

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 31/07/10	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	215.6p	2.9	3.6	19.1	30.8	53.9	115.5
NAV ^A	233.5p	0.4	(0.4)	16.9	29.5	44.0	112.2
MSCI AC Asia ex Japan		1.1	(3.5)	11.1	21.3	21.9	93.9

Discrete performance (%)

Year ending:	31/07/10	31/07/09	31/07/08	31/07/07	31/07/06
Share Price	30.8	19.9	(1.9)	25.5	11.6
NAV ^A	29.5	17.4	(5.2)	33.9	10.0
MSCI AC Asia ex Japan	21.3	12.1	(10.3)	43.3	11.0

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.

^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

Most Asian stock markets rose in July, backed by upbeat economic data and corporate results, along with positive stress test results for European banks, which outweighed fears of a double-dip recession.

Economic growth was uneven in the region. China's second-quarter growth decelerated; whereas Singapore registered record growth and Korea's expansion exceeded expectations.

Inflation remained a threat and Korea, Malaysia and Thailand responded with interest rate hikes. In India the rate rise was higher than anticipated. Conversely, Sri Lanka cut interest rates.

In politics, Hong Kong approved its first minimum wage bill, while agreeing with China to lift restrictions on using the yuan. Meanwhile, India will start conducting banking sector stress tests every six months.

Portfolio Review

During the month, we trimmed Unilever Indonesia to take profits from its relative share price outperformance.

In portfolio-related news, rejigging within Swire Pacific ended with the group owning 75% of HAECO after failing to garner sufficient shareholder support. Swire also delivered very respectable first-half results.

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	%
Jardine Strategic	Singapore	5.0
Oversea-Chinese Banking Corp.	Singapore	4.4
Samsung Electronics Pref.	South Korea	4.0
Standard Chartered	Hong Kong	4.0
Swire Pacific 'B'	Hong Kong	4.0
HDFC	India	3.5
Singapore Telecommunications	Singapore	3.4
Taiwan Semiconductor	Taiwan	3.3
PTT Exploration and Production	Thailand	3.3
ST Engineering	Singapore	3.3
Total		38.2
Total number of investments		44

Country allocation (%)

	Portfolio	Benchmark	Month's market change ^B
Singapore	25.1	7.1	3.1
Hong Kong	18.9	10.6	1.1
India	15.1	11.1	(3.8)
Korea	7.9	19.2	2.8
China	7.6	26.5	(0.3)
Thailand	6.1	2.1	1.4
Taiwan	5.5	15.3	4.7
Malaysia	4.9	4.1	0.9
Sri Lanka	3.0	0.0	n/a
Philippines	2.7	0.7	(1.8)
Indonesia	2.2	3.4	1.6
Cash	1.0	n/a	n/a
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 31 July 2010 (£)

	Trust	Regional Index
Annualised Statistics		
Rate of return	12.9	6.8
Standard deviation	23.9	28.5
Tracking Error	8.5	–
Information Ratio	0.5	–
Monthly Statistics		
Max return	13.5	17.3
Min return	(14.4)	(16.2)
Average return	1.3	0.9
Regression Statistics		
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

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Receive the factsheet of your choice by email as soon as they are available by registering at www.investments.co.uk/ITemail

All sources (unless indicated): Aberdeen Asset Managers Limited 31 July 2010.

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Fund managers' report – continued

In corporate results, Taiwan Semiconductor Manufacturing Company delivered solid results that exceeded expectations, thanks to higher capacity utilisation, cost cuts and a better product mix that resulted in improved margins. The company also extended its lead with the migration to a significantly more complex 20-nanometre technology that should also drive costs down. Singapore Airlines reported healthy profits boosted by a strong recovery in both passenger and cargo demand.

Outlook

While the global economy did not suffer a severe relapse, the recovery in the West remains fragile, with deep structural problems are still unresolved. In Asia, leading indicators have undoubtedly started to signal slower growth after the sharp rebound, but governments have sufficient reserves to pump prime should the situation demand. Although we maintain a cautious outlook, we are confident that our holdings, which are characterised by solid balance sheets, experienced management and sound business practices, will be able to meet whatever challenges lie around the corner.

Key information

Calendar	
Year end	31 August
Accounts published	November
Dividend paid	December
AGM	December
Established	1987
Fund manager	
	Andrew Gillan
Total expense ratio	
	1.3%
Premium/(Discount)	
	(7.7)%
Yield	
	0.7%
Gearing	
	nil
Assets	
Gross	£m
	458.3
Debt ^c	nil
^c The Company has available a £40 million facility which is undrawn as at 31 July 2010.	
Capital structure	
Ordinary shares	196,311,219
Allocation of expenses and interest	
Capital	0%
Revenue	100%
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:

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