

Aberdeen Standard Asia Focus PLC

Legal Entity Identifier (LEI): 5493000FBZP1J92OQY70

Proposed Changes to the Company 30 November 2021

The Board of Aberdeen Standard Asia Focus PLC (the “Company” or “AAS”) has conducted a comprehensive review of the Company’s long-term strategy to ensure that the investment policy captures the immense opportunities that exist in the Asian small cap market. This applies to both South Asia but also North Asia with the emergence of China as the world’s second largest economy and fast expanding stock markets to match.

As part of the review, the Board also addressed the issue of how to make the Company more competitive whilst giving shareholders, and in particular, retail investors a more meaningful participation in the Company’s ongoing success. The Board believes that the measures proposed below will assist in the marketability of the Company’s shares, thus increasing the potential to narrow the discount to net asset value.

During the course of the review, the Board has consulted with abrdn, outside specialists in the Asian markets and the Company’s major shareholders.

As a result of this, the Board intends to propose the following changes to the Company:

- Amend the investment policy to allow more flexibility to invest in growing small companies across Asia;
- Strengthen the management team by adding Flavia Cheong, abrdn’s Head of Equities, Asia Pacific, as joint lead manager with Hugh Young. The investment management team will be bolstered to reflect the increasing importance of China;
- Increase the target dividend by 100% to 32.0 pence per ordinary share for the financial year ending 31 July 2022, payable quarterly and thereafter maintain the progressive dividend policy of the last 25 years;
- Reduce the running costs of the Company. abrdn have agreed to an amended, tiered management fee, still payable on market capitalisation. The amended fee will be 0.85% per annum for the first £250m, 0.6% per annum for the next £500m and 0.5% per annum for market capitalisation of £750m and above. It is currently set at 0.96% of market capitalisation;
- Increase the marketability of the Company’s ordinary shares for small investors by introducing a five for one ordinary share split; and
- Introduce a performance-linked tender offer, which would be triggered in the event of underperformance of the NAV per ordinary share versus the MSCI AC Asia ex Japan Small Cap Index over a five-year period commencing 1 August 2021.

Changes to Investment Policy

The Company will continue to focus on offering investors exposure to attractive small, quoted companies in Asia that have excellent prospects for strong growth in shareholder value, good balance sheets and skilled, experienced management. As has been demonstrated over the last 26 years where £1,000 invested in 1995 is now worth approximately £22,500 (share price at close on 26 November 2021 with dividends reinvested) with the dividends (including special dividends) to shareholders increasing from 1.2 pence per ordinary share in 1996 to 16.0 pence in 2021. The Board and abrdn believe that this area of the market will continue to deliver strong growth over the medium to long term.

Over the same period, the stock markets of the region have developed from small emerging markets to some of the largest in the world. Therefore, the Board believes it is necessary to make changes to the Company’s investment objective and policy to ensure abrdn can continue to invest in companies that can deliver the best returns for shareholders and not to be inhibited by the enormous difference in the relative size of the Asian markets. The definition of a small cap company varies from market to market with China and India at one end of the scale and very small markets, like Sri Lanka, at the opposite end.

The Company's current investment objective and policy limits investment into companies that have a market capitalisation of up to approximately US\$1.5 billion. The Board strongly believes this is limiting the portfolio managers from investing in the high growth companies particularly in larger markets like China and India. As a result, the Board proposes to remove this market capitalisation limit from the investment policy while stressing that this will remain as a small company portfolio. The investment managers will continue to seek out small companies capable of delivering strong capital growth.

Historically, the Company has had limited investments in Australasia and the Board does not believe the outlook for this region will offer the same growth prospects as other parts of Asia. Therefore, the Board proposes amending the investment policy so no new investments will be made in Australasia. The Company currently has three holdings in Australasia and the investment manager does not intend to dispose of these should shareholders approve the change in investment policy.

The changes to the investment objective and policy are subject to FCA and shareholder approval.

abrdn Investment Team

The Board is delighted to announce that Flavia Cheong, abrdn's Head of Equities, Asia Pacific, will be joining the management team of AAS, as joint lead manager alongside Hugh Young and Gabriel Sacks. Neil Sun will also join the team directly responsible for managing the potential increased weighting in North Asia.

abrdn continues to build out its investment presence in Shanghai and Hong Kong, with a current team of 8 investment professionals, expected to grow to 10 during 2022, focusing on researching Chinese equities. The Company and the investment team will be able to draw on the knowledge and expertise of these individuals, giving AAS greater access to Chinese small cap companies. Over time, it is envisaged that they will also take on greater individual responsibility for AAS's Chinese holdings.

Flavia Cheong is the Head of Asia Pacific Equities at abrdn, where, as well as sharing responsibility for company research, she oversees regional portfolio construction. Before joining abrdn in 1996, she was an economist with the Investment Company of the People's Republic of China, and earlier with the Development Bank of Singapore. Flavia graduated with a BA in Economics and an MA (Hons) in Economics from the University of Auckland. She is a CFA charter holder.

Neil Sun is an Investment Manager within the Asian Equities Team at abrdn. Neil joined the company in 2018. Previously, Neil worked as a Research Analyst at Deutsche Bank covering the lithium battery supply chain in Hong Kong. Prior to that, Neil worked for JPMorgan Asset Management as a Research Analyst covering both China and Taiwan equities. Neil graduated with a BBA in Finance from National Taiwan University, and passed level II of the CFA Program.

Future Dividend Policy

The Company's policy remains to provide long-term capital growth but the Board notes some investors are looking for a regular level of income alongside capital growth, particularly in the current low interest rate environment.

The Board is therefore proposing to increase the level of target dividends paid by the Company through distribution from capital reserves as well as income. Under this new policy, the Board aims to set a target dividend of 32.0 pence per ordinary share for the financial year ending 31 July 2022 and progressively grow it thereafter.¹ This would represent a 100% increase in the dividend based on the 16.0 pence per ordinary share recommended in the financial year ending 31 July 2021. This target dividend will be paid in equal quarterly instalments.

Assuming that the changes are approved at the General Meeting on 27 January 2022, the Company intends to declare in February 2022 an initial target dividend of 16.0 pence per ordinary share relating

¹ Should the share split be approved by shareholders this dividend will be rebased to 6.40 pence per ordinary share. This is a target dividend and not a profit forecast and should not be taken as an indication of the Company's expected or actual future results.

to the 6 month period from 1 August 2021 to 31 January 2022 and thereafter 8.0 pence per ordinary share per quarter. In the current year, we estimate that this level of dividend would require a 5.0 pence per ordinary share (£1.6 million) distribution from capital reserves.

The Company's dividend record is very strong with the ordinary dividend having been maintained or increased in 24 out of 25 years. This one time step change will mean that in future it is unlikely the Company will be paying special dividends but, absent a market collapse, the Board will aim to maintain its progressive approach albeit off a higher base.

The Board has no desire to change how the portfolio managers select stocks for the portfolio.

Management Fee

The Company currently pays a management fee at the rate of 0.96% per annum of the Company's market capitalisation. Following discussions with abrdn, the Board is pleased to announce a new, tiered management fee, still based on market capitalisation. The amended fee will be 0.85% per annum for the first £250m, 0.6% per annum for the next £500m and 0.5% per annum for market capitalisation of £750m and above. This represents a fee of 0.74% based on the Company's last closing share price of 1,465.0 pence and is a reduction of 23% in the management fee.

The change in management fees will be conditional on shareholder approval of the proposals outlined in this announcement and will be back dated as if it had been effective from 1 August 2021.

Share Split

The Board is proposing to implement a sub-division of the Company's share capital. This is intended to improve the liquidity of the Company's shares and enhance the ability of investors to make more efficient regular monthly investments.

The Directors are recommending a five for one share split which will increase the number of ordinary shares in issue by a factor of five.

The Conversion Price of the 2.25 per cent convertible unsecured loan stock 2025 will be automatically and pro rata adjusted should shareholders approve the share split.

Introduction of a Performance-Linked Tender Offer

The Board is proposing the introduction of a performance-linked tender offer. If the Company's NAV total return is less than that of the MSCI AC Asia ex-Japan Small Cap Index over a five-year assessment period (commencing 1 August 2021), shareholders should be offered the opportunity to realise a proportion of their holding for cash at a level close to NAV less costs of the tender offer. The tender offer would be capped at a maximum of 25% of the issued share capital of the Company at that time.

Shareholder Approvals and Timing

The changes are conditional on the necessary shareholder approvals and the appropriate regulatory approvals.

It is currently envisaged that a shareholder circular and notice of general meeting setting out further details of the proposed changes will be sent to shareholders in December 2021 along with notice of the Annual General Meeting. The General Meeting to approve the proposals is expected to be convened on 27 January 2022, following the Annual General Meeting.

The Company will hold an interactive Online Shareholder Presentation which will be held at 11:00 a.m. on Wednesday 19 January 2022. At the presentation, the Chairman and Manager will provide further details on the proposals and there will be the opportunity for an interactive question and

answer session. Full details on how to register for the Online Shareholder Presentation can be found at <https://www.workcast.com/register?cpak=5119566346944925>.

Nigel Cayzer, Chairman commented:

“This Company has achieved an outstanding result for shareholders delivering some of the best returns available from funds quoted on the London Stock Exchange with £1,000 invested in 1995 now worth approximately £22,500. This is in large part thanks to the work of Hugh Young, and his team in Singapore.

I am confident that the Board instigated review will best position the Company to continue the strong performance of the last quarter century.

The changes we announce today will significantly reduce the running costs of the Company through the reduction in the management fee, increase the annual participation in the success of the Company through the dividend increase, and introduce a possible tender offer in 5 years.

We also welcome the broadening of the investment management team which will strengthen our access to the North Asian markets including China, where huge opportunities exist in small cap stocks.”

Hugh Young, abrdn commented:

“I am delighted to welcome Flavia Cheong as my co-manager. She will assist Gabriel Sacks and the teams in both North and South Asia in taking advantage of the opportunities that continue to present themselves across the Asian markets. The maturing of the stock markets in China over the last ten years opens up another fertile field for us to look for companies capable of delivering exceptional returns, particularly when combined with the rigorous abrdn investment process that has served so well in the past. I remain as excited by the opportunities in Asia as I did when I first arrived in Singapore 30 years ago. I believe the changes announced today will strengthen both the investment proposition and underpin the future prospects of the Company.”

Flavia Cheong, abrdn, commented

“I am delighted to be joining the team at AAS. We are all very excited by the future of small companies across Asia. The successful implementation of the changes to the aims and policy of the Company has my full and enthusiastic support and we all look forward to continuing the journey so ably started by Hugh in 1995.”

For further information

abrdn

William Hemmings +44 (0)20 7463 6223
Stephanie Hocking +44 (0)20 7463 6403

Panmure Gordon

Sapna Shah +44 (0)20 7886 2783
Alex Collins +44 (0)20 7886 2767

Brunswick

Nick Cosgrove +44 (0)207 404 5959
Robin Wrench +44 (0)207 404 5959