forward	Price/Book value*
Asia Index*	13.55	1.64	12.30	1.45
Small Cap index**	12.86	1.24	12.81	1.27

Source: First State Investments. As at 31 December 2019.
* MSCI AC Asia (ex Japan) Index
** MSCI Asia (ex Japan) Small Cap Index

Over the last three years smaller company valuations have remained unchanged whereas larger companies have become more expensive. We suspect, but cannot prove, this is at least partly caused by exchange traded funds and other forms of passive investing where money flows into larger companies merely because of their size. Index funds have really come of age in the last few years.

Given this, we were interested to note that for the main Asia Index, the ten largest stocks constitute almost 30% of the index. The share prices of these companies rose by a simple arithmetic average of 83% in sterling terms over the last three years or 22% annually. Therefore it is the ultra-large companies that have been driving the Asian index up. By contrast, the top ten constituents of the small cap index represent only 4% of that index. It is much more broad-based.

There are a variety of reasons why these ultra large cap stocks have done so well. All have benefited from the flow of passive money. Some have grown earnings strongly. Others have been re-rated on the expectation that earnings will grow more quickly in the future. But, for companies which measure their market capitalisations in 12 figures, continuing to grow in size by 22% per annum is impossible as these companies would quickly end up becoming larger than the entirety of Asia's economies. And where returns are particularly attractive, increased competition and regulation are likely to follow. We continue to believe that a carefully selected portfolio of Asian smaller companies should be able to outperform all stock market indices over the longer term, given the wide universe to choose from and the huge growth opportunity available for these companies.

Impact on Scottish Oriental's investment performance

With this in mind we are conscious that Scottish Oriental's net asset value has performed in line with the smaller companies index over the last three and five years, which means it has significantly underperformed the main Asian index. This is clearly disappointing. The table below shows the discrepancies between the two MSCI indices by country. There are some quite marked differences between smaller and larger company performance on a country by country basis. But in many instances a significant portion of the performance differential can be explained by the outsized performance of a few outsized companies.

Cumulative Country Index (gross) Performance in GBP (%)

	1 year (%)		3 years (%)		5 years (%)	
	Small cap index**	Main Index*	Small cap index**	Main Index*	Small cap index**	Main Index*
MSCI Asia (ex Japan)	3.4	13.9	9.3	34.9	30.6	64.0
MSCI China	2.5	18.9	-0.3	44.6	22.5	70.5
MSCI Hong Kong	-1.6	6.1	-19.2	29.2	-18.6	65.8
MSCI India	-8.3	3.4	9.9	29.1	42.5	50.7
MSCI Indonesia	-11.5	5.5	-35.6	16.6	-33.2	39.9
MSCI Korea	-10.0	8.7	-0.4	24.0	19.6	60.2
MSCI Malaysia	13.8	-5.8	18.7	7.4	29.8	4.1
MSCI Pakistan	-1.7	6.5	-44.4	-48.2	5.3	-19.6
MSCI Philippines	0.1	6.8	-21.5	8.8	-16.5	20.8
MSCI Singapore	18.0	10.6	33.3	31.9	54.0	39.0
MSCI Taiwan	25.6	32.4	49.7	51.6	86.5	103.6
MSCI Thailand	5.7	5.6	-3.3	31.0	34.7	60.9

Source: First State Investments. As at 31 December 2019.

For discrete country index annual performance figures please refer to the tables at the end of the document.

Focusing on three years, investing in smaller companies in the countries Scottish Oriental is most exposed to has not been productive. India has been dull while Indonesia and the Philippines have been poor. On average, Scottish Oriental's investments in these three markets have done considerably better than the smaller companies indices, with the Trust making strong returns in India and positive returns in Indonesia (although the Trust's holdings in the Philippines were very weak). However they have not been helpful markets to be invested in, so this outperformance has not contributed much overall. We have written before about the attractions of India, Indonesia and the Philippines for us, as we have found many domestically focused companies benefiting from the emerging middle classes. Over the last three years Scottish Oriental's weighting in these three markets has risen from 37% to 57% as we have added to many of the Trust's holdings on weakness and we have continued to generate new ideas. All three economies have experienced a slowdown during this period but nothing fundamental has changed.

By contrast, the best performing market for both smaller and larger companies over the last three years has been Taiwan. Taiwan's stock market is dominated by technology companies and it is no coincidence that Information Technology has been the strongest sector in Asia over the last three years. Our stock selection in Taiwan has been good, with the Trust's holdings performing in line with the market, but we have not had enough of Scottish Oriental's assets invested here to compensate for the larger weightings in weaker markets. We have recently been reducing the Trust's exposure to Taiwan as valuations have become more expensive with many companies reaching what we believe are cyclical highs.

Overall our stock selection has been reasonable but our asset allocation has been poor. We don't think of ourselves as asset allocators, country weightings are rather a residual of our stock selection process. Our experience in the past has been that bottom-up stock selection leads to us to the correct answer. We have been adding to India, Indonesia and the Philippines because we are finding quality companies there that are growing at reasonable valuations. We have been reducing Taiwan because we see growth slowing for quality companies and we don't believe valuations are that reasonable.

We do not wish to be disingenuous as our stock selection has been far from perfect. In addition to the Philippines, over three years Scottish Oriental would have been better off if it had not invested in Malaysia, Pakistan, Sri Lanka and South Korea. However, these four markets combined were 9% of Scottish Oriental's net asset value at the end of 2016 and now represent less than 4%. Whilst stock selection here has hurt, the impact has not been nearly as significant as either smaller companies' underperformance compared to their larger counterparts, or the country weightings of the Trust being tilted towards markets that have been out of favour of late.

We do not believe that smaller companies will continue to underperform over the long term, particularly given that their valuations are now more attractive than larger companies. We continue to be confident in Scottish Oriental's portfolio and the prospects for its companies. Although the Trust's country weightings have not helped over the last three years, it is in our nature to seek out unloved investments where we believe the prospects aren't yet realised by others. Therefore, it doesn't surprise us that we have been increasing exposure to underperforming markets. Although the last three years have been lacklustre for both smaller companies and Scottish Oriental, we believe the years ahead should be more fruitful.

Recent notable changes to the Scottish Oriental portfolio

During the last six months we made three new investments and completely sold out of ten positions. There are now 52 stocks in the portfolio.

Country weightings (%)	31-Dec-19	30-June-19
China	8.7	8.8
Hong Kong	7.1	6.2
Taiwan	6.8	10.3
Greater China	**22.7**	**25.3**
Bangladesh	1.6	1.7
India	32.6	30.9
Pakistan	1.6	1.7
Sri Lanka	1.2	3.0
Indian subcontinent	**37.0**	**37.3**
Indonesia	13.2	10.5
Malaysia	0.7	0.9
Philippines	11.4	10.2
Singapore	5.5	5.8
Thailand	0.0	0.0
Vietnam	2.3	1.9
South East Asia	**33.1**	**29.3**
South Korea	0.0	0.9
Cash	7.1	7.2
Total	**100.0**	**100.0**

Source: First State Investments as at 31 December 2019.

Greater China

We reduced Scottish Oriental's overall exposure to Greater China over the period. Four holdings were sold.

ASM Pacific Technology produces hardware used in manufacturing electronic chips and was purchased as a toehold position earlier in 2019 following a period of share price weakness. Its share price quickly rebounded before we could make it a full size position so we took the profits and exited. When we purchased Hong Kong bus operator **Kwoon Chung Bus** we were impressed at its focus on more profitable non-franchised routes. Three years on the company remained invested in non-core assets such as hotels in China which we found highly disappointing as we had been led to believe these would be divested. Therefore we exited at a loss given what we see as poor capital allocation by management.

Taiwanese analogue integrated circuit designer **Silergy** was sold following a sharp appreciation in its share price. The company is expected to benefit from increased demand from Chinese companies seeking to avoid US-made products. There are no guarantees these expectations will be met hence we found the valuation to be full. Taiwanese networking equipment manufacturer **Wistron NeWeb** was sold as management has been unable to pass on increases in component prices to its customers resulting in weaker profitability. We do not see this changing as larger companies look set to enter its market in the coming years. We took advantage of a rebound in its share price which saw us realise modest profits for Scottish Oriental. We also significantly reduced the Trust's holding in Taiwanese cable and connector manufacturer, **Sinbon Electronics**. The company has performed very well operationally but its valuation has been re-rated upwards which made us see it as prudent to take profits.

We made notable additions to a few holdings. Our meetings with the management of Chinese online recruitment platform **51job** increased our conviction in the long term growth potential of the business. We added to Hong Kong listed automotive steering system manufacturer **Nexteer Automotive Group** on share price weakness. It has been impacted by the downturn in the automotive cycle across its key markets of China, the US and Europe but valuations are now very attractive and we see it continuing to gain market share. Over the same period we took significant profits from non-alcoholic beverage producer **Vitasoy**. Its share price had been propelled upwards on passive fund buying following its inclusion in a key Hong Kong index. Once this buying had ceased its share price promptly weakened so we bought back Scottish Oriental's shares. It is behaviour like this from stock markets that convinces us they are not efficient.

Indian Subcontinent

Scottish Oriental's exposure to the Indian subcontinent was flat over the period. Indian exposure inched up and we significantly cut Sri Lanka.

Looking at Sri Lanka first, we sold telecommunications provider **Dialog Axiata** following strong share price appreciation. Scottish Oriental has owned Dialog for a long time but the only returns made have been from, albeit healthy, dividends. The company is the dominant market leader in Sri Lanka but frequent regulatory interventions and tax increases for the industry have led us to conclude this is not a good business to own. We also sold conglomerate **John Keells Holdings** for a modest loss. The weak macroeconomic environment in Sri Lanka and the Easter terrorist attacks have seen poor consumer sentiment and a significant reduction in tourism which has impacted the company's supermarket and hotel businesses. This we can understand but management have been slow to divest non-core businesses, which we cannot. Given management's reticence to focus on what they do well (which was a significant part of our investment case) we took advantage of a rebound in the share price and exited.

In India we completed selling fast moving consumer goods company, **Jyothy Laboratories**, where we were disappointed at the company choosing to appoint the Chairman's daughter as its next CEO. We also sold out of finance company **Edelweiss Financial Services** and **Federal Bank**, consolidating both positions into **Mahindra and Mahindra Financial Services** (MMFS). As the liquidity crisis among non-bank finance companies has continued, a stark difference has emerged between the funding cost of finance companies which are backed by larger, high quality corporate houses such as MMFS and those which do not have such parentage like Edelweiss. Although Federal Bank does not have funding issues we see stronger growth prospects for MMFS. Having made decent returns from Federal Bank while MMFS became cheaper we were happy to switch. We also initiated a new position in **Indian Hotels**. Its "Taj" brand is exceptionally strong in the domestic market. However, the company made several acquisitions of hotels in international locations at expensive valuations funded by debt, leading to poor returns. The management team has since been changed with the focus now on improving profitability rather than expanding its room portfolio. With utilisation rates improving and debt being paid down we see steady growth in the coming years.

Within India we also added to conglomerate **Godrej Industries** and auto components manufacturer **Mahindra CIE** on share price weakness and continued to build up the Trust's holdings in real estate developer **Oberoi Reality** and beverage company **Tata Global Beverages**. We significantly reduced city gas distributor **Gujarat Gas** after strong share price performance led to its valuations becoming more expensive. We also reduced the Trust's holding in Indian cancer centre specialist **Healthcare Global Enterprise** which has over-expanded and diversified away from its core area of specialism.

South East Asia

Scottish Oriental's South East Asian weighting increased over the period as a result of additions to holdings in Indonesia and the Philippines.

We initiated one new position, taking a toehold in **Ace Hardware Indonesia**. Ace Hardware operates the leading chain of home improvement stores in Indonesia and has built up a dominant position in the country. Much of its competition is in the informal sector and as tougher tax compliance regulations have been introduced in recent years, organised companies such as Ace Hardware have seen their advantage increase. Scottish Oriental owned this company several years ago but we sold on concerns over increasing inventory. Inventory levels are still high but have stabilised and several meetings with management have reassured us here.

We continued to build up Scottish Oriental's weighting in convenience store operator **Philippine Seven Corporation** and Indonesian Pizza Hut franchisee **Sarimelati Kencana**. We also took advantage of share price weakness to add to Philippine casual dining restaurant operator **Max's Group** and **Mitra Adiperkasa**, the Indonesian operator of franchises in food & beverage, department stores, sportswear and fashion apparel.

South Korea

During the period we sold image solution provider **Vieworks**. This has not been a successful investment for Scottish Oriental, having suffered from increased competition and then the ignominy of a product recall. With hindsight we believe we over-estimated the barriers to entry and do not see Chinese competition relenting. Therefore we sold. With the sale of Vieworks, the Trust now has no holdings in South Korea. There are only a handful of companies we like in South Korea, none of which we believe are reasonably valued currently. Standards of corporate governance and disclosure make South Korea a difficult country for us to invest in but we refuse to compromise on quality, hence the zero weighting.

Scottish Oriental investment performance

We invest with a long term, that is a three-to-five year mind-set, if not longer, and we hope to be measured over a similar time period. However, we are aware that the long term is made up of several short and medium terms and sometimes it can be helpful to look at what has driven recent performance.

Cumulative Performance in GBP (%)

	3 mths	6 mths	1 year	3 years	5 years	10 years
NAV	-5.1	-6.2	0.9	5.1	25.0	146.8
NAV – total return*	-5.2	-5.7	2.0	8.5	32.1	180.4
Asia Index**	4.0	2.7	13.9	34.9	64.0	125.1
Small Cap Index***	0.1	-1.9	3.4	9.3	30.6	66.8
Share Price	-3.0	-2.1	3.1	8.9	21.5	141.8
Share Price – total return*	-1.9	-0.9	4.4	12.8	29.6	177.7

Source: First State Investments. As at 31 December 2019.
* Total return includes income distribution
** MSCI AC Asia (ex Japan) Index
*** MSCI Asia (ex Japan) Small Cap Index

For discrete country index annual performance figures please refer to the tables at the end of the document.

Six month performance:

The second half of 2019 started weakly with concerns regarding the US-China trade war. Markets ended the year strongly on renewed hopes of improving relations. The North Asian stock markets of China, South Korea and Taiwan all performed well with Taiwan particularly strong as a result of its large technology sector. Pakistan and Sri Lanka were also strong on hopes for improved stability in both countries. Smaller companies in India, Indonesia, the Philippines and Thailand were poor. The pound strengthened over the period resulting in market returns appearing weaker when converted into sterling. Scottish Oriental underperformed both the main Asian index and the smaller companies' index over the second half of the year. While disappointing this is unsurprising when comparing the Trust's country weightings to the stock markets that did well and poorly.

Scottish Oriental's holdings in Sri Lanka, Taiwan and Vietnam produced strong returns. The Trust's investments in Hong Kong, Malaysia and the Philippines produced poor returns.

What helped (6 mths):

At a stock level four of the top ten top contributing stocks were Taiwanese. **Silergy** was the top contributing stock for reasons already mentioned. Then cable and connector manufacturer **Sinbon Electronics** which continued to benefit from strong sales; uninterruptible power supply maker **Voltronic Power** which saw a strong recovery in demand from emerging markets; and window blind manufacturer **Nien Made** which produced strong results during the period.

The second and third best contributing stocks were both Indian being **Colgate-Palmolive (India)** and **Gujarat Gas**. The former rose on announced plans to accelerate new product launches and the latter continued to benefit from increased demand for gas in one of its key operating regions after a coal ban for industrial users. Sri Lanka's **Hatton National Bank** and **Dialog Axiata** both rebounded strongly having been impacted by the Easter bombings in the prior period.

Rounding off the top ten, **Mitra Adiperkasa**'s share price recovered during the period after reporting strong operating profit growth led by an acceleration in same store sales. And IT outsourcing and fixed line telecommunications operator **FPT Corp** was rewarded for strong results.

What hurt (6 mths):

Scottish Oriental's holdings in the Philippines were the biggest detractor from performance with two Philippine companies in the bottom ten contributors. The biggest single detractor from performance was air conditioner and refrigerator manufacturer **Concepcion Industrial** which reported disappointing results for the key summer period as a result of aggressive pricing by a competitor. However the company remains the dominant market leader and results have subsequently improved. **Max's Group** was also weak during the period despite reporting steady growth in revenues and profits. As mentioned previously we added to the Trust's position.

Four Indian holdings were in the bottom ten. **Mahindra CIE** has suffered with the downturn in the automotive industry in both India and Europe. The company has used this market weakness to acquire thereby expanding its presence in new technologies. **Godrej Industries** was again impacted by the performance of its key holding, Godrej Consumer Products. Our meetings with the latter company indicated that its growth should improve following the introduction of several new products in its household insecticide and hair colour businesses. We were happy to take the opportunity to add to Mahindra CIE and Godrej Industries. **Healthcare Global Enterprise** was again weak, struggling under the burden of its debt and losses from new centres. Information technology services provider **Zensar Technologies** fell as revenue growth slowed leading to lower staff utilisation which lowered margins.

As mentioned earlier **Vitasoy**'s share price was weak which affected performance. Hong Kong quick-service restaurant operator **Fairwood** has been impacted both by rising labour costs which it is responding to with improved efficiencies and the Hong Kong demonstrations which are beyond its control. Chinese branded apparel retailer **JNBY Design** was poor as a changing sales mix saw its margins fall. Finally Singapore's **Haw Par** was weak on slowing sales for its Tiger Balm health care brand.

One year performance:

Scottish Oriental also underperformed over one year. Similar to the six month period, stock markets were driven by China and Taiwan. Smaller companies in India, Indonesia and South Korea were weak. The Trust's holdings in Taiwan and Vietnam performed particularly well whereas the Trust's holdings in Bangladesh, India, Malaysia, The Philippines and South Korea made a negative contribution to returns.

What helped (1 yr):

Colgate-Palmolive (India), Gujarat Gas, Mitra Adiperkasa, Silergy, Sinbon Electronics and **Voltronic Power** were all in the top ten contributing stocks over one year as well as six months. In addition, Indian air conditioning and refrigeration company **Blue Star** performed strongly on increasing market share; Hong Kong listed **Nissin Foods** continued to grow its noodle brand in China; Indonesian filtration systems provider **Selamat Sempurna** performed admirably despite a difficult operating environment; and **Vitasoy** contributed positively over the year as it continued to grow revenues and profits in China.

What hurt (1 yr):

Concepcion Industrial, Fairwood, Godrej Industries, Healthcare Global Enterprise, Mahindra CIE and **Zensar Technologies** were also all in the top ten detracting stocks over one year. In addition, **Jyothy Laboratories** suffered from weak growth and contracting margins; traditional Chinese medicine company **Tong Ren Tang Technologies** suffered from a production bottleneck at a time of increasing competition; Indian department store operator **Shoppers Stop** was weak on concerns over falling footfall and changes in e-commerce regulations (before we sold the company in the first half of the year); and **Vieworks** was impacted by relentless competition.

Outlook and conclusion

It has been a difficult period for smaller companies and also Scottish Oriental. The share prices of larger companies have performed better than smaller companies recently and the Trust's bias towards companies in India, Indonesia and the Philippines has not favoured investment performance in 2019, or indeed for the last few years. All three of these countries' economies have slowed but we continue to generate the bulk of our new ideas in these markets given their large and growing middle classes. The structural investment case for Scottish Oriental's companies in India, Indonesia and Philippines is unchanged as most target this rising demographic.

We remain positive about the prospects for Scottish Oriental's portfolio. Most of the Trust's companies have been growing earnings despite this not necessarily being rewarded yet with share price appreciation. Therefore this growth is reflected through a more attractively priced portfolio. We have been commenting for some time that we would prefer if our companies were more reasonably valued. For almost 25 years we have tracked the current year median price-to-earnings ratio for the Trust's portfolio as a simple measure of how cheap or expensive the portfolio is. The average since inception in 1995 is 13x earnings. At the end of 2019, Scottish Oriental's median holding trades on a price-to-earnings ratio of 15x. A year earlier this was 17x. At the end of 2017 it was 19x. Therefore, while above the historical average, the portfolio is more reasonably valued than it has been for some time.

The positioning of Scottish Oriental's portfolio is broadly unchanged with significant investments in India, Indonesia and the Philippines as well as holdings in companies based in several other countries with large domestic markets and attractive demographics. We feel the portfolio is well-positioned to flourish over the long run and that the companies Scottish Oriental owns will grow to become larger businesses in the years to come. In this context it is worth noting that members of the FSSA investment team, including the portfolio managers, are substantial shareholders in the Trust and have recently increased their holdings.

We trust this update has given you a better understanding of the companies that Scottish Oriental invests in. We would welcome feedback on whether it has been helpful as well as what you would be interested in reading about in the future.

Discrete annual performance tables

Discrete Performance, rolling 1y in GBP (%)	1yr to Dec 19	1yr to Dec 18	1yr to Dec 17	1yr to Dec 16	1yr to Dec 15
MSCI AC Asia ex Japan Small Cap	3.4	-13.6	22.3	16.8	2.3
MSCI AC Asia ex Japan	13.9	-8.8	29.8	26.2	-3.6
MSCI China Small Cap	2.5	-14.5	13.8	12.2	9.5
MSCI China	18.9	-13.7	41.0	20.6	-2.3
MSCI Hong Kong Small Cap	-1.6	-22.3	5.7	9.8	-8.3
MSCI Hong Kong	6.1	-2.1	24.4	22.0	5.2
MSCI India Small Cap	-8.3	-21.4	52.5	19.7	8.3
MSCI India	3.4	-1.5	26.7	17.6	-0.7
MSCI Indonesia Small Cap	-11.5	-11.7	-17.7	45.9	-28.8
MSCI Indonesia	5.5	-3.0	14.0	40.2	-14.4
MSCI Korea Small Cap	-10.0	-13.0	27.2	1.0	19.0
MSCI Korea	8.7	-15.5	35.0	30.3	-0.9
MSCI Malaysia Small Cap	13.8	-15.9	24.0	14.5	-4.5
MSCI Malaysia	-5.8	-0.2	14.2	14.6	-15.4
MSCI Pakistan Small Cap	-1.7	-21.5	-28.0	70.3	11.2
MSCI Pakistan	6.5	-30.1	-30.4	68.8	-8.0
MSCI Philippines Small Cap	0.1	-14.6	-8.2	33.1	-20.1
MSCI Philippines	6.8	-10.9	14.4	12.0	-0.8
MSCI Singapore Small Cap	18.0	-3.4	16.9	26.1	-8.4
MSCI Singapore	10.6	-3.7	23.9	21.0	-12.9
MSCI Taiwan Small Cap	25.6	-9.1	31.1	29.1	-3.5
MSCI Taiwan	32.4	-2.5	17.4	42.6	-5.8
MSCI Thailand Small Cap	5.7	-16.8	9.9	52.9	-8.9
MSCI Thailand	5.6	0.6	23.3	51.5	-18.9

Discrete Performance, rolling 1y in GBP (%)	1yr to Dec 19	1yr to Dec 18	1yr to Dec 17	1yr to Dec 16	1yr to Dec 15
NAV	0.9	-8.6	13.9	22.9	-3.3
NAV - total return	2.0	-7.7	15.2	24.4	-2.1
Asia Index*	13.9	-8.8	29.8	26.2	-3.6
Small Cap Index**	3.4	-13.6	22.3	16.8	2.3
Share Price	3.1	-8.6	15.6	23.7	-9.8
Share Price - total return	4.4	-7.5	16.9	25.3	-8.3

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