MARTIN CURRIE
A Legg Mason Company

MARTIN CURRIE ASIA UNCONSTRAINED TRUST PLC

Annual report – year to 31 March 2018

Registered in Scotland, no SC092391

www.martincurrieasia.com

FINANCIAL HIGHLIGHTS

Key data

	As at 31 March 2018	As at 31 March 2017	% change
Net asset value per share (cum income)	**437.8p**	427.0p	2.5
Net asset value per share (ex income)	**431.9p**	421.5p	2.5
Share price	**384.0p**	364.5p	5.3
Discount[‡]	**12.3%**	14.6%	

Total returns[†]

	Year ended 31 March 2018	Year ended 31 March 2017
Net asset value per share[#]	**6.3%**	33.5%
Share price	**9.8%**	33.5%

Income

	Year ended 31 March 2018	Year ended 31 March 2017	% change
Revenue return per share	**8.58p**	8.10p	5.9
Dividend per share	**16.70p**	16.28p	2.6
Gross income from investments	**£4,305,000**	£3,927,000	9.6
Yield[*]	**4.35%**	4.47%	

Ongoing charges[**]

	Year ended 31 March 2018	Year ended 31 March 2017
Ongoing charges	**1.08%**	1.14%

Source: Martin Currie Investment Management Limited ('Martin Currie', 'investment manager' or 'manager').

‡The figure is inclusive of income in line with the Association of Investment Companies ('AIC') guidance. For details of all Alternative performance measures refer to pages 53-54.

†The combined effect of the rise or fall in the net asset value or share price, together with any dividends paid.

#The net asset value is inclusive of income with dividends re-invested.

*The yield is calculated using the dividend per share divided by the year end share price.

**Ongoing charges are calculated as a percentage of shareholders' funds using average net assets over the year and calculated in line with AIC's recommended methodology. All expenses are included in the ongoing charges calculation.

ABOUT MARTIN CURRIE ASIA UNCONSTRAINED TRUST

Objective

Unconstrained by any benchmark, the Company's objective is to achieve returns commensurate with Asia ex Japan nominal GDP growth.

Investment approach

The portfolio is actively managed with a disciplined approach that seeks to identify businesses across the Asian region that are capable of producing high and sustainable returns.

Experienced investment team

Andrew Graham manages the Company's investments. He has 30 years' investment experience and joined Martin Currie in 2010 and leads a seven strong team of Asian investment specialists. Andrew Graham is supported by Paul Danes who is based in Singapore and has 24 years' investment experience.

Cost effective

The management fee is tiered and charged at 0.75% per annum on net assets and at 0.6% per annum on assets above £150 million. The total Ongoing Charges are 1.08%.

The Company offers cost effective access to a portfolio of deeply researched quality companies that have been chosen to capture Asian growth.

Income

The historic dividend yield as at 31 March 2018 was 4.24%, calculated using dividends paid during the year and the year end share price.

Independent board

The Company is overseen by an experienced, independent Board of directors ('the Board')

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Performance

The results for the year to 31 March 2018 show that the Net Asset Value (NAV), adjusted for 16.38p per share of dividends paid during the year and measured on a total return basis, increased by 6.3% while the share price rose 9.8%. On a capital return basis, the NAV recorded an increase of 2.5%. The share price rose by 5.4% excluding income received. The revenue return per share increased by 5.9%. These results are adrift of the investment objective of matching Asian nominal GDP growth, and the regional MSCI Asia ex Japan Index, which both increased by over 12% in sterling terms.

The 'Asia Long-Term Unconstrained' (ALTU) investment strategy developed by our investment manager, Martin Currie, is designed to capture capital growth commensurate with nominal economic growth in Asia. Over three years, the NAV on a total return basis has increased by 31.3% a shortfall against MSCI Asia ex Japan's gain of 39.1%, and benchmark Asian nominal GDP growth of 45.3%. However, since the ALTU mandate was adopted by the Company on 1 August 2014, the NAV has risen by 47.1% and the share price by 51%, again on a total return basis, exactly matching the rise of nominal Asian GDP over that period.

While returns have kept pace with the investment target since the mandate change, it is frustrating that this inimitably long-term strategy has performed less well than some competitors within the AIC Asia ex Japan peer group. Sterling's weakness has been a tailwind in previous years against the US dollar but, in the 12 months to the end of our financial year, the performance of sterling has created something of a headwind to performance. With a strategy that runs a concentrated portfolio of stocks, performance boils down to the efficacy of the investment process in successful stock selection. This has been unusually challenging as the market breadth in Asia has been abnormally narrow with a large number of stocks in the universe being ignored, irrespective of merit. Instead, spectacular returns have been concentrated in a few tech, internet and energy names. Partly, this reflects the tremendous growth prospects of the likes of Tencent, the second largest holding in the portfolio, but also the distortion of fund flows into index heavyweights from 'passively managed' exchange traded funds (ETFs). Our investment manager may not have captured all the upside in last year's strong bull market, but by investing in companies with demonstrable free cash flow growth and strong balance sheets, the returns are typically less volatile than the market. Some patience may be required until attractive, unfashionable but currently little known companies gain market recognition. These should provide the portfolio with defensive qualities in weathering weaker market conditions, particularly where holdings are not 'over-owned' by foreigners through 'passive' strategies.

Dividend policy

Shareholders overwhelmingly approved a special resolution at the Company's Annual General Meeting in July 2017 to allow the Company to make payments out of capital. The level of capital payment was set at 2% of the Company's year-end ex-income NAV. The Board expects this policy to endure, subject to review in the event that there is a change in market conditions or shareholder expectations, or the Company incurs a capital loss in any financial year.

Subject to approval by shareholders at this year's AGM, the Board recommends the payment of a final dividend of 14p per share, which will be paid on 10 August 2018 to shareholders on the register as at 20 July 2018. This represents a 2.3% increase over last year's final dividend and a 2.6% increase in the full-year distribution to 16.70p (2017: 16.28p). The distribution represents a 4.35% yield on the year-end closing share price at 31 March 2018.

The Board does not think the wider market has fully appreciated the change in dividend policy, although there has been some narrowing of the discount. The Board believes that this change is of broad benefit to existing shareholders, while making the shares more appealing to new buyers and retail investors, particularly those making use of tax-free wrappers (ISAs and SIPPS), who will be able to participate in the potential for capital growth, as well as receiving an attractive level of income.

Discount control

The Board's intention is that the recalibrated dividend policy should reduce and stabilise the level of discount. This appears to have had some effect, with the discount narrowing from 14.6% to 12.3% over the year to 31 March 2018. The average discount for the AIC peer group has widened over that period.

No share buy backs have been undertaken by the Company since June 2016. I commented on this in last year's annual report. Suffice to say, the Board's view is that buying back shares merely facilitates sellers, reduces the size of the Company and further erodes liquidity, whereas the incremental capital element of the dividend is designed to reward loyal shareholders.

The Board needs to preserve the flexibility to employ a right to buy back shares to be held in Treasury, and is seeking to renew this power by putting a resolution forward again at this year's AGM.

Continuation

Our continuation vote runs on a three-year cycle with a vote due at this year's AGM on 11 July 2018. The Board has reviewed the rationale for continuation and recommends that it is in the best interests of shareholders to vote in favour of the continuation resolution for the following reasons:

- The investment manager has broadly met the investment objective of matching Asian nominal GDP growth since the change of mandate on 1 August 2014.
- The annualised total return of net assets from 31 July 2014 to 31 March 2018 is 11.1%.
- Over the three years ended 31 March 2108 the total return of the Company's share price was 31.5%.
- Recent feedback from shareholders has been consistently supportive.
- The investment objective is a lower risk, long-term strategy designed to produce investment returns comparable to economic growth in Asia, which as a measure has outstripped the growth in regional indices over the last decade.
- The new dividend policy was adopted last year to provide a premium income yield.
- Both the Board and investment manager are confident of secular growth throughout the Asian region. Strong disposable income growth should drive consumption, while government spending is driving broad and large scale infrastructure spending.
- The investment process employs rigorous screening in constructing a focused portfolio of high quality companies with strong financial positions, whose business models and ability to grow free cash flow should produce consistent returns to shareholders.
- On a relative basis, the strategy may have underperformed against some others in the AIC Asia ex Japan peer group, but it is less valid to make comparisons with other trusts which have different investment objectives and levels of risk tolerance. Some deploy greater leverage and derivatives, wider geographical remits, index relative targets while others have a 'top down' process of thematic macro investing. This may produce higher returns but volatility may as a result be more closely aligned with the market.
- The discount represents an opportunity to buy into a long-term strategy. The Board believes the discount can reduce over time, reflecting long term performance.
- The Board has charged the investment manager and our broker, Peel Hunt, to promote the Company more effectively, so that the differentiated characteristics of the strategy, including the dividend policy, achieve wider market recognition.
- We will have five-year numbers for 'ALTU' in August 2019, which will give the Board the opportunity to review the long-term credentials of the strategy.

Regulation

The Company is fully compliant with the MIFID II and PRIIPS regulations, which came into force in January 2018. The Board welcomed Martin Currie's agreement to absorb the cost of sell-side research through their own accounts in line with its MIFID II programme. All service agreements have been reviewed and amended as necessary to comply with the introduction of the new General Data Protection Regulation ('GDPR') on 25 May 2018, while a GDPR Policy has been formulated and published on our website as an updated Privacy Notice. An update of the Alternative Investment Fund Managers Directive is also being proposed as 'AIFMD2' with details as yet unknown. This will undoubtedly represent yet another challenge to oversight bodies and your Board is committed to mitigating the cost of regulatory burden to shareholders, while at the same time meeting expectations of high compliance standards.

Outlook for markets

2018 began with rising expectations, driven by synchronised global economic recovery hopes, strong upward momentum in corporate earnings revisions and euphoric readings on sentiment indicators. The IMF still expects global growth of 3.9% in 2018. Although fundamental data across the G10 economies remains strong, some recent data indicators have shown softening trends. The S&P 500 reached a record high of 2,872.87 on 26 January 2018 (up 7.5% from year-end 2017), but higher US wage growth reported in early February then saw world equity markets correct sharply on fears of resurging inflation and the prospect of a steepening interest rate trajectory. Trade war anxiety has heightened since March as America announced tariffs on Chinese steel and aluminium imports. The subsequent retaliation by China raised further concerns over protectionism. In fact, the proposed tariff increases affect only a small proportion of China exports. President Trump appears to be targeting China's digital economy and his bark may be worse than his bite, given his reported policy reversal to rejoin the Trans Pacific Trade Partnership. The President has a point in attempting to halt the infringement of intellectual copyright and there is some logic in trying to redress the trade balance. Still, the Americans may end up shooting themselves in the foot by picking fights with trade partners, as tariffs push up input and product prices, affecting both corporate margins and the consumer.

Fortunately, the US is not the only source of global demand. Inter-Asian trade is growing and consumption is rising on a secular trend, reflecting a rise in disposable income. For example, Chinese per capita incomes are on track to double between 2012 and 2020. Asian corporate earnings are now forecast to grow by approximately 13% this year. Regional equities still look attractive on the basis of reasonable valuations, after factoring in these growth expectations. However, a significant increase in US bond yields, as a corollary of the perception of increased inflation, could be a wrecking ball. The more the US Federal Reserve raises rates and shrinks its balance sheet, it is apparently planning a near 25% reduction over the next two years, the more asset prices are potentially at risk. Offshore US-dollar denominated debt has ballooned during quantitative easing, so increased interest rates and a strengthening US dollar would pressure emerging markets, including weaker Asian corporate credits. However, if the Fed miscalculates, they may be forced to perform a volte face to support markets.

Geopolitically, it is encouraging to see that relations with North Korea appear to be improving, with diplomacy replacing bellicose rhetoric and missile tests. Still, China continues to extend its sphere of influence around the region including the South China Sea and its relations with Taiwan have soured recently. The impasse over the Iran nuclear deal has serious implications for Middle Eastern stability and the oil price.

Regardless of these concerns, volatility should generally present our investment manager with opportunities to buy equities cheaply, in cases where they hold strong conviction for future growth prospects. I anticipate that these opportunities may have a strong bias towards domestic consumption within the Asian region.

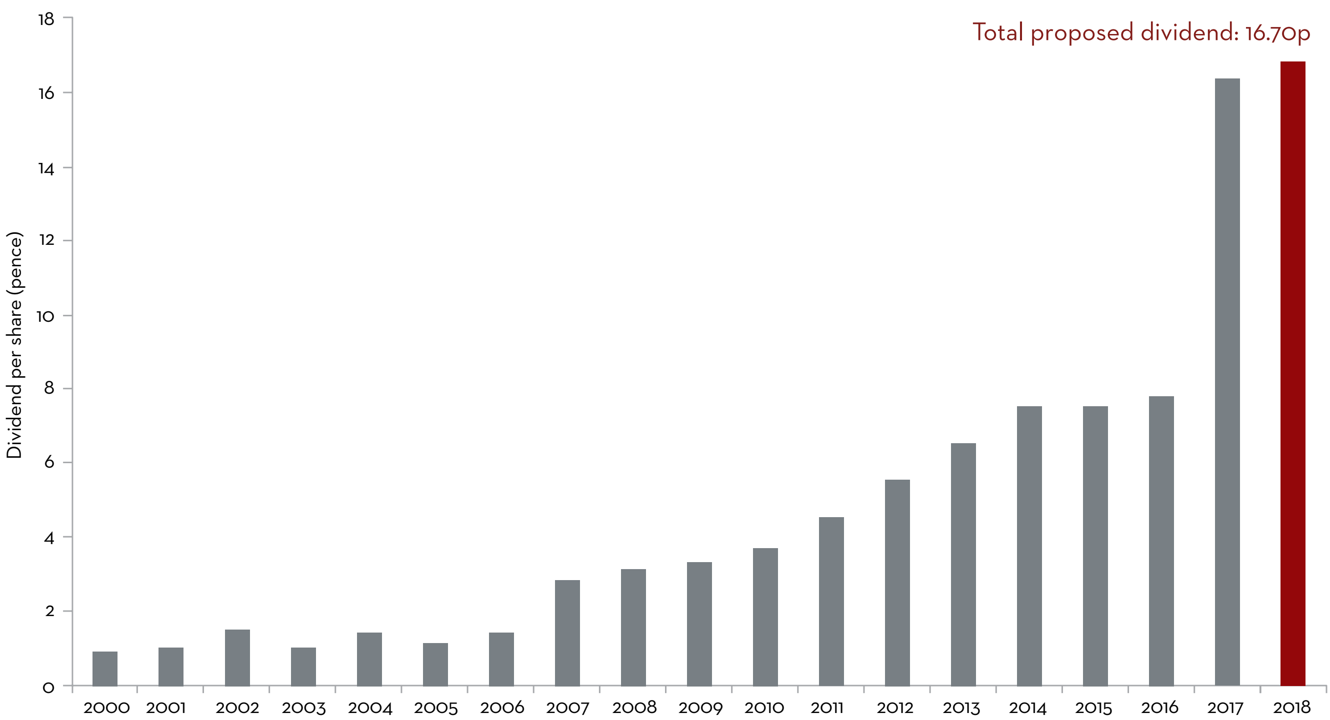
Keep in touch

I encourage you to visit martincurrieasia.com which is a comprehensive source of information and news on the Company together with perspectives on Asian markets. You can also register for our monthly email updates that will keep you abreast of the latest information relating to your Company.

I would like to thank you again for your continued support. Please contact me or members of the investment management team if you have any questions regarding the Company.

Harry Wells
Chairman
7 June 2018

Growing dividend per share – Total annual dividend



Past performance is not a guide to future returns. Source: Martin Currie and AIC as at 31 March 2018.

Market review

In the year under review, investors have largely ignored a plethora of geopolitical scares (such as North Korean missile tests, the eroding commitment of the USA to key international institutions and agreements, the Syrian disaster, etc) that would have rocked markets in other years. The reason for this, of course, is that the underlying economic data for the economies that matter to markets was generally good, at times better than expected, which unleashed one of the most powerful corporate earnings upwards revision cycles of the past 30 years.

Last year, was a better year for Asia too, especially North Asia, in terms of economic growth, corporate earnings and share prices. Unfortunately for UK investors this was dampened somewhat as sterling appreciated by over 10% against the US dollar and gained relative to most Asian currencies as well, eating into local currency gains in share prices. While the sources of earnings growth broadened as the year progressed and the level of earnings for the market broke to new highs, the bulk of the momentum was concentrated in a handful of sectors, most notably the large Chinese internet firms, semiconductors, Chinese real estate stocks, the energy and the materials sectors. This was also reflected in share price performance. At the end of the third quarter of the calendar year, two internet stocks, Tencent and Alibaba, accounted for approximately one fifth of the rally in the MSCI Asia ex Japan Index and the top five contributors accounted for over a third. This reflected the scale of their contribution to the market's earnings growth at that stage. At that time, market breadth (i.e. the proportion of stocks outperforming the market) was at its lowest level for 20 years. Encouragingly, the composition of earnings growth has broadened out somewhat since then, which has also been reflected in market performance, with an associated modest improvement in breadth.

India has gradually emerged from the disruption brought on by the Modi government's demonetisation programme of November 2016 (which removed 85% of currency notes by value from circulation to be replaced with, initially, an insufficient supply of new notes), although the pace of recovery has been hampered by tax reform, in particular the introduction of a nationwide goods and services tax, and a combination of bad debts and serious under capitalisation at the country's public sector banks. The latter is being addressed and the consequent earlier drag is now gradually dissipating.

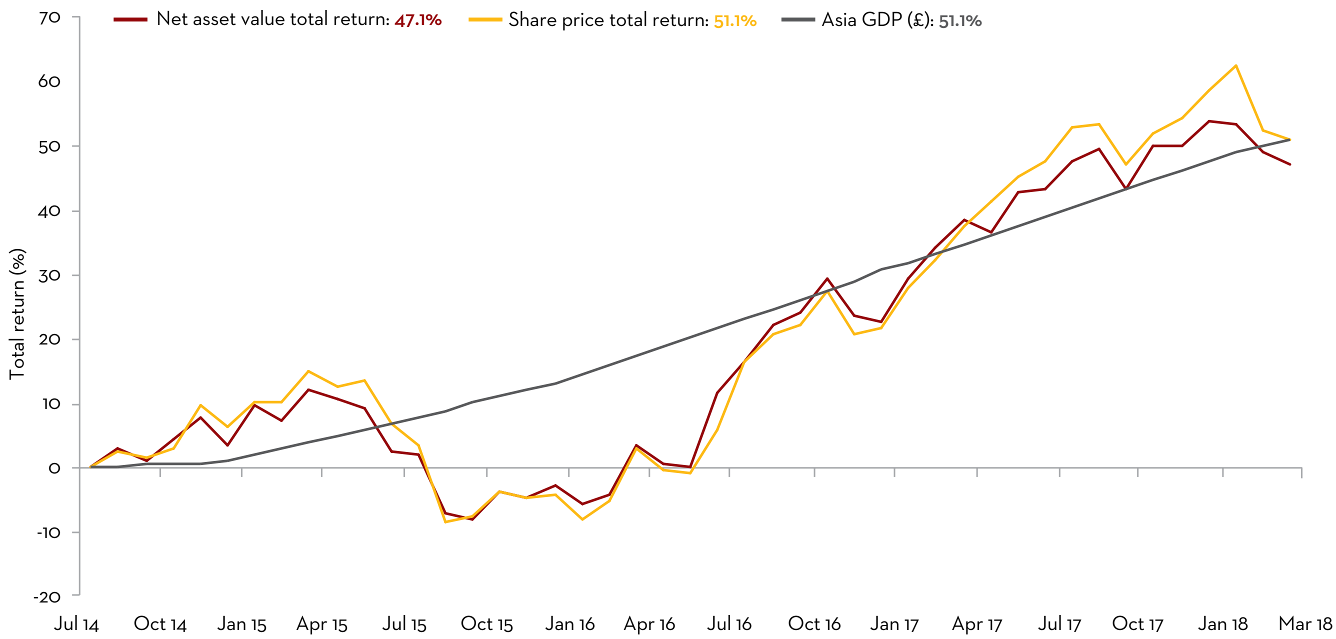
China's GDP growth remained robust and corporate earnings recovered. The 19th National Congress took place in October 2017, which set the stage for Communist Party leaders to renew their public commitment to raising living standards, cleaning up the environment and improving the quality of life. President Xi further set out an ambitious plan for China to become a top-ranked innovative nation. China has also removed its two-term limit on presidential service, securing President Xi Jinping's control for many years to come.

The five major economies of the ASEAN group of countries (Singapore, Indonesia, Thailand, Malaysia and the Philippines), proved to be resilient in the face of policy tightening by the US Federal Reserve. In fact, the aggregate real GDP growth of these economies recovered to its long-term trend growth rate (around 5%) over the course of the year. Better than expected export performance coupled with low and stable inflation were factors in this, except for the Philippines where inflation has been higher and the current account weaker. In a healthy development, we also saw private sector deleveraging across the ASEAN-5, as private sector debt grew more slowly than nominal GDP, apart from the Philippines although the absolute level of household debt to GDP in the latter is very low relative to other major Asian and western economies.

Performance

Net asset value measured by total return increased by 6.3% over the year. This takes total return on net assets since the Company adopted Martin Currie's Asia Long-Term Unconstrained strategy to 47%, compared to 51% growth of Asia ex Japan nominal GDP growth over the same period (both in sterling terms; see chart below). As our investment strategy's principal objective is to deliver a long-term total return greater than Asia ex Japan region nominal GDP growth, it is disappointing when cumulative net asset value progression dips below this, as it has done recently. Share prices are typically more volatile than the nominal GDP data series, so it is reasonable to expect that there may be periods in which portfolio returns might undershoot nominal GDP growth.

Asia Unconstrained Trust performance from 31 July 2014 to 31 March 2018



Past performance is not a guide to future returns.

Source: Martin Currie Investment Management Ltd.

For the second year running, the Technology sector was the top contributor to investment returns, followed by the Financial and Utilities sectors. At the individual stock level, the three largest contributors were Tencent, a leading Chinese online game and internet services firm, Asian life insurer AIA and Chinese gas utility company ENN Energy. Indian automobile manufacturer Maruti Suzuki was again a good performer, as were leading technology companies Samsung Electronics and Taiwan Semiconductor together with two banks, HSBC and Singapore's United Overseas Bank. These have all been long term holdings with only Tencent being a relatively recent purchase (May 2016).

Tencent, by a slender margin our second largest portfolio investment at the time of writing, has continued to enjoy very strong business growth. 2017 revenue grew 56% year on year (YoY) and operating profit by 61% as the company saw strong demand for its mobile and PC-based games, its mobile and online payment services, growth of advertising on its social networks and video streaming services, as well as good growth in digital content subscription revenue. After Chinese New Year, Tencent revealed that the combined monthly active user base of its Weixin/WeChat social network had exceeded 1 billion accounts (having grown by 11% over 2017 to 989 million). The company has multiple opportunities to continue growing revenue and profits, whether by further monetisation of well-established services or by rapidly expanding newer businesses that today have low (or no) margins and need to grow to achieve economies of scale.

Our largest portfolio investment is currently Hong Kong-listed **AIA**, which was a key contributor to performance over the past year. Operating in 18 countries across the region, AIA is Asia's largest independent listed life insurance company. It has been our firm belief that Asia has a large protection gap and the demand for life insurance, as a key element of long-term financial planning, will see significant growth for many years to come. With its broad regional footprint, AIA is extremely well positioned to meet the long-term savings and protection needs of Asia's growing population. The company already serves more than 30 million individual policy holders, as well as a further 16 million participants in group insurance schemes. This is a well-capitalised, profitable business that can fund its own growth while growing distributions to shareholders (the dividend grew 17% in the last fiscal year).

ENN Energy was the third largest positive contributor to investment performance. There is secular growth in demand for natural gas in China as a source of clean energy and ENN is one of the country's leading distributors, operating a network of city-level piped gas networks. The company is active in 172 projects across 17 provinces. Revenue growth comes from expanding the number of such city gas projects, adding new customer connections to its networks and increased gas consumption by existing customers. Gas volume growth drives network utilisation and profitability. As cash flow improves, we expect the company to increase distribution to shareholders. The dividend pay-out ratio was almost 35% for the year just ended and we believe this will rise steadily in future years.

Besides the negative currency translation effects caused by the strength of sterling, poorly performing stocks detracted some 500bps from performance over the year. The four largest negative contributors are discussed below.

China Mobile was the biggest detractor, causing almost a full percentage point drawdown in portfolio returns. The total return profile we expect for this investment consists of relatively low (most likely mid-to-high single digit) earnings growth combined with a rising dividend pay-out ratio to generate an annualized low double-digit total return. In 2017 the company delivered 7% revenue growth and 5% profit growth, while growing the underlying dividend by 17% year on year, with an increased pay-out ratio, as well as a special dividend. The stock, however, sold off over the year as investors chased higher earnings growth elsewhere. While the herd may have gone off in search of seemingly lusher pastures, we remain content to graze here in the knowledge that market environments have a habit of changing and the instincts of the herd with them. China Mobile ended 2017 with 1.229 billion connections to its networks (comprising 887 million mobile connections, 113 million wireline broadband connections and 229 million 'Internet of Things' / other data connections). The company recently projected that this will expand to 1.75 billion (+42%) by the end of 2020 helping it to generate revenue growth exceeding the average of major international peers over the same period. As it delivers, the China Mobile grass should start looking a lot greener.

PT Matahari Department Stores, discussed in the 2017 interim report, has continued to perform poorly. We accumulated our holding mostly in the first half of last year, in the knowledge that the prevailing operating environment was difficult. Primarily an apparel retailer to middle income Indonesians, this well-managed company derives growth from expansion of its retail footprint across the country and by increased customer spending at existing stores. The company is expanding on both fronts but the fruits of this were obscured last year by a weak retail environment and depressed consumer sentiment. If we were to wait for these to improve before investing, we would have to pay a much higher valuation. At the end of 2017, the company had 155 stores, of which just over 25% were in the greater Jakarta area, with a pipeline for an additional 34 stores to be built over the next few years. We expect the depressed consumption environment to gradually improve. Last year, this resulted in relatively weak existing store performance, with same-stores sales down slightly year-on-year (although this has been recovering recently). We will be continuing to monitor trading conditions closely but believe this stock still has the potential to be a very rewarding investment.

Television Broadcasts (TVB), our third worst performing stock, is the dominant free-to-air TV broadcaster in Hong Kong and is in an industry in the throes of profound structural change with the rapid profusion of digital media technologies changing forever the way people "consume" video entertainment. Ordinarily, this is something we would want to stay well away from. However, several factors have kept us invested in the stock, albeit with a reduced position. TVB has done a good job of disposing of non-core assets and is sitting on a sizeable net cash position (equivalent to 13% of its current market value) which can be returned to investors and management has shown some inclination to do so. At the same time, the company has aggressively adopted a next generation content distribution model via its own digital content platform "myTV SUPER". Thanks to rapid growth of user numbers, the platform is now running at breakeven despite large upfront costs and monetisation will commence in earnest this year. Meanwhile, the Hong Kong advertising market, which has been depressed, is finally showing signs of recovery (correlated with retail sales growth, which is now improving). Additionally, an interesting new growth engine has appeared in the form of content production for mainland Chinese online media customers. We see 2018 as being a recovery year. At the behest of a Chinese shareholder group, which controls a large stake in the company, TVB made a tender offer for 27% of outstanding shares, which was withdrawn later for regulatory reasons. That shareholder group was not participating in the tender and would therefore have seen its stake in TVB increase post-deal. They clearly saw value in the business, as we do too.

Café de Coral shares weakened as the Hong Kong-based quick service restaurant operator released softer-than-expected first-half results. While overall sales growth was a solid 6.2% YoY, profit margins in its Hong Kong operations weakened. The source of weaker margins relates to additional staffing costs in its Hong Kong quick-service restaurant formats, where it is working to attract and retain talent in a highly competitive labour market. Management is now increasing the focus on menu reengineering, product improvements and customer satisfaction enhancements over the next six months, which will enable it to recoup these higher costs. We believe Hong Kong remains an attractive market, with good growth potential. Mainland China also represents a significant longer-term opportunity, particularly now that the company appears to have found the right format to achieve same-store sales growth and healthy margins after several years of experimentation.

Activity

Over the year the Company sold three holdings and purchased four new ones.

Global Logistic Properties, a Singapore-listed owner and developer of modern logistic facilities across China, North America, Japan and Brazil, received a takeover bid at a large valuation premium thereby endorsing the Company's long term patient investment process. The transaction closed in January 2018 at which point we sold our shares. We also sold our entire position in gas utility **Hong Kong and China Gas**. The stock had been a good performer but we felt that the valuation left little room for error. Our third sale was the Macau casino operator **SJM Holdings**. While the gaming sector in Macau had been recovering, we were worried that the Chinese government will continue to prioritise the control of capital outflows, which could restrain growth at Macau's operators just as new capacity is being added at a time when gaming licence renewals may offer distinct challenges.

In the first quarter we made an initial investment in **Guangdong Investment** (GDI), which we built up over the course of the year. Listed in Hong Kong, GDI provides water to Hong Kong, Shenzhen and Dongguan, giving it a stable core business, with the Hong Kong supply contract being the dominant source of income. This company is capable of mid-to-high single digit organic earnings growth. Given its healthy cash flow, we expect a continued increase in the dividend pay-out ratio which will further enhance the already attractive 4% dividend yield. The strong net cash balance sheet allows for potential bolt-on acquisitions within its core areas of competency (water, waste water treatment and real estate development), which will augment growth over time.

We have been following **TravelSky Technologies**, the provider of passenger and ticketing information to China's air travel industry, for some time and finally a dip in its share price provided an opportunity to initiate a small position at a reasonable price. It is a direct play on the solid growth of air travel in China and should also have defensive qualities. Despite market liberalisation, the company retains an effective monopoly in Chinese airline global distribution systems, with solid barriers to entry. We anticipate many years of growth in Chinese domestic air-passenger volumes and TravelSky is a major beneficiary of this; with globally competitive pricing and a good volume growth outlook, we think there is a wide 'moat' around the economics of its business.

Our other two new holdings are Indian companies. The first is **HDFC Bank**, India's leading private sector bank. HDFC Bank has been gaining market share in new loans out-competing the poorly capitalised public sector banks. The latter still have the largest share of outstanding loans in India but are hampered by poor credit underwriting and lax governance standards, as well as weak customer services. HDFC Bank, in contrast, has a strong retail deposit base, giving it low funding costs compared with peers, while its relatively low ratio of non-performing loans underlines the quality of its lending book. Operating efficiency has been improving and this trend should continue as additional scale efficiencies accrue from its branch network and greater volumes go through its digital banking infrastructure.

We also initiated a position in **Vakrangee**, a company that operates over 40,000 convenience stores for services (Kendras) across India via a franchisee model. Each Kendra offers basic banking and e-government services to underserved populations, specifically the rural and urban poor of India. Vakrangee is leveraging the captive customer base built from these core services to provide a wide range of additional services that are otherwise unavailable to these people, including assisted e-commerce (Amazon), insurance and logistics. There is significant potential to add other services over time, however even the current range of services is not yet fully rolled out across its network and in the poorest rural areas some of these services are still not viable today. Through our own fundamental research and accounting diagnostic work, which makes use of published company financial reports, we engaged with Vakrangee on a range of accounting and corporate governance-related questions. A core element of our investment process, to which all existing and prospective holdings are subjected, this generated a range of accounting and governance questions which helped deepen our understanding of the business. The responses provided by Vakrangee during this process, combined with the positive way in which the company engaged with us, built upon our assessment of business prospects and added to our conviction that this was an attractive business to invest in.

Post financial year update on Vakrangee

Since the end of our financial year in March 2018, the Vakrangee share price has fallen very sharply and our investment in the stock is sitting at a substantial unrealised loss relative to our initial purchase price. The primary reason for this was the resignation in late April 2018 of PwC from their position as the auditor of the company, although an online newspaper article published a couple of weeks earlier cast doubt on the existence of certain Kendras and the range of services on offer. That article, which contained inaccuracies and received a point-by-point rebuttal from the company, revealed nothing we were not already aware of from our own due diligence work conducted earlier.
In addition to our visit to the company Head Office in Mumbai and site visits to some Kendras, our confidence was reinforced by Vakrangee's announcement that it had hired consultants Grant Thornton to perform an independent assessment of the current Kendra network focusing on franchisee and customer satisfaction, adherence to standards, etc.

In the wake of PwC's resignation, we are engaging with the company to understand fully the circumstances surrounding this. Publication of full year financial statements signed off by the newly appointed auditors will aid this process. Results for the second and third quarters of the last fiscal year were subject to an interim review (which is not a detailed audit) conducted by PwC who had at the time only recently been appointed as auditors. We are obviously very keen to understand their motivation to resign and it may be relevant to note that India's Securities and Exchange Board of India in late January 2018 banned PwC from auditing listed companies in India for two years, due to its failings as auditor in the Satyam Computer scandal, with a one-year reprieve for the financial year 2017-18. While we have no evidence that this was a factor in their decision to resign from the Vakrangee audit, it may have had some bearing on it. In addition to learning more about the resignation of PwC, we are investigating the status of the company's previously disclosed dividend and share buyback plan, announced in February of this year. Clarity on this could be a positive catalyst for the stock and, together with the release of audited results, could restore a more normal market in the shares. In the meantime, while this remains a highly fluid situation, we will continue to focus on achieving the best outcome for our Company as we proceed with our engagement with the board and management of Vakrangee.

Introduction of put options

Using the flexibility in the mandate and after a period of extended low volatility in markets, we introduced limited portfolio protection via 3 month listed put options on the Hang Seng Index and the Hang Seng China Enterprises Index. Due to the presence of gearing in the portfolio both portfolio beta and portfolio volatility for the Company is somewhat higher than for other portfolios managed according to the ALTU approach. As some of the largest contributors to portfolio volatility were Hong Kong stocks or Chinese 'H' shares listed in Hong Kong, it was logical to partially hedge this part of the portfolio while volatility was relatively low and the price of this protection reasonable. We initially purchased the puts in November and rolled them over at expiry in February. In both cases, this was intended to provide some downside protection. While the options offered this protection, the indices in question did not move to levels where the options acquired any meaningful intrinsic value and the options ultimately expired out of the money, with the total cost to the portfolio being the amount of premium paid for the options.

Outlook

Our major macro concern is the potential unwinding of the exceptional global monetary environment, characterised by quantitative easing (QE), which has prevailed for the past several years. Today we are only in the early stages of what is a significant directional shift. I am sure that central banks will attempt to make this as shock free a process as possible. However, as QE has been inflationary for share and bond prices, so it begs the question of what a reversal will bring. More volatility? Well, perhaps. We certainly had a taste of that in February of this year. Equally, the cost of capital assumptions must also rise which, other things being equal, will depress valuation multiples. These will also likely be more challenging times for high yield markets and the sub-prime borrowers who rely on them. Default rates at highly-leveraged firms have almost certainly been suppressed during QE, so now is not the time to be complacent.

Given the steady rise of US dollar LIBOR rates since the summer (the 12-month rate based on the US dollar has moved from just over 1.7% in August to over 2.7% at the time of writing), it's worth considering what the new range for LIBOR might be under a more "normalized" global monetary environment. Having been less than 1.5% for much of the period since 2009, will the 12-month rate settle in a 3-4% range? Could it be higher? I really don't know. What I do know is that there has been a large accumulation of debt by consumers and businesses around the world since the Global Financial Crisis; so, if a key benchmark interest rate (LIBOR) which influences the prices of trillions of dollars of loans, as well as financial and derivative products, jumps by nearly 60% in less than a year and remains elevated for an extended period, someone, somewhere is going to feel the impact.

Unfortunately, rising interest rates and higher volatility are not great bedfellows when it comes to leveraged investment strategies, especially those that have done very well out of a low interest rate and low volatility environment. This is an extremely complex area. However, if a recent Bloomberg article is to be believed, there is over US$2 trillion in strategies that have some sort of reliance on the persistence of such a low volatility and low interest rate backdrop. This means there must also be a chance that risk models, in a period of persistently higher volatility coupled with rising interest rates, force these strategies to unwind positions.

Of more immediate concern perhaps is the trade dispute between the USA and China. While one certainly should not be ignoring this, there are other things to worry about as noted above.

On the ground in Asia, business conditions are quite good overall. After last year's strong earnings growth with Asia ex Japan earnings increasing by an impressive 27% YoY (Source: Factset) the current market consensus on 2018 earnings is for a further 13% YoY growth. As we are now in the second year of this earnings recovery, it is natural that the scale and pace of upward estimate revisions by investment analysts should ease, which we have seen in recent weeks.

Against this backdrop of continued earnings expansion, valuations do not appear stretched: the prospective price to earnings ratio ("PER") for Asia ex Japan, based on the current 2018 consensus estimate, sits at 12.7x which is still only 9% above its 10-year average and implies a price/earnings to growth ("PEG") ratio of less than 1.0, while the prospective price to book ratio ("PBR"), at 1.54x, is below its 10-year average (9% below). Given that return on equity (ROE) continues to improve in Asia, there certainly appears to be a valuation disconnect here that argues for continued exposure to the region and underlines its appeal relative to other regional markets. The economic environment today is supportive of further earnings growth and while the double-digit rate expected by analysts is certainly not fanciful, I am reminded that the long-term average earnings growth rate for the region has been about 6%.

There are also some secular dynamics at play that are truly positive for Asia. Asia's population of 3.7 billion (excluding Japan) is forecast to grow to 4.1 billion by the end of 2020, which would be four times the population size of the G7 countries. Looking even longer term, a recent report from the Carnegie Institute suggested that of the next 1 billion people who will enter the global middle-class cohort (currently approximately 3.2 billion people), nearly 90% will be living in Asia. At the same time, rapid technological innovation is lowering the cost and increasing the availability of goods and services to hundreds of millions of people across the region, while increasing urbanisation and the growth of intra-Asian trade is ushering in a new cycle of infrastructure investment.

We believe that the portfolio of businesses in which your Company is invested will continue to thrive. However, we must also strive to ensure that where businesses are not coping well, we identify them early and weed them out. If we do our job well, we will be finding new stocks with better prospects to replace them. Our holdings are represented by businesses that operate with conservative balance sheets and have good cash flow characteristics, much more so than the broader market. Even so, the collective ROE for our portfolio is estimated to be 15% for 2018 which is superior to the consensus estimate for the "market" ROE of 13%, which implicitly employs greater leverage. Therefore, we believe the portfolio is well positioned to create value for the long-term oriented, patient investor.

Andrew Graham
7 June 2018

Portfolio distribution as at 31 March 2018 (%)

	China & Hong Kong	India	South Korea	Singapore	Taiwan	Malaysia	Thailand	Indonesia	Total
Financials	12.3	3.7	–	4.6	–	–	3.1	–	23.7
Consumer Goods	3.7	7.2	12.1	–	–	–	–	–	23.0
Technology	8.4	11.0	–	–	4.4	–	–	–	23.8
Consumer Services	4.6	–	–	–	–	3.6	–	2.0	10.2
Telecommunications	3.7	–	–	2.8	–	–	–	–	6.5
Utilities	8.0	–	–	–	–	–	–	–	8.0
Industrials	2.0	–	–	2.8	–	–	–	–	4.8
Total portfolio	42.7	21.9	12.1	10.2	4.4	3.6	3.1	2.0	100.0
Total portfolio (31.03.17)	44.6	16.2	9.4	15.4	5.7	3.6	3.5	1.6	100.0

By asset class

	31 March 2018 %	31 March 2017 %
Equities	100.5	102.1
Options*	(0.1)	–
Cash	2.6	2.3
Borrowings	(3.0)	(4.4)
Total	100.0	100.0

*Further details on the options can be found on the portfolio holdings on page 13.

Top ten holdings

	31 March 2018 Market value £000	31 March 2018 % of total portfolio	31 March 2017 Market value £000	31 March 2017 % of total portfolio
AIA Group	11,936	7.5	11,079	7.0
Tencent Holdings	11,838	7.5	9,026	5.7
Samsung Electronics	9,928	6.3	10,665	6.8
HSBC Holdings	7,784	4.9	7,682	4.9
United Overseas Bank	7,347	4.6	5,980	3.8
Tata Consultancy Services	7,076	4.5	7,581	4.8
Taiwan Semiconductor Manufacturing Company	7,036	4.4	8,948	5.7
Infosys	6,770	4.3	7,447	4.7
Guangdong Investment	6,586	4.2	–	–
ENN Energy	5,985	3.8	5,610	3.6
Total	82,286	52.0	74,018	47.0

	Sector	Market value £000	% of total portfolio
China & Hong Kong		67,650	42.8
AIA Group	Financials	11,936	7.5
Tencent Holdings	Technology	11,838	7.5
HSBC Holdings	Financials	7,784	4.9
Guangdong Investment	Utilities	6,586	4.2
ENN Energy	Utilities	5,985	3.8
China Mobile	Telecommunications	5,809	3.7
Samsonite International	Consumer Goods	5,787	3.7
Johnson Electric Holdings	Industrials	3,222	2.0
Television Broadcasts	Consumer Services	2,738	1.7
Dairy Farm International Holdings	Consumer Services	2,460	1.6
Cafe De Coral Holdings	Consumer Services	2,040	1.3
TravelSky Technology	Technology	1,465	0.9
India		34,517	21.9
Tata Consultancy Services	Technology	7,076	4.5
Infosys	Technology	6,770	4.3
Hero Motocorp	Consumer Goods	5,954	3.8
Maruti Suzuki India	Consumer Goods	5,408	3.4
Vakrangee	Technology	3,508	2.2
HDFC Bank	Financials	2,948	1.9
HDFC Bank ADR	Financials	2,853	1.8
South Korea		19,214	12.1
Samsung Electronics	Consumer Goods	9,928	6.3
Coway	Consumer Goods	5,263	3.3
LG Household & Health Care	Consumer Goods	4,023	2.5
Singapore		16,316	10.2
United Overseas Bank	Financials	7,347	4.6
Singapore Telecommunications	Telecommunications	4,488	2.8
Jardine Matheson Holdings	Industrials	4,481	2.8
Taiwan		7,036	4.4
Taiwan Semiconductor Manufacturing Company	Technology	7,036	4.4
Malaysia		5,705	3.6
Genting Berhad	Consumer Services	5,705	3.6
Thailand		4,920	3.1
Siam Commercial Bank	Financials	4,920	3.1
Indonesia		3,108	2.0
Matahari Department Store	Consumer Services	3,108	2.0
Derivatives		(232)	(0.1)
HSCEI H Seng China Put 11800	Financials	(72)	–
HSI H Seng Index Put 29400	Financials	(160)	(0.1)
Total portfolio		158,234	100.0

Business model

The Company, as an investment trust, is a UK closed end public limited company which invests in a diversified portfolio of assets.

Unconstrained by any benchmark, the Company's objective is to achieve returns commensurate with Asia ex Japan nominal GDP growth, measured on a three year rolling basis.

The Company has no employees, and the Board outsources its entire operational infrastructure to third party providers. In particular, the Board appoints and oversees an independent investment manager to manage the investment portfolio. The Board sets the Company strategy, decides the appropriate financial policies to manage the assets and liabilities of the Company, ensures compliance with tax, legal and regulatory requirements and reports regularly to shareholders on the investment manager's performance. The directors do not envisage any change to this model in the foreseeable future.

For more information on investment trusts please visit www.theaic.co.uk.

The disclosures on Board diversity and environmental matters and social/community issues are on page 19.

Strategy

The Company's principal strategies are:

Investment policy and objective

The Company invests in equities, in which the portfolio manager has high conviction, which results in the construction of a focused portfolio, typically 20-30 stocks (excluding derivatives). Portfolio turnover is low with a long-term buy and hold approach. The investment objective is designed to capture returns commensurate with Asia ex Japan nominal GDP growth, measured on a three year rolling basis. Nominal GDP growth rates are high in Asia. The Company has an absolute rather than relative investment objective and the manager is unconstrained by any benchmark.

The Board has set investment guidelines and imposes the following limits on the investment manager's discretion to select stocks:

- no more than 10% of the Company's Total Asset Value (TAV) to be invested in any one company or group at the time of purchase;
- no more than 10% of the issued shares of any class of equity security of an issuer to be held;
- no more than 15% of the Company's assets in the shares and securities of any one company at any time; and
- no more than 5% of the Company's NAV to be invested in Martin Currie associated funds, at time of purchase.

Furthermore, the investment manager analyses the overall shape of the portfolio to ensure that investment risk is dominated by high conviction stocks in the portfolio and that the combination of stocks held does not lead to any unintended reliance on a particular macroeconomic factor (for example, a higher oil price or lower interest rates).

Current asset allocation and actual holdings are discussed in the manager's review on pages 6 to 11 and details are contained in the portfolio summary and portfolio holdings on pages 12 and 13.

Risk management

Risk management is largely focused on managing investment risk in accordance with the investment policy guidelines set by the Board. The Board has established risk parameters for the investment manager within which the portfolio should be managed. The Board reviews, at each Board meeting, the relevant risk metrics presented by the investment manager to ensure there is sufficient but not excessive risk being taken within the portfolio.

The wider corporate risks relate mainly to the challenges of managing the Company in an increasingly regulated and competitive market place. These risks are each actively managed through mitigation measures which the Board has put in place and are discussed on pages 15 and 16 of this report.

Financial

The main focus is on the management of shareholder capital, the use of gearing and the management of the risks to assets and liabilities of the Company.

The Board's principal goal for the management of shareholder capital is to achieve returns commensurate with Asia ex Japan nominal GDP growth by investing primarily in Asia ex Japan equities. The Company's net gearing is restricted to 20% of net assets with parameters of between 85% and 120% invested.

The Company has a £15,000,000 loan facility. As at 31 March 2018, £4,788,000 was drawn down – split between Hong Kong dollars and Singapore dollars and invested into the portfolio on a pro rata basis. The drawdown was instructed by the Board as structural gearing. The balance of the facility is available to be drawn down as tactical gearing and invested at the discretion of the investment manager.

Providing income for shareholders is not the central objective of the Company. However, the manager's focus on free cash flow, higher quality companies and total return has enabled the Board to increase the level of dividend paid to shareholders, by way of interim and final dividends, in recent years. The dividend has been supplemented by introducing a distribution from capital.

Principal risks and uncertainties

Risk and mitigation

The Company's business model is longstanding and resilient to most of the short term uncertainties that it faces, which the Board believes are effectively mitigated by its internal controls and the oversight of the investment manager, as described in the table below. The principal risks and uncertainties are therefore largely longer term and driven by the inherent uncertainties of investing in equity markets. The Board believes that it is able to respond to these longer term risks and uncertainties with effective mitigation so that both the potential impact and the likelihood of these risks seriously affecting shareholders' interests are materially reduced.

Risks are regularly monitored at Board meetings and the Board's planned mitigation measures are described in the table below.

The Board has identified the following principal risks to the Company:

Risk	Mitigation
Loss of s1158-9 tax status	Loss of s1158-9 tax status would have serious consequences for the attractiveness of the Company's shares. The Board considers that, given the regular oversight of this risk carried out by the investment manager and reviewed by it, the likelihood of this risk occurring is minimal.
Failure to manage shareholder relations	The Board recognises the importance of managing shareholder relations. At each Board meeting, the Board monitors the constituency and changes to the shareholder register. The Board also reviews feedback from the investment manager and the Company's broker based on meetings and interaction with shareholders. Where appropriate the directors are available to address shareholder questions. Shareholders are encouraged to engage with the Company by using the email address noted on the back page of this annual report.
Major external market disruption	There is a risk that a major external market disruption, war event, natural disaster or cyber attack could impact the Company's business and underlying portfolio. Board members keep abreast of political, market and industry issues, meet regularly and have the ability to call ad hoc meetings to discuss and take appropriate action should such disruption arise. The investment manager has a dedicated cyber security defence programme and a Valuation Committee in place to support the continued production of the Company's NAV in the event that stock markets are closed for an extended period.
Long term investment underperformance	The Board manages the risk of investment underperformance by relying on the integrity of the investment manager's investment process. The Board monitors the implementation and results of the investment process with the portfolio manager, who attends all Board meetings, and reviews data that shows statistical measures of the Company's risk profile. Please see the Chairman's statement and manager's review on pages 3 to 11 for further details on the investment performance and outlook.
Gearing risk	From time to time the Company finances its operations through bank borrowings. The Board regularly and actively considers such borrowings (gearing) closely, with regard to interest rates, market conditions and peer group activity. Details of the current gearing are provided in notes 11, 13 and 14 to the financial statements. There were no debt securities held at 31 March 2018 and the Company's investment portfolio is only indirectly exposed to interest rate risk. The Board also reviews analysis of lending counterparties, which includes counterparty risk, rates and other terms.

Risk	Mitigation
Market, financial and interest rate risk	Although the Company is based in the UK, its portfolio of investments principally consists of overseas stocks. Currency risk is inherent in all investment decisions and the portfolio manager applies his skills and experience to mitigate this risk within acceptable tolerances. Diversification via the countries and markets in which the portfolio is invested is a key mitigant of currency and market risk. The investment manager oversees various risk factors inherent in the portfolio, including geographical concentration and, by extension, currency risk. It also stress tests the portfolio for significant currency and market risk. The investment managers investment process and investment risk framework are designed to manage inherent market risk and optimise portfolio positioning in reference to the investment objective. In addition to the overseas investments, during the year the Company also had non-sterling cash deposits and a multi-currency loan facility. At 31 March 2018 the Company had an overdraft of £2,000 equivalent in US dollars (31 March 2017: £39,000 equivalent in Malaysian Ringgit). As at 31 March 2018 the Company had borrowings in Hong Kong dollars and Singapore dollars. Details are given in note 14 on pages 47 to 49. The Company's sterling statement of financial position and statement of comprehensive income can be significantly affected by movements in the local currencies of these stocks.
Outsourcing risk	The Company has outsourced its entire operational infrastructure to third party providers. Please see page 52 for a list of the Company's advisers. Contracts and service level agreements have been arranged to ensure that the service provided by each third party provider is of a sufficiently professional and technically high standard. The Board receives and reviews control reports from all service providers. Periodically, the Board requests representatives from third party service providers to attend Board meetings to give the Board the opportunity to discuss the controls that are in place directly with the third party providers. The Board receives and reviews control reports from all service providers. The Board carries out an annual evaluation of its service providers and gives regular feedback to the investment manager through the management engagement committee.
Counterparty risk	Most transactions are made delivery versus payment on recognised exchanges. The risk to the Company of default is therefore minimised. Investment transactions are only carried out with approved brokers. Counterparty risk indicators are regularly reviewed by the investment manager and appropriate action taken, including, if necessary, removing brokers from the approved list. Cash is held only with approved counterparties.
Strategic planning impacts on discount and liquidity	A Board strategy session is held annually to establish strategic priorities, which are subject to review and discussion at Board meetings. The Board monitor factors impacting the overall size of the Company, including investment mandate and performance, investor sentiment and the Company's reputation. The investment manager and the Company's broker assist in identifying commercial opportunities for the Company. Discount management policy is regularly discussed and approved by the Board.
Failure to meet Company dividend policy	The Company's dividend policy is reviewed and approved by the Board, in line with the semi-annual dividend payment. As announced in 2017, the Board has discretion to make 2% NAV capital payment with the final dividend. The Board expects this new dividend policy to endure, but it remains subject to review in the event that there is a change in market conditions or shareholder expectations, and in the event that the Company has incurred a capital loss in any financial year. Revenue estimates are presented to the Board at each meeting for the current and next financial year. The shareholders have the opportunity to vote on the Company's final dividend annually.

Key performance indicators ('KPIs') and measuring performance

The Board uses a number of financial KPIs to monitor and assess the performance of the investment manager in achieving the Company's objectives. The KPIs were updated during the year end 31 March 2018, in particular defining specific targets. The principal KPIs are:

1. Net asset value performance:

Target: total return of the NAV to exceed the Asia ex Japan nominal GDP growth measured on a three-year rolling basis.

The Company's objective is to achieve returns commensurate with Asia ex Japan nominal GDP growth measured on a three-year rolling basis.

The total return of the NAV for the three years ended 31 March 2018 was 31.25% (2017: one year ended 31 March 2017 33.5%).

Asia ex Japan nominal GDP growth for the three years ended 31 March 2018 was 45.28%.

The KPI was not met for the three years ended 31 March 2018. However, NAV performance has been broadly in line with the KPI since the investment objective was adopted on 1 August 2014, as detailed in the Chairman's Statement.

Further details of performance are provided in the Chairman's Statement and Managers Review.

2. Long-term share price appreciation:

Target: to provide shareholders with long term share price appreciation, measured on three-year rolling basis.

Over the three years ended 31 March 2018 the total return of the Company's share price was 31.49% (2017: one year to 31 March 2017 33.5%, five years to 31 March 2017 53.9%).

The KPI was met for the three years ended 31 March 2018.

3. Ongoing charges:

Target: Ongoing charges to be in line or lower than the weighted sector average of the AIC Asia Pacific ex Japan peer group.

The Board monitors the ongoing charges of the Company to ensure that they remain competitive against the AIC peer group.

For the year ended 31 March 2018 ongoing charges were 1.08% of shareholder funds (2017: 1.14%), as shown in the financial highlights.

As at 31 March 2018 the AIC ongoing charges weighted sector average for the Asia Pacific ex Japan peer group was 1.04%.

Harry Wells
7 June 2018

Harry Wells, Chairman

Harry has over 40 years' experience of investment markets, primarily as an institutional stockbroker specialising in Asia, based in London and Hong Kong, retiring as a Managing Director of Salomon Smith Barney. He is also Chairman of CC Japan Income & Growth Trust plc and the Establishment Investment Trust plc.

Harry holds an MA from Cambridge University and is a Fellow of the Chartered Institute for Securities and Investment and a Member of the Royal Institution of Chartered Surveyors. He was appointed to the Board of Martin Currie Asia Unconstrained Trust in 2003, and became Chairman in July 2014.

Gregory Shenkman, senior independent director

Greg sits on the boards of a number of other companies, including The Establishment Investment Trust. He has over 40 years' experience in investment banking. He was a Global Partner and Managing Director at the Rothschild Investment Banking Group. He was for five years the head of Rothschild's Asian investment banking and other businesses, which he substantially restructured. He also established, and was the head of, the investment banking business in Japan of the Swiss Bank Corporation (now UBS) and was later also head of Kleinwort Benson in Japan. He also served as the global head of privatisation at Kleinwort Benson. He was appointed to the Board of Martin Currie Asia Unconstrained Trust in 2007.

Anja Balfour, Chairman of the audit and risk committee

Anja has extensive knowledge and experience of Asian equity portfolios having spent 22 years as a fund manager running Japanese and International Equity portfolios for Stewart Ivory, Baillie Gifford and latterly, Axa Framlington. She is a non-executive director of Schroder Japan Growth Fund, F&C Global Smaller Companies plc and British Empire Trust plc. She was appointed non-executive director and Chairman of the the Investment Committee of Scottish Friendly, a mutual, with effect from 1 April 2018. She is a member of Archangel Informal Investment, a business angel syndicate and the CFA Society of the UK. Anja was appointed to the Board of Martin Currie Asia Unconstrained Trust in 2012.

Peter Edwards

Peter practised law with Johnson, Stokes and Master in Hong Kong from 1975 to 1996, where he was partner and, latterly, senior partner. He has chaired various bodies, including the Hong Kong branch of the International Fiscal Association, the Inter-Pacific Bar Association's taxation committee and the Hong Kong Law Society's revenue law committee. He is a non-executive director of Johnson Electric Holdings and various private investment and holding companies. He was appointed to the Board of Martin Currie Asia Unconstrained Trust in 2007.

Martin Shenfield

Martin has 35 years' experience in the asset management industry which includes managing both institutional and retail funds and overseeing global asset allocation, as well as holding several senior management positions. He is currently a senior macro strategist at TS Lombard as well as acting as a general adviser to various family offices and funds. Martin has extensive experience in Asian markets, having helped establish Fidelity International's first Asian (ex Japan) office in the 1980s. A specialist in Asian macroeconomics, Martin is also well versed in bottom-up analysis of Asian companies. Martin holds an MA in Classics and History from Cambridge University. He was appointed to the Board of Martin Currie Asia Unconstrained Trust in November 2015.

Business review

The investment manager

Martin Currie Investment Management is an international equity specialist based in Edinburgh, managing money for a wide range of global clients. Its investment process is focused on selecting stocks through fundamental proprietary research and constructing well-balanced high conviction portfolios. The Board closely monitors investment performance and Andrew Graham, who manages the Company's investments, attends each Board meeting to present a detailed update to the Board. The Board uses this opportunity to challenge the investment manager on any aspect of the portfolio's management.

Continued appointment of the investment manager

The Board conducts an annual performance appraisal of the investment manager against a number of criteria, including operational performance, investment performance and other contractual considerations.

Following the review of the three year performance numbers since the mandate change and a recent appraisal of the investment manager, the Board considers it is in the best interests of shareholders to continue with the appointment of Martin Currie as investment manager.

The directors remain satisfied with the performance of the Company secretarial, administration, marketing and accounting functions provided by Martin Currie.

Main features of the contractual arrangement with the investment manager

- Six month notice period;
- Immediate termination if Martin Currie ceases to be capable of carrying on investment business; and
- In the event that the Company terminates the agreement otherwise than as set out above, Martin Currie is entitled to receive compensation equivalent to twice the basic quarterly management fee payable.

Investment management fee

Martin Currie is paid a management fee which is calculated quarterly at an annual rate of 0.75% of net assets up to £150 million and an annual rate of 0.60% of net assets above £150 million.

Any investments in 'in-house' funds managed by Martin Currie are excluded when calculating the management fee charged to the Company. As at 31 March 2018 there are no in-house fund holdings. In addition, Martin Currie is currently entitled to a quarterly secretarial fee of £20,780 which increases annually in line with CPI.

The management fee payable to Martin Currie – which, for the period under review, amounted to £1,185,000 (2017: £1,044,000) – has been allocated one-third to revenue and two-thirds to capital.

The allocation is based on the Board's expected long-term split of returns in the form of income and capital gains.

Further contractual arrangements essential to the business of the Company

The operational infrastructure of the Company has been outsourced to third party providers. Contracts and service level agreements ensure that the service provided by each of the third party providers is of a sufficiently professional and technically high standard. The audit and management engagement committees review all third party service providers on a regular basis.

Performance and outlook of the Company

Please refer to the Chairman's statement on pages 3 to 5 and the manager's review on pages 6 to 11 for an update on the performance and outlook of the Company.

Board diversity

The nominations committee considers diversity, including the balance of skills, knowledge, gender and experience, amongst other factors when reviewing the composition of the Board. It does not consider that it is appropriate to establish targets or quotas in this regard. The Board comprises five non-executive directors of whom one is a woman, thereby constituting a fifth female representation. The Company has no employees as its entire operational infrastructure is outsourced to third party providers.

Environmental matters and social/community issues

As an externally managed investment company with no employees, the Company has no policies in place in relation to environmental, social or community issues. The Company's greenhouse gas emissions are negligible.

Statement regarding annual report and accounts

Following a detailed review of the financial statements by the audit and risk committee and reported to the Board, the directors consider that, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2018

Share capital

As at 31 March 2018 the share capital (including shares held in treasury) of the Company was 39,505,872 ordinary shares of 50p each. Please refer to note 12 on page 46 for details of shareholders' rights.

Shareholder analysis as at 31 March 2018	% of shareholders	% of equity capital
Banks and nominee companies	52.9	88.3
Individuals and trustees	43.2	2.7
Investment companies	0.1	0.0
Other holders	3.8	9.0
	100.0	100.0

Voting rights

As at 31 March 2018 the Company was notified of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital:

	% of issued share capital
Wells Capital Management	20.78
Alliance Trust	10.87
Charles Stanley Group	9.29

Related party transactions

With the exception of transactions with directors, notably the directors' fees (disclosed on page 30) and directors' shareholdings (disclosed on page 29), and transactions with the manager, notably management and secretarial fees (disclosed on page 19), there were no related party transactions to report throughout the financial year.

Directors' indemnity

The Company provides a Deed of Indemnity to each director, to the extent permitted by United Kingdom law. In accordance with the terms of the Deed of Indemnity, the Company will indemnify a director against all liabilities, costs, charges and expenses incurred by the director, as a result of proceedings brought against that director, arising as a result of the actual or purported discharge of their directors duties. The Company also has in place a Director and Officer Liability Insurance Policy that is renewed annually.

Corporate governance statement

The Company's corporate governance statement is set out on pages 25 and 26 and forms part of this report of the directors.

Revenue and dividends

The gross revenue return for the year after expenses, interest and taxation was £3,100,000 (2017: £2,933,000), equivalent to a return of 8.58p per share (2017: 8.10p). An interim dividend of 2.7p per share has been paid during the year. The directors recommend the payment of a final dividend of 14.0p per share be payable on 10 August 2018 to holders on the register at the close of business on 20 July 2018, making a total for the year of 16.70p (2017: 16.28p). The revenue reserve as at 31 March 2018 were £2,688,000. The capital reserve as at 31 March 2018 was £126,198,000 and £3,121,000 of this will be used towards funding the final dividend.

Trends likely to affect future performance

Please refer to the Chairman's statement on pages 3 to 5 and the manager's review on pages 6 to 11 for information on the trends likely to affect the future performance of the Company.

Voting policy and the UK Stewardship Code

The Company has given discretionary voting powers to Martin Currie in respect of its shareholdings. With respect to voting on behalf of clients, Martin Currie's policy is to:

- vote at all general meetings of companies in which its clients are invested;
- vote in favour of proposals which Martin Currie expects to enhance shareholder value; on routine issues Martin Currie is generally supportive of management;
- vote against proposals which it believes may damage shareholders' rights or economic interests;
- abstain on proposals which it feels unable to support, but where Martin Currie believes that it could be against its clients' interests to oppose publicly;
- ensure in all situations that the economic interests of its clients are paramount; and
- vote consistently on behalf of all clients who are invested in the particular company.

The directors are aware that Martin Currie gives consideration to operational performance, corporate social responsibility and corporate governance issues, among many other factors, when investment decisions are taken.

The Board has noted Martin Currie's adoption of the FRC Stewardship Code, and a copy of the policies and voting records can be found at www.martincurrie.com/corporate/about-us/governance-and-sustainability.

Martin Currie's 2018 Stewardship Annual Report is available at www.martincurrie.com.

Financial instruments

Details of the financial risk management policies and objectives for the use of financial instruments by the Company are set out in note 14 to the financial statements.

Disclosure of information to the auditor

In the case of each of the persons who are directors of the Company at the time when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act) of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

Directors' confirmations

The financial statements are published on the website, www.martincurrieasia.com. The maintenance and integrity of the website is, so far as it relates to the Company, the responsibility of Martin Currie, as delegated by the Board of directors.

Each of the directors, whose names and functions are listed in the Board of directors on page 18 confirms that, to the best of his or her knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and performance of the Company; and
- the strategic review, the report of the directors and manager's review include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Statement of directors' responsibilities

The directors of the Company are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, they are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and performance of the Company for that year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the website is, so far as it relates to the Company, the responsibility of Martin Currie, as delegated by the Board of directors. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern status

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement, manager's review, strategic report and the report of the directors.

The financial position of the Company as at 31 March 2018 is shown in the statement of financial position on page 36. The statement of cashflow of the Company is set out on page 38, and the statement of comprehensive income on page 35.

Note 14 on pages 47 to 49 sets out the Company's risk management policies, including those covering market risk, liquidity risk and credit risk.

The Company's loan facility, during the financial year, was £15,000,000 of which £4,788,000 was drawn down at the year-end date. The facility expires on 31 August 2018. The purpose of the facility is to enable the manager to enhance the return for shareholders by borrowing and investing where the return is expected to exceed the cost of borrowing. The Company has adequate financial resources in the form of readily realisable listed securities and as a result the directors assess that the Company is able to continue in operational existence without the facility.

In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk issued in 2016, the directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Company's assets consist of a diversified portfolio of listed equity shares which, in most circumstances, are realisable within a very short timescale.

The directors are mindful of the principal risks and uncertainties disclosed on pages 15 and 16 and have reviewed revenue forecasts and they believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future and for at least one year from the date of this annual report.

As required by the Company's Articles of Association, an ordinary resolution will be proposed at this year's AGM for the continuation of the Company. The directors recommend that shareholders vote in favour of the continuation resolution and, based on initial discussions with shareholders, believe that the resolution is likely to be carried. Accordingly, the directors continue to use the going concern basis in the preparation of the accounts.

Viability Statement

The Company's business model is designed to achieve returns commensurate with Asia ex Japan nominal GDP growth through investing in companies across the Asian region that are capable of producing high and sustainable returns. In accordance with the Company's Articles of Association, a continuation resolution is proposed to shareholders every three years, with the next vote due to take place at the Company's AGM in 2018 and successive votes at three year intervals.

The Board has assessed its viability in accordance with provision C.2.2 of the 2016 UK Corporate Governance Code. The Board considers that five years is the period which should be considered in the context of its long term objective but which is limited by the inherent and increasing uncertainties involved in assessment over a longer period. This longer-term viability statement is contingent upon shareholders voting to support the continuation vote in 2018 and thereafter.

In making this assessment the directors have considered the following risks to its ongoing viability:

- The principal risks and uncertainties and the mitigating actions set out on pages 15 and 16;
- The ongoing relevance of the Company's investment objective in the current environment;
- The level of income forecast to be generated by the Company and the liquidity of the Company's portfolio;
- The level of fixed costs and limited debt relative to its liquid assets;
- The current loan facility is due to expire on 31 August 2018. The Board is not aware of any reason why it would not be able to renew the loan facility at that date or indeed repay the loan if preferred; and
- The expectation is that the current portfolio could be liquidated to the extent of 98.6% within 10 days.

Based on the results of their analysis and the Company's processes for monitoring each of the factors set out above, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities over the next five years.

Directors

As set out in the Board of directors on page 18, each of Harry Wells, Gregory Shenkman, Martin Shenfield, Anja Balfour and Peter Edwards are directors of the Company. In accordance with best practice and the Company's Articles of Association, all directors will stand for re-election at the AGM. The Board does not believe that length of service necessarily disqualifies a director from seeking re-election. The performance of each of the directors was considered during the Board annual evaluation. Following this appraisal, the Board believes that the performance of each of the directors continues to be effective and that none of any director's other commitments or length of service interfere with the discharge of that directors' responsibilities to the Company. The Board is is satisfied that each director makes sufficient time available to serve the Company effectively.

Compliance

The Board of the Company has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC code') by reference to the AIC Corporate Governance Guidance for investment companies ('AIC guide'). The AIC code, as explained by the AIC guide, addresses all of the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting along the lines of the principles and recommendations of the AIC code and by reference to the AIC guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Company has complied with all of the recommendations of the AIC code and the relevant provisions of the UK Corporate Governance Code except those which are not applicable, being:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC guide and as explained in the UK Corporate Governance Code, the Board considers that these provisions not relevant to the Company, being an externally managed investment Company. The Company has therefore not reported further in respect of these provisions.

The principles of the AIC code

The AIC code is made up of 21 principles and the Company has complied with all principles except principle 11 as this is not applicable to the Company (Principle 11: the chairman and the board should be brought into the process of structuring a new launch at an early stage). Details of the AIC principles and how the Company complies with them can be found on the Company's website at www.martincurrieasia.com.

Relations with shareholders

The Company places great importance on communication with shareholders. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders twice a year by way of the annual report and the half-yearly report. The net asset value of the Company's shares is available daily through the London Stock Exchange and monthly updates are available on the Company's website. The Board monitors the shareholder profile of the Company at every Board meeting. All shareholders have the opportunity, and are encouraged, to attend the Company's AGM at which the directors and representatives of the investment manager are available to meet shareholders and answer questions. Andrew Graham, the portfolio manager, also presents a review of the Company's performance and invites questions from shareholders.

The investment manager provides a dedicated client services team which maintains regular contact with the Company's shareholders and reports regularly to the Board. Shareholders can also contact the directors throughout the year, through the Company secretary.

Annual general meeting

The AGM of the Company will be held at 12.30pm on Wednesday 11 July 2018, at 1 Bartholomew Lane, London EC2N 2AX.

Authority to allot shares - ordinary resolution

Section 551 of the Companies Act 2006 provides that the directors may not allot new shares without shareholder approval. Resolution 12 seeks to renew the directors' authority to allot up to a maximum nominal amount of £6,020,751 (being one third of the issued share capital of the Company (excluding treasury shares) as at 5 June 2018, being the latest practicable date before the date of this notice). The Board intends to exercise this power only once the number of shares held by the Company in treasury is not sufficient to support share issuance by the Company. As at 5 June 2018, the Company held 3,381,376 ordinary shares in treasury, representing approximately 8.56% of the Company's issued share capital (excluding treasury shares), being the latest practicable date prior to publication of this document. The authority will expire on 31 August 2019 or, if earlier, at the end of the Annual General Meeting of the Company to be held in 2019, unless previously cancelled or varied by the Company in general meeting.

Continuation vote – ordinary resolution

As set out in the Chairman's statement on pages 3 to 5 and the report of the directors on page 22, resolution 13 proposes that pursuant to article 152 of the Company's Articles of Association the Company continues in being as an investment trust. The Articles of Association of the Company require a continuation vote every three years.

Disapplication of pre-emption rights – special resolution

Resolution 14 proposes as a special resolution to continue the directors' authority under s570 and s573 of the Companies Act 2006 to allot shares for cash in certain circumstances otherwise than pro rata to all the shareholders up to an aggregate nominal amount of £903,112 (representing 5% of the Company's issued share capital as at 5 June 2018, the latest practicable date before publication of the accounts) and to modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights or other pre-emptive offer or issue. Any issue of shares would be made in accordance with the Company's Articles of Association. This authority would enable the directors to issue shares for cash to take advantage of changes in market conditions that may arise in order to increase the amount of the Company's issued share capital. The purpose of such an increase would be to improve the liquidity of the market in the Company's shares and to spread the fixed costs of administering the Company over a wider base. For the purposes of this resolution, allotment of shares includes the sale of treasury shares. Total shares held in treasury as at 31 March 2018 were 3,381,376 (2017: 3,381,376) representing 8.56% of the called up issued share capital of the Company. The Company has not purchased any of its own shares since the year end.

Share buy backs – special resolution

Each year the directors seek authority from shareholders to purchase the Company's own shares. The directors recommend that shareholders renew this authority as proposed by resolution 15. Resolution 15 specifies the maximum number of shares that may be acquired being 14.99% of the issued share capital of the Company as at 5 June 2018, being the last practicable date before the date of this report, and the maximum and minimum prices at which they may be bought and, if passed, would lapse at the Company's AGM in 2019.

The main effect of any share buy backs (whether for cancellation or to be held in treasury) will be to enhance the net asset value of the remaining ordinary shares, as the shares will only be acquired at a cost which is less than their net asset value.

Purchases can provide liquidity for shareholders wishing to sell their ordinary shares. Any shares bought back into treasury pursuant to this authority will be held in treasury. The purpose of holding some shares in treasury is to allow the Company to re-issue those shares to satisfy shareholder demand. Shares held in treasury carry no voting rights or rights to dividends.

Purchase by the Company of its own shares will be funded either by using available cash resources, by selling investments in the portfolio or through borrowings. During the year ended 31 March 2018, no ordinary shares were bought back to be held in treasury. Total shares held in treasury as at 31 March 2018 were 3,381,376 (2017: 3,381,376) representing 8.56% of the called up issued share capital of the Company. The Company has not purchased any of its own shares since June 2016.

Recommendation

The directors believe all the resolutions proposed are in the best interests of the Company and the shareholders as a whole and recommend all shareholders to vote in favour of all the resolutions. The results of the votes on the resolutions at the AGM will be published on the Company's website (www.martincurrieasia.com).

On behalf of the Board

Harry Wells
Chairman

7 June 2018

Corporate governance statement

Board committees

Management engagement committee

The management engagement committee's responsibilities include:

- reviewing the continuing appointment of the investment manager;
- reviewing the performance of the investment manager in terms of investment performance and the company secretarial and administrative services provided;
- reviewing the performance of the personnel employed by the investment manager in relation to the provision of such services;
- reviewing the terms of the investment management agreement, to ensure that it remains competitive and in the best interests of shareholders; and
- reviewing the appointment, contractual terms and service of other third party providers to ensure that they remain competitive and of a high standard.

The management engagement committee met once during the year.

Composition – all directors and chaired by Harry Wells.

Nominations committee

The nominations committee's responsibilities include:

- assessing the skills, knowledge, experience and diversity required on the Board and the extent to which each are represented;
- establishing processes for the review of the performance of the Board committees and the Board as a whole;
- establishing processes for the identification of suitable candidates for appointment to the Board;
- overseeing succession planning for the Board; and
- in relation to any director retiring by rotation, and who is proposing to stand for re-election, the committee will review the retiring director's performance during the period in which they have been a member of the Board.

The nominations committee met once during the year.

Composition – all directors and chaired by Harry Wells.

Audit and risk committee

The audit and risk committee's responsibilities include:

- monitoring and reviewing the integrity of the financial statements and considering in particular that, taken as a whole, they are fair, balanced and understandable;
- monitoring and reviewing internal financial controls;
- the independence, objectivity and effectiveness of the external auditor;
- making recommendations to the Board in relation to the appointment, evaluation or dismissal of the external auditor, their remuneration, terms of their engagement and reviewing their independence and objectivity;
- developing and implementing the policy on the engagement of the external auditor to supply non-audit services; and
- reporting to the Board, identifying any matter in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

The audit and risk committee met twice during the year.

Composition – all directors and chaired by Anja Balfour.

Directors' meetings

The following table shows the number of formal Board and Board committee meetings held during the year and the number attended by each director or committee member. In addition to the formal quarterly Board meetings, there were several additional meetings of the Board and a strategy meeting held during the financial year.

	Formal Board meetings (4 meetings)	Management engagement committee (1 meeting)	Audit and risk committee (3 meetings)	Nominations committee (1 meeting)
Harry Wells (Chairman)	4	1	3	1
Anja Balfour (audit and risk committee Chairman)	4	1	3	1
Peter Edwards	4	1	3	1
Martin Shenfield	4	1	3	1
Gregory Shenkman	4	1	3	1

Evaluation

The Board undertakes an evaluation annually. Board and committee evaluation questionnaires are drawn up by the Company secretary, and completed by the Chairman and each director. The responses are collated and discussed. The Chairman leads the evaluation of the Board and committee and individual directors while the senior independent director leads the evaluation of the Chairman's performance.

The Board also regularly reviews the performance of the investment manager. As set out on page 25, the management engagement committee meets to review the continuing appointment of the investment manager and reviews the terms of the investment management and secretarial agreement, to ensure that it remains competitive and in the best interest of shareholders. The audit and risk committee also reviews the continuing appointment of other key service providers.

Internal controls

The AIC Code and the Disclosure and Transparency Rules require directors, at least annually, to review the effectiveness of the Company's system of internal controls and include a description of the main features relating to the financial reporting process.

Since investment management and all administrative services are provided to the Company by Martin Currie, the Company's system of internal controls mainly comprises monitoring the services provided by Martin Currie, including the operating controls established by them, to ensure that they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the risk and compliance department of Martin Currie. This arrangement is kept under review. Martin Currie also undertakes a review of the custodial and administration activities carried out by State Street.

The Board, either directly or through committees, reviews the effectiveness of the Company's system of internal controls by monitoring the operation of the key controls of Martin Currie and:

- reviews an internal controls report as provided to the Board twice yearly by the investment manager. This report details significant risks, regulatory issues, error management and complaint handling;
- reviews the terms of the management agreement;
- reviews reports on the internal controls and the operations of the investment manager and of the custodian; and
- reviews the risk profile of the Company and considers investment risk at every Board meeting.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company as outlined on pages 15 and 16. This process accords with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

During the course of its review of internal controls, the Board has not identified or been advised of any failings or weaknesses which it has determined to be significant, and is satisfied with the existing arrangements.

Internal controls and risk management systems in relation to the financial reporting process

The directors are responsible for the Company's system of internal controls, designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable.

Martin Currie has in place stringent controls that monitor the following activities within the financial reporting process:

- investment and related cash transactions are completely and accurately recorded and settled in a timely manner;
- corporate actions and proxy voting instructions are respectively identified and generated, and then processed and recorded accurately and in a timely manner;
- investment income is accurately recorded in the proper period;
- investments are valued using current prices obtained from independent external pricing sources;
- cash and securities positions are completely and accurately recorded and reconciled to third party data; and
- investment management fees are accurately calculated and recorded.

The system of internal controls can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can provide only reasonable, but not absolute, assurance against fraud, material mis-statement or loss.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's systems of internal controls for the year ended 31 March 2018, and to the date of approval of this annual report.

On behalf of the Board

Harry Wells
Chairman

7 June 2018

Audit and risk committee report

During the financial year, the audit committee was renamed as the audit and risk committee. The audit and risk committee believes this reflects better the work undertaken by the committee. The audit and risk committee is chaired by Anja Balfour and comprises all of the directors.

The audit and risk committee reviews the scope and results of the audit and, during the year, considered and approved the external auditor's plan for the audit of the financial statements for the year ended 31 March 2018. A full list of the responsibilities of the committee is set out on page 25.

At the conclusion of the audit, KPMG LLP did not highlight any issues to the audit and risk committee which would cause it to qualify its audit report nor did it highlight any fundamental internal controls weaknesses. KPMG LLP issued an unqualified audit report which is included on pages 31 to 34.

The audit and risk committee takes account of the most significant issues and risks, both operational and financial, likely to impact the Company's financial statements.

The following issues were considered by the audit and risk committee in relation to the financial statements:

Matter	Action
Accuracy of portfolio valuation	Actively traded listed investments are valued at bid prices provided by third party service providers in accordance with the price source agreement in place. The investment manager reviews and summarises the SOC 1 report, prepared annually by State Street Bank and Trust Company ('State Street') covering Global Fund Accounting and Custody and the audit and risk committee reviews this summarised report annually.
Strength of processes and internal controls at outsourced providers	The investment administration function is outsourced by Martin Currie to State Street. Custodial services are provided to the Company by State Street as appointed by the depositary. The directors, having carried out due diligence at the time of appointment and subsequently with State Street, are satisfied that State Street are acceptable outsource providers. The audit and risk committee receives regular reports from Martin Currie on the effectiveness of these arrangements. Martin Currie has reviewed and checked State Street's processes, procedures and internal controls. The external auditor also considered the State Street controls report and confirmed to the Audit and Risk Committee that any exceptions identified had no material impact on the audit approach.
Mis-statement of revenue returns	The Board reviews income forecasts (including special dividends) and receives explanations from the investment manager for any variations or significant movements from previous forecasts and prior year figures. The allocation of expenses between revenue and capital is reviewed by the audit and risk committee annually taking into account the long-term split of returns from the portfolio, both historic and projected, the objectives of the Company and historical, currrent and prospective yields. The management fee is calculated in accordance with the contractual terms in the investment management agreement by State Street and is reviewed in detail by the investment manager and is subject to review by the Board. The investment manager reviews and summarises the SOC 1 report, prepared annually by State Street covering Global Fund Accounting and Custody and the audit and risk committee reviews this summarised report annually. The SOC 1 report details the systems, processes and controls around the recording of investment income.
Going concern	The audit and risk committee has reviewed the revenue forecasts, the statement of financial position and the liquidity of the portfolio and believes that the Company has adequate financial resources to continue its operational existence for the foreseeable future and at least one year from the date of the annual report.

Auditor's independence

The Company has in place a policy governing and controlling the provision of non-audit services by the external auditor to safeguard their independence and objectivity. This is achieved by prohibiting non-audit work where in the view of the audit and risk committee independence may be compromised or conflicts arise. Any non-audit work requires specific approval of the audit and risk committee in each case.

The audit fees amount to £19,500 for the year ended 31 March 2018 (2017: £19,900). Non-audit fees amounted to £1,500 for the year ended 31 March 2018 (2017: £1,500).

Auditor's appointment and rotation

Following the introduction of the EU Audit Regulations, which came into force in 2016, it is mandatory for audit firms to rotate at least every 10 years, which can be extended to 20 years where a public tender has been conducted after 10 years.

A competitive tender for the audit of the Company was held in February 2017, following which KPMG LLP was selected as the Company's auditors.

Under EU rotation guidance, the Company's audit engagement partner will rotate every five years. There is currently no intention to put the audit out to tender.

A resolution to re-appoint KPMG LLP as the Company's auditor will be put to shareholders at the forthcoming AGM and is recommended by the Board.

Effectiveness of the external audit process

The audit and risk committee evaluated the effectiveness of the external auditor and the external audit they undertook. This evaluation involved an assessment of the effectiveness of the auditor's performance against criteria including qualification, expertise and resources, independence and effectiveness of the audit process. Having reviewed the performance of the external auditor as described above, the audit and risk committee is satisfied with the external audit process undertaken in relation to this annual report and its financial statements.

Conclusions in respect of the annual report

The production and audit of the Company's annual report is a comprehensive process which requires input from a number of different contributors. One of the key governance requirements in respect of the Company's annual report and financial statements is that it is fair, balanced and understandable. The Board has requested that the audit and risk committee consider whether the annual report, when taken as a whole, fulfils this requirement. To this purpose, the audit and risk committee has given consideration to the following:

- the comprehensive reviews that are undertaken at different levels in the production process of the annual report by the investment manager, the third party service providers and the audit and risk committee that aim to ensure consistency and overall balance; and
- the controls that are in place at the investment manager and third party service providers ensure the completeness and accuracy of the Company's financial records and the security of the Company's assets.

As a result of the work performed, the audit and risk committee has concluded that the annual report for the year ended 31 March 2018, is fair, balanced and understandable, when taken as a whole, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. It reported on these findings to the Board and the Board's conclusion in this respect is set out on page 19.

Anja Balfour
Chairman of the audit and risk committee

7 June 2018

Remuneration statement

The Board has prepared this report in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An ordinary resolution to approve this report will be put to the members at the AGM.

Company law requires the Company's auditor to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 31 to 34.

AIFM remuneration policy

Under AIFMD, the Company's AIFM is required to adopt a remuneration policy that complies with the FCA's AIFM Remuneration Code.

The Martin Currie group remuneration and reward policy is reviewed and signed off by the Remuneration Committee of Martin Currie (Holdings) Limited, annually, and is confirmed as AIFMD compliant. This policy applies to the whole group of Martin Currie companies including MCFM.

Directors' remuneration policy

The nominations committee fulfils the function of a remuneration committee in addition to its nominations function. The Board has appointed the Company secretary, Martin Currie, to provide information when the nominations committee considers the level of directors' fees. All directors are members of the nominations committee.

As the Board is composed wholly of non-executive directors, the nominations committee considers directors' remuneration in addition to its nominations function.

The Board's policy is that the remuneration of non-executive directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure (ordinary shares and borrowings), and with broadly similar investment objectives. It is intended that this policy will continue for the year ending 31 March 2018 and subsequent periods. The fees for the non-executive directors are determined within the limits set out in the Company's Articles of Association, which state that the aggregate ordinary remuneration of the directors shall not exceed £150,000 per annum. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties. But the directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors do not have a service contract but are provided with letters of appointment.

All directors are appointed for an initial term covering the period from the date of appointment until the first AGM at which they are required to stand for election in accordance with the Company's Articles of Association and industry best practice. Thereafter the directors are re-elected in accordance with the Company's Articles of Association. The directors are appointed for fixed terms of office.

There is no notice period and no provision for compensation upon early termination of appointment. The directors' remuneration policy is put to shareholders annually.

Annual report on remuneration

The non-executive directors received a fee of £22,000 per annum (with an additional £550 per annum paid to the senior independent director), the audit and risk committee Chairman received a fee of £27,500 per annum and the Chairman a fee of £33,000 per annum during the year end 31 March 2018.

No discretionary payments were made in the year, or in previous years.

During the year the nominations committee considered the directors' fees in the context of the benchmark data from its peer group, and taking into account the increased regulatory and compliance burden upon the Board, it was agreed that the non-executive directors' fee, senior independent director's fee and Chairman's fee should be increased to £23,000, £23,500 and £34,500 respectively. It was also agreed that the fee payable to the Chairman of the audit and risk committee be increased to £28,750. All fee increases were effective from 1 April 2018.

The graph on page 30 compares, for the ten financial periods ended 31 March 2018, the total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return of the market. The MSCI Asia Pacific ex Japan index is used as a proxy for the market.

Directors' shareholdings (audited)

Directors' shareholdings	**2018**	2017
Anja Balfour	**6,030**	5,030
Peter Edwards	**10,000**	5,000
Martin Shenfield	**10,052**	5,052
Gregory Shenkman	**5,072**	5,072
Harry Wells	**24,000**	20,000

Directors who held office at the end of the year and their shareholdings are shown above. Harry Wells' holding of 24,000, shares includes a family interest in 6,000 shares. Peter Edwards' shares are held by a private trust, of which he is a beneficiary.

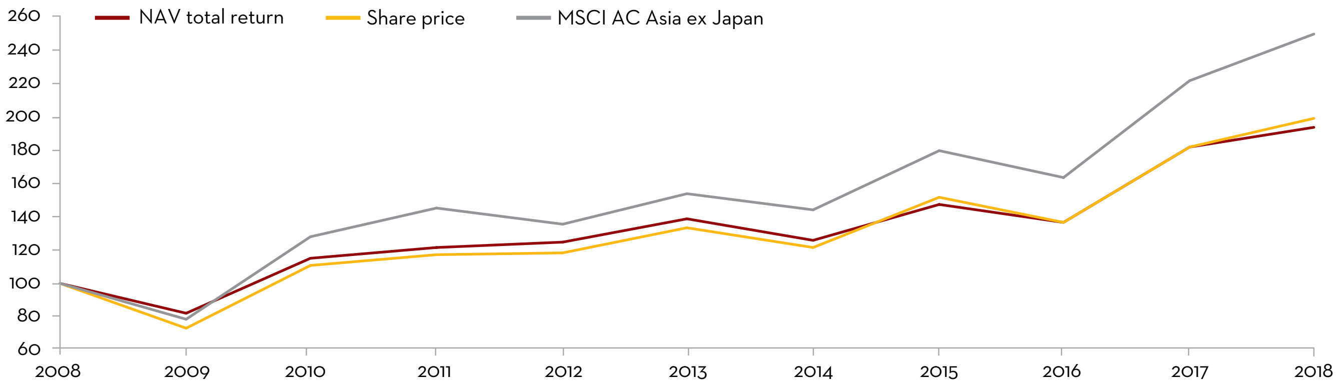
Approval

An ordinary resolution for the approval of the directors' report on remuneration, and an ordinary resolution for the approval of directors' remuneration policy are put to shareholders at the AGM.

At the AGM on 5 July 2017, the shareholders voted in favour of the directors' remuneration report for the period ended 31 March 2017. Of the proxy votes received, 99.88% of the votes were cast in favour of the directors' remuneration report.

The shareholders also voted in favour of the directors' remuneration policy. Of the proxy votes received, 99.90% of the votes were cast in favour of the directors' remuneration policy.

Total return (ten financial years)



Past performance is not a guide to future returns.

Source: Martin Currie Investment Management Ltd. The MSCI Asia Pacific ex Japan index is used as a proxy for the market. On 30 June 2008 the Company's benchmark changed from MSCI All Countries Asia Pacific index (Japan fixed at 40%) to MSCI All Countries Asia Pacific index. On 1 July 2011 it changed to the MSCI All Countries Asia Pacific (Japan fixed at 25%) index. From 1 August 2014 the Company has measured its performance by reference to Asia ex Japan nominal GDP growth measured over three year rolling periods.

Directors' emoluments for the year (audited)

	Fees 2017/2018 £	Fees 2016/2017 £
Harry Wells (Chairman)	**33,000**	30,000
Anja Balfour (audit and risk committee Chairman)	**27,500**	24,000
Peter Edwards	**22,000**	20,000
Martin Shenfield	**22,000**	20,000
Gregory Shenkman	**22,550**	20,500
	127,050	114,500

Relative importance of remuneration costs

As the Company has no employees, the table above also comprises the total remuneration costs paid by the Company. To enable shareholders to assess the relative importance of remuneration costs, this has been shown in a table below compared with the Company's dividend distributions and share buy backs.

Relative importance of spend on directors' remuneration

	2017/2018 £000	2016/2017 £000	Change £000
Directors' total remuneration	**127**	115	12
Dividends paid and payable	**6,032**	5,881	151
Buy back of ordinary shares	**–**	1,433	(1,433)

On behalf of the Board

Harry Wells
Chairman

7 June 2018

Independent auditor's report to the members of Martin Currie Asia Unconstrained Trust plc

1. Our opinion is unmodified

We have audited the financial statements of Martin Currie Asia Unconstrained Trust P.L.C. ("the Company") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cashflow and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 March 2018 and of its return for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit and risk committee.

We were appointed as auditor by the shareholders on 5 July 2017. This is the first year of engagement. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:	£1.6m
financial statements as a whole	1% of Total Assets
Risks of material misstatement	
Risk	Carrying value of quoted investments

2. Key audit matter: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently is incidental to that opinion, and we do not provide a separate opinion on this matter.

	The risk	Our response
Carrying Value of Quoted Investments (£158.2 million) Refer to pages 27 and 28 (audit and risk committee report), page 39 (accounting policy) and page 44 (financial disclosures)	Low risk, high value: The Company's portfolio of quoted investments makes up 96.7% of the Company's total assets (by value) and is one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our procedures included: • Tests of Detail: Agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices; and • Enquiry of custodians: Agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations from investment custodians. Our results • We found the carrying amount of quoted investments to be acceptable.

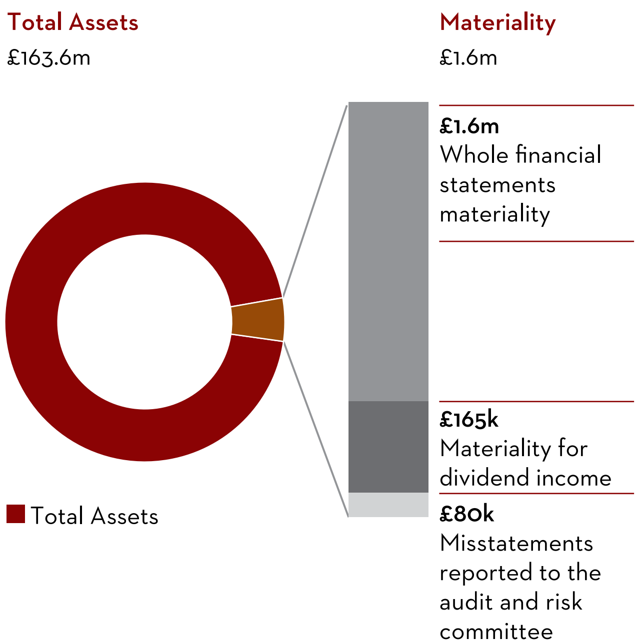
3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £1.6m, determined with reference to a benchmark of total assets, of which it represents 1%.

In addition, we applied materiality of £165,000 to dividend income, for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Company.

We agreed to report to the audit and risk committee any corrected or uncorrected identified misstatements exceeding £80,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed at State Street's office in London.



4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 22 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information inthe Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement on page 22 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement.

We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing the work of the audit and risk committee does not appropriately address matters communicated by us to the audit and risk committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 21, the directors are responsible for: the preparation of the financial statements, including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the Directors, the manager and the administrator (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements, including financial reporting (including related company legislation) as well as the Company's qualification as an Investment Trust under UK tax legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team, which included individuals with experience relevant to those laws and regulations, and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Waterson

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

7 June 2018

		Year ended 31 March 2018			Year ended 31 March 2017		
	Note	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Dividend income	2	4,305	–	4,305	3,927	–	3,927
Net gains on investments	8	–	7,207	7,207	–	37,301	37,301
Net currency gains/(losses)		(15)	364	349	31	(684)	(653)
		4,290	7,571	11,861	3,958	36,617	40,575
Investment management fee		(395)	(790)	(1,185)	(348)	(696)	(1,044)
Other expenses	4	(557)	–	(557)	(506)	(5)	(511)
Net return on ordinary activities before finance costs and taxation		3,338	6,781	10,119	3,104	35,916	39,020
Interest payable and similar charges	3	(40)	(76)	(116)	(37)	(75)	(112)
Net return on ordinary activities before taxation		3,298	6,705	10,003	3,067	35,841	38,908
Taxation on ordinary activities	5	(198)	–	(198)	(134)	–	(134)
Net return attributable to shareholders		3,100	6,705	9,805	2,933	35,841	38,774
Net return per ordinary share	7	8.58p	18.56p	27.14p	8.10p	99.03p	107.13p

The total columns of this statement are the profit and loss accounts of the Company.

The revenue and capital items are presented in accordance with the Association of Investment Companies Statement of Recommended Practice ('SORP').

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the year ended 31 March 2018.

The net return attributable to shareholders is the profit/(loss) for the financial period and there was no other comprehensive income.

The notes on pages 39 to 51 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		As at 31 March 2018		As at 31 March 2017	
	Note	£000	£000	£000	£000
Fixed assets					
Equities at fair value through profit or loss	8		**158,466**		157,537
Current assets					
Receivables	9	**1,083**		509	
Cash at bank	10	**4,053**		3,575	
		5,136		4,084	
Current liabilities					
Derivative investments at fair value through profit or loss	8	**(232)**		–	
Payables	11	**(5,219)**		(7,358)	
Net current liabilities			**(315)**		(3,274)
Total assets less current liabilities			**158,151**		154,263
Share capital and reserves					
Called-up ordinary share capital	12	**19,753**		19,753	
Share premium account		**6,084**		6,084	
Capital redemption reserve		**3,428**		3,428	
Capital reserve*		**126,198**		122,538	
Revenue reserve*		**2,688**		2,460	
Total shareholders' funds			**158,151**		154,263
Net asset value per ordinary share of 50p	7		**437.8p**		427.0p

*These reserves are distributable.

The notes on pages 39 to 51 form part of these financial statements.

Martin Currie Asia Unconstrained Trust PLC is registered in Scotland, company number SC092391.

The financial statements on pages 39 to 51 were approved by the Board of directors on 7 June 2018 and signed on its behalf by

Harry Wells
Chairman
7 June 2018

Year ended 31 March 2018	Note	Called up share capital £000	Share premium reserve £000	Capital redemption reserve £000	Capital reserve* £000	Revenue reserve* £000	Total £000
At 1 April 2017		19,753	6,084	3,428	122,538	2,460	154,263
Net return attributable to shareholders**	7	–	–	–	6,705	3,100	9,805
Dividends paid from revenue	6	–	–	–	–	(2,872)	(2,872)
Dividends paid from capital***	6	–	–	–	(3,045)	–	(3,045)
At 31 March 2018		**19,753**	**6,084**	**3,428**	**126,198**	**2,688**	**158,151**

Year ended 31 March 2017	Note	Called up share capital £000	Share premium reserve £000	Capital redemption reserve £000	Capital reserve* £000	Revenue reserve* £000	Total £000
At 1 April 2016		19,753	6,084	3,428	88,130	2,363	119,758
Net return attributable to shareholders**	7	–	–	–	35,841	2,933	38,774
Ordinary shares bought back into treasury	12	–	–	–	(1,433)	–	(1,433)
Dividends paid from revenue	6	–	–	–	–	(2,836)	(2,836)
Dividends paid from capital	6	–	–	–	–	–	–
At 31 March 2017		19,753	6,084	3,428	122,538	2,460	154,263

*These reserves are distributable.

**The Company does not have any other income or expenses that are not included in the 'Net return attributable to shareholders' as disclosed in the Statement of comprehensive income on page 35, and therefore is also the 'Total comprehensive income for the year'.

***The dividend per share for the year ended 31 March 2017 was 13.68p per ordinary share including 8.43p which was paid from capital. The dividend was paid during the year ended 31 March 2018.

The notes on pages 39 to 51 form part of these financial statements.

	Note	Year ended 31 March 2018 £000	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000	Year ended 31 March 2017 £000
Cash flows from operating activities					
Profit before tax			10,003		38,908
Adjustments for:					
Gains on investments	8	(7,207)		(37,301)	
Purchases of investments*		(28,255)		(11,143)	
Sales of investments*		34,638		14,636	
Finance costs		116		112	
Dividend revenue	2	(4,305)		(3,927)	
Dividend received		4,321		3,817	
(Increase)/decrease in receivables		(590)		28	
Increase in other payables and amounts due to Martin Currie Investment Management Limited		25		47	
Overseas withholding tax suffered	5	(198)		(134)	
			(1,455)		(33,865)
Net cash flows from operating activities			8,548		5,043
Cash flows from financing activities					
Repurchase of ordinary share capital		–		(1,699)	
Net movement in short-term borrowings	13	(1,593)		1,923	
Exchange movement in short-term borrowings	13	(444)		(217)	
Interest paid and similar charges		(116)		(118)	
Equity dividends paid from revenue	6	(2,872)		(2,836)	
Equity dividends paid from capital	6	(3,045)		–	
Net cash flows from financing activities			(8,070)		(2,947)
Net increase in cash and cash equivalents			478		2,096
Cash and cash equivalents at the start of the year			3,575		1,479
Closing cash and cash equivalents			4,053		3,575

*Receipts from the sale of and payments to acquire investment securities have been classified as components of cash flows from operating activities because they form part of the Company's investing activities.

The notes on pages 39 to 51 form part of these financial statements.

Note 1:
Accounting policies

(a) Basis of preparation – for the year ended 31 March 2018, the Company is applying FRS 102 Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'), which forms part of the Generally Accepted Accounting Practice ('UK GAAP') issued by the Financial Reporting Council (FRC).

These financial statements have been prepared on a going concern basis in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, FRS102 issued by the FRC and the revised Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (SORP) issued by the AIC in November 2014 and updated in January 2017.

Functional currency – sterling is the Company's functional currency, which is also the currency in which these financial statements are prepared.

Statement of estimation uncertainty - in the application of the Company's accounting policies, the Board is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not always readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may vary from these estimates.

(b) Income from equity investments (other than special dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend, or where no ex-dividend date is quoted, when the Company's right to receive payment is established. Franked investment income is stated net of the relevant tax credit. Other income includes any taxes deducted at source. Special dividends are credited to capital or revenue, according to the circumstances. Scrip dividends are treated as unfranked investment income; any excess in value of the shares received over the amount of the cash dividend is recognised as a capital item in the Statement of Comprehensive Income.

(c) The management fee and finance costs in relation to debt are recognised two-thirds as a capital item and one-third as a revenue item in the statement of comprehensive income in accordance with the Board's expected long-term split of returns in the form of capital gains and income, respectively. Interest receivable and payable, and management expenses are treated on an accruals basis. All other expenses are charged to revenue except where they directly relate to the acquisition or disposal of an investment, in which case, they are treated as described in note 1 (e) below.

(d) Investments – investments have been classified upon initial recognition as at fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are valued at fair value. Movements in the fair value of investments and gains/losses on the sale of investments are taken to the statement of comprehensive income as a capital item.

The Company's listed investments are valued at bid price. Further details on investments are disclosed in note 8.

(e) Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the statement of comprehensive income.

(f) Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the statement of financial position. Non-monetary items expressed in foreign currencies held at fair value are translated into sterling at rates of exchange ruling at the date the fair value is measured. Transactions in foreign currencies are converted to sterling at the rate ruling at the date of transaction. Exchange gains and losses are taken to the income statement as a capital or revenue item depending on the nature of the underlying item.

(g) All financial assets and liabilities are recognised in the financial statements at fair value, with the exception of short-term assets and liabilities, which are held at nominal value that approximates to fair value, and loans that are initially recognised at the fair value of the consideration received, less directly attributable costs, and subsequently recognised at amortised cost.

(h) Dividends payable – interim dividends are recognised once the directors are obligated to pay the dividend. Final dividends are recognised in the period which they are declared/approved as disclosed in note 6.

(i) Capital reserve – capital expenses, gains or losses on realisation of investments and changes in fair values of investments which are readily convertible to cash, without accepting adverse terms, are transferred to the capital reserve. Share buybacks are funded through the capital reserve, with details of buybacks disclosed in note 12. The capital reserve is distributable. An element of the dividend is deducted from capital reserve.

Revenue reserve – the net revenue for the year is transferred to the revenue reserve and dividends paid are deducted from the revenue reserve.

Capital redemption reserve – the nominal value of the shares bought back and cancelled are transferred to the capital redemption reserve.

Share premium account - this represents the surplus of subscription monies after expenses over the nominal value of the issued share capital.

(j) Taxation – the tax effect of different items of income/gains and expenditure/losses is allocated between revenue and capital on the same basis as the particular item to which it relates, under the marginal method, using the Company's effective rate of tax. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions of events that result in an obligation to pay more or a right to pay less tax in future have occurred at the reporting date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods.

(k) The Company uses derivative financial instruments to manage the risk associated with foreign currency fluctuations arising on dividends received in currencies other than sterling. This is achieved by the use of forward foreign currency contracts. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments are recognised initially at fair value on the contract date and subsequently remeasured to the fair value at each reporting date. The resulting gain or loss is recognised as revenue or capital in the statement of comprehensive income depending on the nature and motive of each derivative transaction.

During the year ended 31 March 2018 the Company commenced the purchasing of options. These derivatives are held at fair value based on the bid/offer prices of the options purchased to which the Company is exposed. The value of the option is subsequently marked-to-market to reflect the fair value of the option based on traded prices. The primary purpose behind the purchase of options is to protect the portfolio. When an option is closed out or exercised, the gain or loss is accounted for as a capital gain or loss.

(l) Cash and cash equivalents comprise cash on hand and deposits.

(m) Key judgements - The only key judgement is the functional currency of the Company. This is considered to be a key judgement as the Company invests in non-sterling investments, yet the functional currency is determined to be sterling.

The Board has determined that sterling is the Company's functional currency based on various considerations, including that it is the currency in which the Company's shares are denominated, as well as the currency in which dividends and the majority of expenses are paid.

Note 2: Revenue from investments

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
From listed investments		
Overseas equities	4,305	3,927
	4,305	3,927
Total revenue comprises:		
Dividends	4,305	3,927
	4,305	3,927

The Company received a capital dividend of £40,727 from Singapore Telecommunications during the year ended 31 March 2018 (31.03.17: £nil).

Note 3: Interest payable and similar charges

	Year ended 31 March 2018			Year ended 31 March 2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Interest expense on bank loans and overdrafts	40	76	116	37	75	112

Note 4: Other expenses

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
AIFMD Depositary fees	36	35
Bank charges	11	9
Custody fee	89	79
Directors' fees	127	115
Legal and professional fees	46	28
Printing and postage	5	14
Public relations	84	55
Registration fees	20	28
Secretarial fee	82	81
Miscellaneous revenue expenses	37	41
	537	485
Auditor's remuneration		
Payable to KPMG LLP for the audit of the Company's annual financial statements	20	–
Payable to Ernst & Young LLP for the audit of the Company's annual financial statements	–	19
Payable to Ernst & Young LLP for non-audit services	–	2
	20	21
Miscellaneous capital expenses*	–	5
	557	511

*The expense for 31 March 2018 was £nil (31.03.17 related to project costs).

Details of the contract between the Company and Martin Currie for provision of investment management and secretarial services are given in the report of the directors on page 19.

The non-audit services relate to the assessment of 'ready to tag' accounts and design process for iXBRL purposes.

Note 5: Taxation on ordinary activities

	Year ended 31 March 2018			Year ended 31 March 2017		
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Irrecoverable overseas tax	**198**	**–**	**198**	134	–	134

The effective UK corporation tax rate was 19% (31.03.17: 20%). The tax charge for the year differs from the charge resulting from applying the standard rate of corporation tax in the UK for an investment trust company. The differences are explained below.

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Net return before taxation	**10,003**	38,908
UK corporation tax at effective rate of 19% (31.03.2017: 20%)	**1,900**	7,782
Adjustments:		
Currency (gains)/losses not taxable	**(69)**	137
Gains on investments not taxable	**(1,369)**	(7,460)
Non taxable overseas dividends	**(812)**	(792)
Overseas tax suffered	**198**	134
Excess management expenses not utilised	**350**	333
Total tax charge	**198**	134

At the year end, after offset against income taxable on receipt, there is a potential deferred tax asset of £2,415,000 (31.03.17: £2,102,000) in relation to surplus tax reliefs. It is unlikely that, due to excess management expenses brought forward, the Company will utilise these amounts and therefore no deferred tax asset has been recognised.

Due to the Company's status as an investment trust and its intention to continue to meet the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on capital gains and losses arising on the revaluation or disposal of investments.

Note 6: Equity dividends

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Year ended 31 March 2018 – interim dividend from revenue of 2.70p	975	–
Year ended 31 March 2017 – final dividend from revenue of 5.25p	1,897	–
Year ended 31 March 2017 – final dividend from capital of 8.43p	3,045	–
Year ended 31 March 2017 – interim dividend from revenue of 2.60p	–	939
Year ended 31 March 2016 – final dividend from revenue of 5.25p	–	1,897
	5,917	2,836

Set out below are the total dividends payable in respect of the financial period which forms the basis on which the requirements of s1158-9 of the Corporation Taxes Act 2010 are considered.

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Proposed final dividend from revenue of 5.36p for the year ended 31 March 2018.	1,936	–
Proposed final dividend from capital of 8.64p for the year ended 31 March 2018.	3,121	–
Interim dividend from revenue of 2.70p for the year ended 31 March 2018	975	–
Final dividend from revenue of 5.25p for the year ended 31 March 2017	–	1,897
Final dividend from capital of 8.43p for the year ended 31 March 2017	–	3,045
Interim dividend from revenue of 2.60p for the year ended 31 March 2017	–	939
	6,032	5,881

The Company has not bought back any shares between 1 April 2018 and 6 June 2018; therefore the final dividend for 2018 is based on 36,124,496 ordinary shares in issue.

Note 7: Returns and net asset value

Returns and net asset value	Year ended 31 March 2018	Year ended 31 March 2017
The return and net asset value per ordinary share are calculated with reference to the following figures:		
Revenue return		
Revenue return attributable to ordinary shareholders	**£3,100,000**	£2,933,000
Weighted average number of shares in issue during year*	**36,124,496**	36,191,490
Return per ordinary share	**8.58p**	8.10p
Capital return		
Capital return attributable to ordinary shareholders	**£6,705,000**	£35,841,000
Weighted average number of shares in issue during year*	**36,124,496**	36,191,490
Return per ordinary share	**18.56p**	99.03p
Total return		
Total return attributable to ordinary shareholders	**£9,805,000**	£38,774,000
Weighted average number of shares in issue during year*	**36,124,496**	36,191,490
Total return per ordinary share	**27.14p**	107.13p

	As at 31 March 2018	As at 31 March 2017
Net asset value per share		
Net assets attributable to shareholders	**£158,151,000**	£154,263,000
Number of shares in issue at the year end*	**36,124,496**	36,124,496
Net asset value per share	**437.8p**	427.0p

*Calculated excluding shares held in treasury.

Note 8: Investments at fair value through profit and loss

	As at 31 March 2018 £000	As at 31 March 2017 £000
Overseas listed investments held at fair value through profit or loss	158,466	157,537
Total value of financial asset investments	158,466	157,537
Derivative financial instruments – option contracts	(232)	–
Valuation of investments and derivatives	158,234	157,537
Opening valuation	157,537	123,602
Opening unrealised fair value gains on investments	(45,928)	(10,740)
Opening cost	111,609	112,862
Add: additions at cost	28,128	11,270
	139,737	124,132
Less: disposals at cost	(23,063)	(12,523)
Closing cost	116,674	111,609
Closing unrealised fair value gains on investments	41,560	45,928
Closing valuation	158,234	157,537

Gains on investments	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Realised gains for the current period	11,575	2,113
Movement in unrealised fair value (losses)/gains on investments	(4,368)	35,188
Gains on investments	7,207	37,301

Transaction costs

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within net gains on investments in the statement of comprehensive income. The total costs were as follows:

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Purchases	57	31
Sales	65	48
	122	79

Note 9: Receivables: amounts falling due within one year

	As at 31 March 2018 £000	As at 31 March 2017 £000
Dividends receivable	481	497
Cash collateral held at broker for derivatives	600	–
Other receivables	2	12
	1,083	509

None of the Company's trade receivables are past, due or impaired.

Collateral is pledged until the expiry of the derivatives held. There are no additional terms in relation to the cash pledged as collateral.

Note 10: Cash at bank

	As at 31 March 2018 £000	As at 31 March 2017 £000
Sterling	4,055	3,536
Malaysian Ringgit	–	39
US dollar	(2)	–
	4,053	3,575

Note 11: Payables – amounts falling due within one year

	As at 31 March 2018 £000	As at 31 March 2017 £000
Interest expense and similar charges	10	10
Due to brokers for open trades	–	127
Due to Martin Currie Investment Management Limited	290	284
Revolving bank loan	4,788	6,825
Other payables	131	112
	5,219	7,358

For interest rate risk analysis in respect of receivables and payables refer to note 14.

The Company has a £15,000,000 (31.03.17: £15,000,000) loan facility with the Royal Bank of Scotland, which expires on 31 August 2018.

As at 31 March 2018 and 31 March 2017, the drawdowns were as shown below, with a maturity date of 7 June 2018 (31.03.17: 7 June 2017).

As at 31 March 2018

Currency	GBP	Interest rate
GBP* –	–	–
HKD 25,657,070	2,331,000	1.78%
SGD 4,520,400**	2,457,000	2.12%
	4,788,000	

As at 31 March 2017

Currency	GBP	Interest rate
GBP 1,400,000	1,400,000	1.11%
HKD 25,657,070	2,640,000	1.69%
SGD 4,864,800	2,785,000	1.69%
	6,825,000	

*On 16 May 2017 the Company repaid £1,000,000 and on 2 June 2017 a further £400,000.
**On 5 June 2017 the Company repaid SGD 344,400.
All payables are due within three months.

Note 12: Called up share capital	As at 31 March 2018 £000	As at 31 March 2017 £000
Authorised:		
66,000,000 (31.03.17 - 66,000,000) ordinary shares of 50p each - equity	33,000	33,000
Allotted, called up and fully paid:		
36,124,496 (31.03.17 - 36,124,496) ordinary shares of 50p each - equity	18,062	18,062
Treasury shares:		
3,381,376 (31.03.17 - 3,381,376) ordinary shares of 50p each - equity	1,691	1,691
Total	19,753	19,753

The Company has not bought back any shares during the year ended 31 March 2018. The Company bought back 519,683 shares of 50p each during the year ended 31 March 2017 at a cost of £1,433,000 to be held in treasury.

The Company has an authorised share capital of 66,000,000 ordinary shares of 50p each, which rank equally. Shareholders are entitled to dividends, which are paid bi-annually, and to attend and vote at all general meetings of the Company. On a winding-up, and after satisfying all liabilities of the Company, shareholders will be entitled to all of the remaining assets of the Company.

Note 13: Analysis of net debt	As at 1 April 2017 £000	Cash flows £000	Exchange movements £000	As at 31 March 2018 £000
Cash at bank	3,575	573	(95)	4,053
Bank borrowings - sterling revolving loan	(6,825)	1,593	444	(4,788)
Net debt	(3,250)	2,166	349	(735)

For interest rate risk and currency risk analyses refer to note 14.

Note 14:
Financial instruments

The Company's financial instruments comprise securities, derivatives and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and receivables for accrued income. The Company also has the ability to enter into derivative transactions in the form of forward foreign currency contracts, futures and options, for the purpose of managing currency and market risks arising from the Company's activities.

The main risks the Company faces from its financial instruments are (a) market price risk (comprising of (i) interest rate risk, (ii) currency risk and (iii) other price risk), (b) liquidity risk and (c) credit risk.

The Board regularly reviews and agrees policies for managing each of these risks. The manager's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short-term receivables and payables, other than for currency disclosures, as they are deemed immaterial.

(a) Market price risk

The fair value of future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – interest rate risk, currency risk and other price risk.

(i) Market risk arising from interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits/payable on short term borrowings.

Interest risk profile

The interest rate risk profile of the portfolio of financial assets and liabilities at the date of the statement of financial position was as follows:

As at 31 March 2018	Interest rate %	Local currency '000	Foreign exchange rate	Sterling equivalent £000
Assets				
Sterling	**0.01**	**4,055**	**1.000**	**4,055**
US Dollar	**0.28**	**(3)**	**1.403**	**(2)**
Total				**4,053**
Liabilities				
Loan – Hong Kong Dollar	**1.78**	**25,657**	**11.010**	**2,331**
Loan – Singapore Dollar	**2.12**	**4,520**	**1.839**	**2,457**
Total				**4,788**

As at 31 March 2017	Interest rate %	Local currency '000	Foreign exchange rate	Sterling equivalent £000
Assets				
Sterling	0.01	3,536	1.000	3,536
Malaysian Ringgit	n/a	215	5.534	39
Total				3,575
Liabilities				
Loan – GBP Sterling	1.11	1,400	1.000	1,400
Loan – Hong Kong Dollar	1.69	25,657	9.718	2,640
Loan – Singapore Dollar	1.69	4,865	1.747	2,785
Total				6,825

All cash balances are exposed to floating rates of interest. Both loan balances have fixed rates of interest until the next rollover date.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 50 basis points (31.03.17: 25 basis points) higher or lower and all other variables were held constant, the Company's profit or loss for the year to 31 March 2018 would increase/decrease by £20,300 (31.03.17: increase/decrease by £9,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances.

As at 31 March 2018 an interest rate of 0.50% is used, given the prevailing Bank of England base rate is 0.50%. This level is considered possible based on observations of market conditions and historic trends.

(ii) Market risk arising from foreign currency risk

The Company's investment portfolio is invested almost entirely in foreign securities and the Statement of Financial Position can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investment with foreign currency borrowings.

The Statement of Comprehensive Income is subject to currency fluctuation arising on overseas income.

Foreign currency risk profile

Foreign currency risk exposure by currency of denomination:

	Year ended 31 March 2018			Year ended 31 March 2017		
	Investment exposure £000	**Net monetary exposure £000**	**Total currency exposure £000**	Investment exposure £000	Net monetary exposure £000	Total currency exposure £000
Hong Kong Dollar	**64,958**	**(1,560)**	**63,398**	66,233	(2,644)	63,589
Indian Rupee	**31,663**	**–**	**31,663**	25,633	–	25,633
Indonesian Rupiah	**3,108**	**–**	**3,108**	2,595	–	2,595
Korean Won	**19,214**	**130**	**19,344**	14,773	143	14,916
Malaysian Ringgit	**5,705**	**46**	**5,751**	5,731	40	5,771
Singaporean Dollar	**11,834**	**(2,460)**	**9,374**	18,857	(2,787)	16,070
Taiwanese Dollar	**7,036**	**–**	**7,036**	8,948	–	8,948
Thai Baht	**4,920**	**–**	**4,920**	5,435	–	5,435
US Dollar	**9,796**	**129**	**9,925**	9,332	354	9,686
Total	**158,234**	**(3,715)**	**154,519**	157,537	(4,894)	152,643

The asset allocation between specific markets will vary from time to time based on cumulative invested positions of the portfolio of equity holdings listed in special stock markets.

Foreign currency sensitivity

The following table details the Company's sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies and the resultant impact that any such increase or decrease would have on net return before tax and equity shareholders' funds.

	As at 31 March 2018 £000	As at 31 March 2017 £000
Hong Kong Dollar	6,340	6,359
Indian Rupee	3,166	2,563
Indonesian Rupiah	311	260
Korean Won	1,934	1,492
Malaysian Ringgit	575	577
Singaporean Dollar	937	1,607
Taiwanese Dollar	704	895
Thai Baht	492	544
US Dollar	993	969

(iii) Market risk arising from other price risk

Other price risks (i.e. changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. Both the allocation of assets to international markets as detailed on page 12, and the stock selection process act to reduce market risk. The manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on various stock exchanges worldwide.

The Company's activity in derivatives are used for mitigating market fluctuation.

Other price risk sensitivity

If market prices at the statement of financial position date had been 15% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders at the year ended 31 March 2018 would have increased/decreased by £23,770,000 (31.03.17: increase/decrease of £23,631,000) and capital reserves would have increased/decreased by the same amount. The calculations are based on the portfolio valuations, as at the respective reporting dates, and are not representative of the year as a whole.

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. All payables are due within three months.

Liquidity risk is not considered to be significant as the Company's assets mainly comprise readily realisable securities, which can be sold to meet funding commitments if necessary.

(c) Credit risk

This is the risk of failure of the counterparty to a transaction to discharge its obligations under that transaction which could result in the Company suffering a loss.

The risk is managed as follows:

- Investment transactions are carried out with a large number of brokers, whose credit ratings are reviewed periodically by the portfolio manager. Limits are set on the exposure to any one broker. The risk to the Company of default is therefore minimised;
- Most transactions are made delivery versus payment on recognised exchanges; and
- Cash is held only with reputable banks.

None of the Company's financial assets are secured by collateral or other credit enhancements, apart from the derivatives.

The maximum credit risk exposure as at 31 March 2018 was £5,136,000 (31.03.17: £4,084,000). This was due to trade receivables and cash as per notes 9 and 10.

Fair values of financial assets and financial liabilities

All financial assets and liabilities are recognised in the financial statements at fair value, with the exception of short-term assets and liabilities, which are held at nominal value that approximates to fair value, and loans that are initially recognised at the fair value of the consideration received, less directly attributable costs, and subsequently recognised at amortised cost.

Note 15:
Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the revenue and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The Company's capital as at 31 March 2018 comprised:

	31 March 2018 £000	31 March 2017 £000
Equity share capital	**19,753**	19,753
Retained earnings and other reserves	**138,398**	134,510
Total	**158,151**	154,263

The Board, with the assistance of the investment manager and the AIFM, monitors and reviews the broad structure of the Company's capital on an ongoing basis. These reviews include:

- the planned level of gearing, which takes account of the manager's views on the market;
- whether to buy back equity shares for cancellation or to hold in treasury, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium);
- whether to issue new shares, or re-issue treasury shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period. The Company had 100% net gearing at the year end (31 March 2017: 102%).

Note 16:
Fair value hierarchy

Under FRS 102, the Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc).
- Level 3: significant unobservable input (including the Company's own assumptions in determining the fair value of investments).
  The financial assets measured at fair value through profit and loss in the financial statements are grouped into the fair value hierarchy as follows:

	As at 31 March 2018			
	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets at fair value through profit or loss				
Quoted equities	**158,466**	**–**	**–**	**158,466**
Financial liabilities at fair value through profit or loss				
Derivative instruments	**(232)**	**–**	**–**	**(232)**
Net fair value	**158,234**	**–**	**–**	**158,234**

	As at 31 March 2017			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss				
Quoted equities	157,537	–	–	157,537
Net fair value	157,537	–	–	157,537

Note 17:
Related party transactions

With the exception of directors' fees (disclosed on page 30) and directors' shareholdings (disclosed on page 29) there were no related party transactions to report throughout the financial year.

Directors and Advisers

Directors
Harry Wells (Chairman)
Anja Balfour
Peter Edwards
Martin Shenfield
Gregory Shenkman

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Martin Currie Fund Management Limited
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Martin Currie Fund Management Limited is authorised and regulated by the Financial Conduct Authority.

Investment manager and company secretary
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Martin Currie Investment Management Limited is authorised and regulated by the Financial Conduct Authority.

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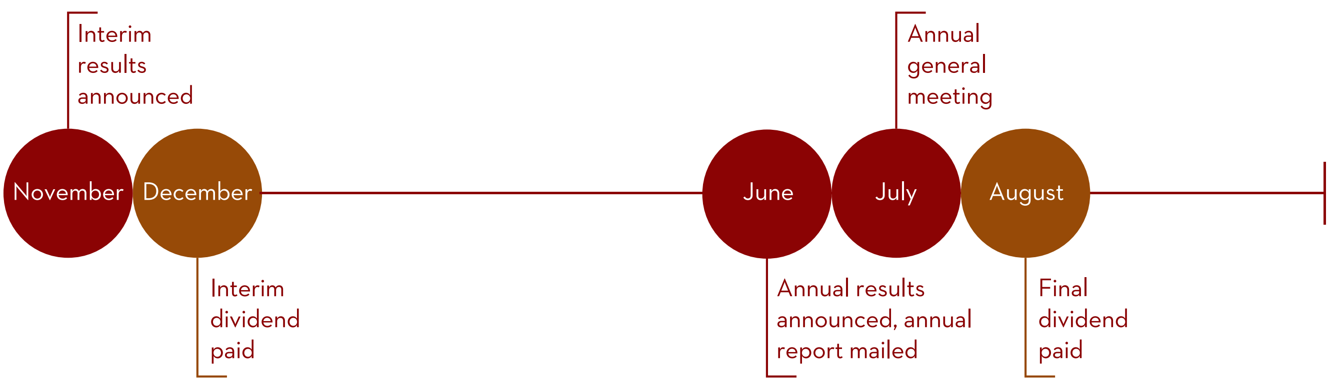
Martin Currie Asia Unconstrained Trust is a member of the AIC (the trade body of the investment company industry).

Financial calendar – key dates 2018/9



The European Securities and Markets Authority ('ESMA') published it's guidelines on Alternative Performance Measures ('APMs'). APMs are defined as being a 'financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable accounting framework.' The guidelines aim to improve comparability, reliability and/or comprehensibility of APMs. The Company uses the following APMs throughout the annual report, financial statements and notes to the financial statements:

Benchmark total return

A measure showing how the benchmark has performed over a period of time, taking into account both capital returns and dividends paid to shareholders.

Discount/Premium

Discount

The amount, expressed as a percentage, by which the share price is less than the net asset value per share.

Premium

The amount, expressed as a percentage, by which the share price is more than the net asset value per share.

As at 31 March 2018 the share price was 384.0p and the net asset value per share (cum income) was 437.8p, the discount was therefore 12.3%.

Gearing

At its simplest, gearing means borrowing money to buy more assets in the hope the company makes enough profit to pay back the debt and interest and leave something extra for shareholders. However, if the investment portfolio does not perform well, gearing can increase losses. The more an investment company gears, the higher the risk. Net gearing is calculated as market value / (market value + cash + loan).

As discussed in the strategic report on page 14, the Company is currently geared.

NAV per share

A very common measure of the underlying value of a share in an investment company.

In basic terms, the net asset value ('NAV') is the value of the investment company's assets, less any liabilities it has. The NAV per share is the NAV divided by the number of shares in issue. This will very often be different to the share price. The difference is known as the discount or premium.

As shown in note 7 the NAV per share was 437.8p as at 31 March 2018.

NAV total return performance

A measure showing how the net asset value ('NAV') per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders.

The AIC shows NAV total return based on a hypothetical investment of £100. It assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend.

NAV total return shows performance which is not affected by movements in discounts and premiums. It also takes into account the fact that different investment companies pay out different levels of dividends.

The NAV total return performance, calculated using the cum-income NAV for the year end 31 March 2018 was 6.29%, details of the calculation are shown below.

Ongoing charges

Ongoing charges are the total of the company's expenses including both the investment management fee (excluding performance fees) and other costs expressed as a percentage of NAV.

The calculation of the ongoing charges is provided below.

Share price total return

A measure showing how the share price has performed over a period of time, taking into account both capital returns and dividends paid to shareholders.

Total return

The total return per share for the Company is the combined effect of the rise and fall in the share price or NAV together with the reinvestment of the dividends paid.

The tables below provide the NAVs and share prices of the Company on the dividend reinvestment dates for the year ended 31 March 2018 and 31 March 2017.

2018	Dividend rate	NAV	Share price
31 March 2017	n/a	427.00	364.50
20 July 2017	13.68	443.84	391.00
30 November 2017	2.70	446.84	392.25
31 March 2018	n/a	437.80	384.00
Total return		**6.29%**	**9.79%**

2017	Dividend rate	NAV	Share price
31 March 2016	n/a	326.80	280.00
21 July 2016	5.25	366.61	299.25
1 December 2016	2.60	378.53	319.00
31 March 2017	n/a	427.00	364.50
Total return		33.50%	33.50%

Ongoing Charges	**Year ended 31 March 2018**			Year ended 31 March 2017		
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Ongoing charges are calculated with reference to the following figures:						
Investment management fee	**(395)**	**(790)**	**(1,185)**	(348)	(696)	(1,044)
Other expenses	**(557)**	**–**	**(557)**	(506)	–	(506)
Total expenses	**(952)**	**(790)**	**(1,742)**	(854)	(696)	(1,550)
Average net assets over the year			**160,997**			135,406
Ongoing charges			**1.08%**			1.14%

THE EUROPEAN AIFM DIRECTIVE

The Board works closely with its advisers and the investment trust industry, as appropriate, to ensure it is aware of any regulatory changes. Under AIFMD the Company was required by 22 July 2014 to appoint an external depositary and an Alternative Investment Fund Manager ('AIFM') to be supervised by the Financial Conduct Authority. The AIFM has delegated portfolio management responsibilites to the investment manager. Accordingly a tripartite agreement to novate the Investment Management Agreement was executed to appoint Martin Currie Fund Management Limited ('MCFM') as the Company's AIFM in July 2014, with State Street Bank Trustees Limited as depositary.

Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Martin Currie Fund Management ('MCFM'), is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available from MCFM on request (see contact details on the back cover).

The Company's maximum and actual leverage levels at 31 March 2018 are shown below:

Leverage Exposure	Gross method	Commitment method
Maximum permitted limit	275%	175%
Actual	103%	106%

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

GLOSSARY OF TERMS

Assets

Anything owned or controlled that has value. For investment companies, this might include shares and securities, property, cash etc.

Benchmark

An index or other measure against which the performance of an investment company is compared or its objectives are set.

The financial statements will include an explanation of how a company has performed against its benchmark over the year and the reasons for any under or over performance.

Bid price

The price at which you sell your shares when two prices are quoted. This is sometimes shown as the 'sell' price and will be the lower of the two prices shown.

Dividend

Income from an investment in shares. Dividends are usually paid twice a year but can also be paid quarterly or monthly. Not all investment companies pay dividends. Dividend income is not guaranteed and may fall as well as rise.

Environmental, social and corporate governance (ESG)

Assessment of material environmental, social and corporate governance (ESG) factors and the potential impact on that company's cash flows, statement of financial position, reputation and, ultimately, corporate value in the long term.

Internal and external AIFM

Under the AIFM Directive, the AIFM of a company may be either (a) another person appointed by or on behalf the company and which, through that appointment, is responsible for managing the company (an 'external AIFM'); or (b) where the legal form of the company permits internal management and the Board chooses not to appoint an external AIFM, the company itself (an 'internal AIFM'). An AIFM will be able to take advantage of lighter touch regulation where the total assets of the companies it manages do not exceed: (a) €500 million (in cases where no leverage is used); or (b) €100 million (where leverage is used). This regime will also apply to small companies which are internal AIFMs. The advantage of falling under these thresholds is that not all of the requirements of the AIFM Directive will apply and thus compliance obligations can be reduced. However, sub-threshold firms will not benefit from any rights granted under the AIFM Directive.

Investment company

A closed-ended fund which invests in a diversified portfolio of assets. Investors buy and sell their shares in the investment company on a stock exchange.

Investment trust

An investment company which is based in the UK and which meets certain tax conditions so that it does not pay tax on gains made within the portfolio.

Net assets – cum income

A measure of the size of an investment company. The total value of all assets held, less liabilities and prior charges, including income for the current year.

Net assets – excluding income

A measure of the size of an investment company. The total value of all assets held, less liabilities and prior charges, excluding income for the current year.

Offer price

The price at which you can buy shares when two prices are quoted. This is also shown as the 'buy' price and will be the higher of the two prices.

Share buy backs

Describes an investment company buying its own shares and reducing the number of shares in existence.

Share buy backs can be used to return money to shareholders, but are also often used to tackle a company's discount. Discounts may reflect an imbalance between the demand for shares and the number of shares in existence. The hope is that, by reducing the number of shares in existence, the buy back will help to prevent the discount widening or even reduce it.

Share price

The price of a share as determined by the stock market.

If you see a single share price shown, it is likely that this is the mid-market price. This is different to the price at which you buy and sell the shares, which are known as the bid price (sell) and offer price (buy).

Stocklending

The act of loaning a stock or security to a third party for a fee.

Treasury shares

Shares in a company's own share capital which the company itself owns and which can be sold to investors to raise new funds.

Treasury shares come into existence only when a company buys back shares. Instead of cancelling the shares (i.e. they cease to exist) they are held 'in treasury' by the company and can be sold at a later date to raise new funds.

Volatility

A measure of how much a share moves up and down in price over a period of time.

Zero discount policy

A mechanism that aims to ensure that, in normal market conditions, the share price trades at, or close to, NAV.

However you choose to invest, please ensure you are aware of any charges associated with receiving advice or investing through any of the third-party providers listed below.

Independent financial advisers

An increasing number of independent financial advisers are including investment trusts within their investment recommendations for clients. To find an adviser who recommends on investment trusts, visit www.unbiased.co.uk.

Private client stockbrokers

If you have a large sum to invest, you may want to contact a private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit the Wealth Management Association: www.thewma.co.uk.

Alliance Trust Savings ('ATS')

ATS provides products to UK private investors, including a Stocks and Shares ISA and SIPP. Their website also has a research centre where you can compare different options before making investment decisions. Their trading platform allows you to invest online, by phone or by mail.

UK residents can invest in Martin Currie Asia Unconstrained Trust shares in the following ATS products:

- Select SIPP
- Select Stocks & Shares ISA
- Child SIPP
- First Steps account
- Investment Dealing Account
- Junior ISA

For more information:
www.alliancetrustsavings.co.uk

Other online platforms and stockbroking services

A number of real-time execution-only stockbroking services and platforms allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give you advice, they simply allow you to trade. Many of these sites also offer 'wrapper' products such as ISAs, SIPPs and savings plans.

Sites include:

- Youinvest (part of AJ Bell) www.youinvest.co.uk
- Barclays Stockbrokers www.barclaysstockbrokers.co.uk
- Charles Stanley Direct www.charles-stanley-direct.co.uk
- Hargreave Hale www.hargreave-hale.co.uk
- Hargreaves Lansdown www.hl.co.uk
- HSDL www.halifax.co.uk/sharedealing
- idealing www.idealing.com
- Jarvis Investment Management www.jarvisim.co.uk
- Selftrade www.selftrade.co.uk
- Sharecentre www.share.com
- Stocktrade www.stocktrade.co.uk
- TD Waterhouse www.tddirectinvesting.co.uk
- Trustnet www.trustnet.com

Link Asset Services

You can also buy and sell shares directly by calling the Link dealing team on 0871 664 0445.

To change your address, request tax vouchers or obtain an up-to-date valuation of your share holding please contact Link Asset Services on 0871 664 0300 (calls cost 12p per minute plus network extras, lines are open 9:00am-5:30pm Mon-Fri).

Alternatively log on to www.linkassetservices.com and register on the share portal to access full information on your holding.

Trading codes

(You may be asked for these when investing)

TIDM code: MCP	Sedol: 0569512
Reuters code: MCP.L	ISIN: GB0005695126

Shareholder services

The registrars of the Company are Link Asset Services ('Link'). You can buy and sell shares directly by calling the Link Dealing team on 0371 664 0445.

For other services you can contact Link by telephone or online:

Contact details	www.linkassetservices.com	0871 664 0300*
Opening times	24 hour	9:00am – 5:30pm Monday to Friday
Change your address	✓	✓
Request tax vouchers	–	✓
Valuation	✓	✓
Online proxy voting	✓	–
Dividend payment records	✓	✓
Register and change bank mandate instructions for receipt of dividends	✓	✓
Elect to receive shareholder communication electronically	✓	✓
Request/download shareholder forms	✓	✓

*calls cost 12p per minute plus network extras.

Checking the share price

The share price is available through many sources including www.londonstockexchange.com and www.martincurrieasia.com

Ten year record

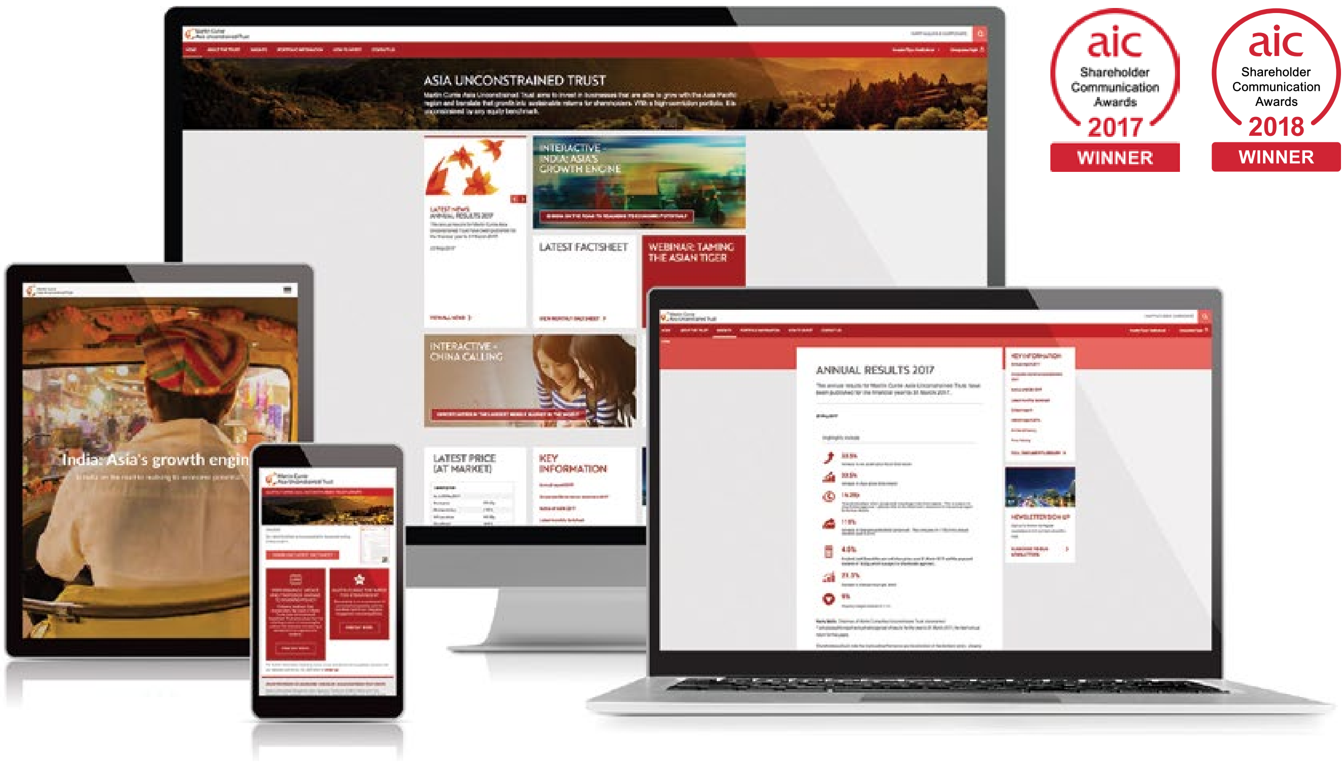
As at year end*	Revenue return per share	Dividend per share	Net asset value per share	Share price	(Discount)/ premium %	Investments £000	Net assets £000
2009	3.29p	3.30p	209.3p	169.5p	(19.0)	90,022	89,486
2010	4.29p	3.70p	291.1p	236.5p	(18.8)	122,341	124,428
2011	3.87p	4.50p	320.7p	274.3p	(14.5)	136,635	136,815
2012	4.18p	5.50p	330.0p	276.5p	(16.2)	136,619	140,040
2013	5.59p	6.50p	359.4p	298.5p	(17.0)	149,993	151,999
2014	8.31p	7.50p	313.4p	263.8p	(15.8)	135,617	132,421
2015	4.82p	7.50p	361.2p	320.8p	(11.2)	129,094	137,340
2016	6.68p	7.75p	326.8p	280.0p	(14.3)	123,602	119,758
2017	8.10p	16.28p	427.0p	364.5p	(14.6)	157,537	154,263
2018	8.58p	16.70p	437.8p	384.0p	(12.3)	158,177	158,094

*As at 28/29 February until 2013 and 31 March thereafter.

Martin Currie Asia Unconstrained Trust has its own dedicated website at www.martincurrieasia.com.

This offers shareholders, prospective investors and their advisers a wealth of information about the Company. You can also subscribe for monthly email updates that offer the following:

- latest prices
- manager videos
- performance data
- portfolio information
- latest monthly update
- research
- press releases and articles
- annual and interim reports



Subscribe and stay in touch

Subscribe to our monthly email updates and we'll notify you of any important announcements or key market insights that relate to your Company.

Visit our website at www.martincurrieasia.com

Enquiries

If you have an enquiry about Martin Currie Asia Unconstrained Trust, please get in touch.

0131 229 5252 | enquiries@martincurrie.com

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Martin Currie
Asia Unconstrained Trust

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Calls to the above may be recorded.

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Registered in Scotland, no SC092391

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A Legg Mason Company