

Sovereign High Yield Local Currency Fund

June 2010 Performance Data and Portfolio Composition



Investment objective

The primary investment objective of Sovereign High Yield Local Currency Fund is to seek high total return.

For details of the investment approach, please see overleaf.

Performance (%)

	1 month	3 months	6 months	YTD	Annualised	
					1 year	Launch
Fund	0.66	-3.01	2.24	2.24	14.53	3.16
Benchmark	0.89	-1.98	3.36	3.36	15.48	7.90
Difference	-0.22	-1.03	-1.12	-1.12	-0.96	-4.74

Discrete annual returns (%) - year ended 30/06

	2010	2009	2008	2007	2006
Fund	14.53	-4.76	-	-	-

Calendar year performance (%)

	Year to date	2009	2008	2007	2006
Fund	2.24	24.51	-14.48	-	-
Benchmark	3.36	21.98	-5.22	-	-
Difference	-1.12	2.52	-9.25	-	-

Performance Data: Share Class A

Source: Aberdeen Asset Management, JP Morgan

Basis: NAV to NAV, net of annual charges, gross income reinvested (USD)

These figures are gross of an initial charge: to the extent that if this is paid, it will reduce performance from that shown.

Important performance information

Performance is historical and does not guarantee future results. For the most recent month-end performance information, please visit www.shy-aberdeen.com or call +44 207 463 6122.

Investment return and principal value will fluctuate with changing market conditions, taxes and sales charges. Hence your shares, when redeemed, may be worth more or less than the original price. Current performance may be lower or higher than the performance data quoted. Performance assumes the reinvestment of dividends and capital gains. Please see the prospectus for more complete information.

This report has been prepared based on information sources believed to be accurate and reliable. However, the figures are unaudited and neither the Fund, the administrator, the advisor, nor any other person guarantees their accuracy. Investors should seek their own professional advice and should consider the investment objectives, risks, charges and expenses set forth in the Company's prospectus before acting on this information.

Fund managers' report

Market Review

Emerging market debt rebounded in June following a sell-off in May, with the JP Morgan GBI-EM Global Diversified index gaining 0.9% on back of firmer currencies. This highlights a noticeable out performance of emerging market debt, as the S&P fell over 5% and Greek bond yields rose by 250bp in June. Local currency debt underperformed hard currency debt, with latter benefiting from a sharp drop in US government bond yields. Colombia, Indonesia and Mexico were the best performers during the month, while Poland and Hungary sold off once again, reflecting lingering concerns about the Eurozone.

Though a number of economic indicators are beginning to turn lower, the macro news in emerging markets was generally positive in June. However, concerns over the fiscal situation in peripheral Europe continued to take centre stage. Greek bond yields in particular suffered as Moody's downgraded their credit rating, forcing them out of the WGBI bond index and thus causing mass selling from index funds into month end. Hungarian credit spreads reacted badly to comments from the newly elected Fidesz party, comparing their debt situation to that of Greece which was then exacerbated by comments that they would increase their fiscal deficit target from 3.8% to 7-7.5%. Though meetings soon after with the EU resulted in somewhat more tempered comments by Hungarian officials, credibility has been damaged and needs to be rebuilt rapidly given current market conditions.

Fund managers' report continues overleaf

This information is solely for the use of Merrill Lynch brokers and their current and prospective non-US clients.

As of June 30, 2010

Top ten holdings

Security	MV %
INDONESIA (REP OF) 10% 15/09/24 IDR	7.9
MEXICO (UNITED MEXICAN STATES) 7.25% 15/12/16	7.7
MALAYSIAN (GOVT OF) 3.835% 12/08/15 01	7.6
BRAZIL (FED REP OF) 10% 01/01/17 F BRL	7.6
THAILAND (KINGDOM OF) 3.625% 22/05/15	6.2
INDONESIA (REP OF) 9.5% 15/06/15 FR27	4.8
SOUTH AFRICA (REP OF) 10.5% 21/12/26 R	4.3
TURKEY (REP OF) 10% 15/02/12 INDX LKD	4.2
SOUTH AFRICA (REP OF) 7.25% 15/01/20 Z	3.8
BRAZIL (FED REP OF) 10% 01/01/14 F BRL	3.7

Total Fund Net Assets \$14.2 Million

Class A shares:

ISIN Number	KYG8296U1287
Bloomberg Symbol	SHYLCRA
Merrill Lynch Code	ASLAT
Net Asset Value	\$7.70

Net Asset Value - 12 month range

High 21/04/10	\$7.34
Low 30/06/09	\$6.35

Data source: Bloomberg.

Distributions (Class A shares)

Distribution Yield	12.47% pa
Total Distributions	\$1.10
(previous 12 months)	
June 2010	\$0.092
May 2010	\$0.092
April 2010	\$0.092
March 2010	\$0.092
February 2009	\$0.092
Januray 2009	\$0.092
December 2009	\$0.092
November 2009	\$0.092
October 2009	\$0.092
September 2009	\$0.092
August 2009	\$0.092
July 2009	\$0.092

Additional Information

Minimum Investment	US\$ 5,000 or equivalent
Base Currency	US Dollar
Purchases/Redemptions	Daily
Inception Date	October 11, 2007
Benchmark	JPM GBI EM Global Diversified (unhedged in USD)

Investment Team

The Fund's advisor is Aberdeen Asset Managers Limited. The portfolio management team is led by Brett Diment, Head of Emerging Market Debt. Mr. Diment is joined by a team of portfolio managers and analysts with a combined experience of over 80 years in the sector.

Key Features

- Fully exchangeable with SHY HC at no sales cost
- Provides currency diversification
- Monthly distributions

Please be aware that the cut off time to place an order at the next calculated Net Asset Value is 9AM EST.

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Fund managers' report – continued

Fund Review

The Sovereign High Yield Local Currency fund underperformed in June with a decline of 0.25% relative to the benchmark. Overweight positions in Mexico and Indonesia benefited performance, however these were more than off-set by overweight positions in Brazil, Uruguay, Hungary and South Africa, which all detracted value over the period, as did an underweight position in Colombia.

Outlook

The market has had a plethora of bad news this year, with Eurozone sovereign default risk and fiscal concerns at the top of the list. Financial regulation, and more lately, concerns about weakening US and Chinese growth indicators have all contributed to the increased risk premiums across all markets. The market is, however, largely already reflecting these negative points, with little regard for potential upside surprises. Looking ahead, we see emerging markets as relative outperformers, as they have limited public/private debt overhang, and still have the ability to cut interest rates further should it be required. In this respect local market debt is likely to be well supported for the rest of the year.

Investment approach

The "total return" sought by the Fund consists of income earned on the investments of the Company, plus capital appreciation, if any, which generally arises from decreases in interest rates or improving credit fundamentals for a particular country, sector or security. The Fund seeks to achieve its investment objective principally by investing, directly or through participations, in sovereign obligations of emerging market countries, including privately placed sovereign obligations, which are denominated in local currencies. The Fund may invest its assets without limitation, except as otherwise provided herein, in emerging market countries or in fixed or floating rate sovereign obligations. The Fund may invest temporarily or for defensive or liquidity purposes in high quality money market instruments.

Important risk disclosure

The Fund invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest rate risk, such that when interest rates rise, the prices of bonds, and thus the value of the bond investment, can decline and the investor can lose principal value. Investing in securities of emerging markets presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. All of these factors may result in greater share price volatility. Please read the prospectus for specific details regarding the Fund's risk profile.

Subscriptions may only be made in accordance with and shares are held subject to the provisions of the current prospectus as amended from time to time (the "prospectus") of Sovereign High Yield Investment Company Ltd. (the "Company"), an investment company under the laws of the Cayman Islands. Sovereign High Yield Local Currency Fund is a sub-fund of the Company.

Nothing in this document should be taken as a recommendation to an investor to buy, sell or hold shares in the Company. If you have any doubts as to the suitability of an investment in the Fund, you should consult your professional investment advisor.

No shares in the Fund may be offered or sold to US persons (as such term is defined under the United States Securities Act of 1933, as amended, which includes generally any citizens or residents of the United States of America), to Cayman Islands persons or in jurisdictions where such offering or sale is prohibited. Please consult the prospectus for additional information.

No information, opinions or data in this document constitute investment, legal, tax or other advice and are not to be relied upon in making an investment or other decision. Subscriptions for shares in the Fund may only be made on the basis of the latest prospectus and relevant simplified prospectus, together with the latest annual report, semi-annual report can be obtained free of charge from Aberdeen Asset Managers Limited, 10 Queens Terrace, Aberdeen, AB10 1YG, Scotland and are also available on www.aberdeen-asset.com.

Tax treatment depends on the individual circumstances of each investor and may be subject to change in the future. You should obtain specific professional advice before making any investment decision.

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Portfolio composition

As of June 30, 2010 the Fund's portfolio was invested as follows:

Portfolio Analytics

Portfolio Yield-to-Maturity	8.1%
Modified Duration	4.7 yrs

Geographic Exposure

	%
Mexico	13.4
Indonesia	12.9
Brazil	12.4
South Africa	10.8
Malaysia	9.4
Hungary	8.8
Thailand	7.8
Turkey	6.7
Poland	4.2
Russia	4.2
Colombia	4.1
Peru	3.1
Uruguay	1.9
Argentina	1.4
United States	(0.1)

Currency Exposure

	%
Mexico	13.5
Indonesia	12.2
Poland	12.0
Brazil	10.5
Malaysia	9.6
Hungary	9.0
Turkey	8.6
South Africa	8.4
Thailand	5.3
Russia	5.0
Colombia	3.2
India	2.0
Uruguay	1.9
Argentina	1.4
Philippines	1.0
Peru	0.9
United States	(4.6)

Credit Quality

	%
AAA	–
AA	–
A	24.2
BBB	48.3
BB	25.3
B	–
CCC and below	–
NR	1.3
Cash	0.9

Source data: Aberdeen Asset Management