

Sovereign High Yield Hard Currency Fund

June 2010 Performance Data and Portfolio Composition



Investment objective

The primary investment objective of the company is to seek high current income. Capital appreciation is a secondary objective. The company seeks to achieve these objectives by principally investing in sovereign obligations of emerging-market countries.

Performance (%)

Performance figures have been calculated in U.S. dollars for the period to June 30, 2010. Please note the Fund announced a move to a monthly distribution policy at the end of April 2008.

	1 month	3 months	6 months	YTD	Annualised			Launch
					1 year	3 years	5 years	
Fund	2.17	-0.27	5.47	5.47	25.97	-2.18	2.57	8.42
Benchmark	1.94	1.24	5.56	5.56	18.44	8.26	8.13	-
Difference	0.23	-1.51	-0.09	-0.09	7.53	-10.44	-5.57	-

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

	2010	2009	2008	2007	2006
Fund	25.97	-23.09	-3.39	15.48	5.01

Calendar year performance (%)

	Year to date	2009	2008	2007	2006
Fund	5.47	57.64	-44.56	3.59	13.44
Benchmark	5.56	29.82	-12.03	6.16	9.86
Difference	-0.09	27.83	-32.53	-2.56	3.57

Performance Data: Share Class A

Source: Aberdeen Asset Management, JP Morgan

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

The figures for 'Fund' 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 EMBI Global Diversified index rising 1.9% while the spread widened 17bp to +355 over US Treasuries. 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. Hard currency debt outperformed local currency debt, benefiting from a sharp drop in US government bond yields.

The Dominican Republic was the best performer in the index during June, rising 4.5% as the market focused on the recent new issue and the relative cheapness of this arguably under-rated credit. Debt from Kazakhstan also performed well, recovering from the sharp sell off due to contagion from Greece in previous months, which was deemed inappropriate. Other EMEA countries such as Croatia, Poland and Hungary continued to perform poorly as peripheral European credits such as Spain and Portugal also trended weaker.

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

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 %
MEXICO (UNITED MEXICAN STATES) 6.05% 11/01/40	4.2
ARGENTINA (REP OF) 7.82% 31/12/33 DSC	3.1
MEXICO (UNITED MEXICAN STATES) 8.3% 15/08/31	3.0
PHILIPPINES (REP OF) 6.25% 15/03/16 EU	2.9
MAJAPAHIT HLDG 7.25% 17/10/11 REGS USD	2.9
COLOMBIA (REP OF) 7.375% 27/01/17 MTN	2.9
RUSSIA (FED OF) STEP 31/03/30 USD (REG)	2.8
KMG FINANCE SUB 7% 05/05/20 REGS USD	2.7
SOUTH AFRICA (REP OF) 5.5% 09/03/20 US	2.6
URUGUAY (REP OF) 7.625% 21/03/36 USD	2.3

Total Fund Net Assets **\$177.8 Million**

Class A shares:

ISIN Number	KYG8296U1022
Bloomberg Symbol	SSCHYAI
Merrill Lynch Code	SOVAT
Net Asset Value	\$6.98

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	13.75%
Total Distributions (previous 12 months)	\$0.96
June 2010	\$0.08
May 2010	\$0.08
April 2010	\$0.08
March 2010	\$0.08
February 2009	\$0.08
Januray 2009	\$0.08
December 2009	\$0.08
November 2009	\$0.08
October 2009	\$0.08
September 2009	\$0.08
August 2009	\$0.08
July 2009	\$0.08

Additional Information

Minimum Investment	US\$ 5,000 or equivalent
Base Currency	US dollar
Purchases/Redemptions	Daily
Inception Date	11/29/89
Benchmark	JPM EMBI GD 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.

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

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 Review

The Sovereign High Yield Fund outperformed in June with a gain of 0.38% relative to the benchmark. An overweight position in Argentina was the key contributor. An overweight position in Colombian external debt also benefited the fund, as did an underweight position in Hungary.

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 external debt is likely to continue to attract investors as a result of extremely low G3 bond yields.

View a Prospectus

A free copy of the prospectus and the Company's annual and semi-annual reports can be obtained from Aberdeen Asset Management Inc. at +44 207 463 6122, or you can send an e-mail to cfs london@aberdeen-asset.com or contact your Merrill Lynch representative. We advise you to carefully consider the Company's objectives, risks, charges and expenses before you invest. The prospectus contains this and other important information about the Company. Please read the prospectus carefully before you invest or send money.

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 Hard 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	6.1%
Modified Duration	6.7 yrs

Geographic Exposure

	%
Mexico	11.7
Russia	10.2
Argentina	9.7
Indonesia	8.6
Colombia	7.1
United States	5.7
Brazil	5.2
Philippines	4.3
Lithuania	4.0
Venezuela	3.9
Qatar	3.3
Kazakhstan	2.7
South Africa	2.6
Uruguay	2.3
Ivory Coast	2.3
Ukraine	2.2
Dominican Republic	2.1
Vietnam	1.9
Bosnia-Herzegovina	1.6
El Salvador	1.5
Peru	1.5
Malaysia	1.3
Hungary	1.2
United Arab Emirates	1.0
Pakistan	0.8
Euro	0.2
Iraq	0.1
Turkey	0.1

Currency Exposure

	%
US Dollar	99.3
Euro	0.7

Credit Quality

	%
AAA	—
AA	3.3
A	1.3
BBB	39.1
BB	26.7
B	12.8
CCC and below	0.9
NR	8.1
Cash	7.8

Portfolio characteristics are subject to change.

Quality ratings are for bond holdings and do not include credit default swaps and cash. The credit quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Company's credit quality does not remove market risk.

Source data: Aberdeen Asset Management