

ABERDEEN EMERGING MARKETS SMALLER Co OPPORTUNITIES FUND, INC.

Form N-CSRS

July 03, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT  
COMPANIES**

|   |  |
|---|--|
| Investment Company Act file number:                 | 811-08076  |
| Exact name of registrant as specified in charter:   | Aberdeen Emerging Markets Smaller Company Opportunities Fund, Inc.   |
| Address of principal executive offices:             | 1735 Market Street, 32nd Floor<br>Philadelphia, PA 19103   |
| Name and address of agent for service:              | Ms. Andrea Melia<br>Aberdeen Asset Management Inc.<br>1735 Market Street, 32nd Floor<br>Philadelphia, PA 19103 |
| Registrant's telephone number, including area code: | 866-839-5205   |
| Date of fiscal year end:                            | October 31   |
| Date of reporting period:                           | April 30, 2014   |

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**Item 1. Reports to Stockholders.**

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2. Call us toll free at 1-866-839-5205 in the U.S., or

3. Email us at [InvestorRelations@aberdeen-asset.com](mailto:InvestorRelations@aberdeen-asset.com)

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## Letter to Shareholders (unaudited)

Dear Shareholder,

We present this Semi-Annual Report which covers the activities of Aberdeen Emerging Markets Smaller Company Opportunities Fund, Inc. (the Fund) for the six months ended April 30, 2014. The Fund's principal investment objective is to seek long-term capital appreciation. The Fund seeks to achieve this investment objective by investing primarily in equity securities of emerging market smaller company issuers.

### Total Return Performance

For the period ended April 30, 2014, the total return to shareholders of the Fund based on the net asset value (NAV), net of fees, of the Fund was -2.6% assuming reinvestment of dividends and distributions versus a return of 1.64% for the Fund's benchmark, the Morgan Stanley Capital International (MSCI) Emerging Markets Small Cap Index. The Fund's total return for the six months ended April 30, 2014 and per annum since inception is based on the reported NAV on each period end.

### Share Price and NAV

For the six months ended April 30, 2014, based on market price, the Fund's total return was -4.2%, assuming reinvestment of dividends and distributions. The Fund's share price decreased 34.4% over the six-month period, from \$20.47 on October 31, 2013 to \$13.43 on April 30, 2014, in part due to the significant distribution as detailed below. The Fund's share price on April 30, 2014 represented a discount of 11.2% to the NAV per share of \$15.13 on that date, compared with a discount of 9.8% to the NAV per share of \$22.69 on October 31, 2013.

### Elective Cash Distribution Results

On December 6, 2013, the Board of Directors declared the payment of an elective cash distribution to be paid in the amount of \$6.02616 per share of common stock, on January 31, 2014, to shareholders of record at the close of business on December 20, 2013. This distribution represented the capital gains realized from sales of portfolio securities following the Fund's change in investment policy. The distribution was payable in shares of the Fund's common stock. However, shareholders had the option to request that their distributions be paid in cash in lieu of common stock. The aggregate amount of cash distributions to all shareholders was limited to 60% of the aggregate dollar amount of the total distribution. Because cash distribution requests exceeded this limit, the cash distribution was pro-rated among all stockholders who made such requests. Shareholders who requested cash distributions received \$4.37 per share or 72.60% of the distribution in cash and received the balance in the Fund's common stock. For purposes of computing the stock portion of the dividend, the common stock distributed was valued at \$13.09 per share, which equaled the

average closing price of the Fund's common shares on the NYSE MKT on January 23, 2014 and the two preceding trading days. Following the close of the elective stock distribution, the Fund issued 1,518,067 shares. Following the closing of the elective cash distribution, the Fund's number of shares was 9,764,732.

### Open Market Repurchase Program

The Fund's policy is generally to buy back Fund shares on the open market when the Fund trades at certain discounts to NAV. During the six months ended April 30, 2014, the Fund did not repurchase any shares.

### Portfolio Holdings Disclosure

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q filings are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information about the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Fund makes the information on Form N-Q available to shareholders on the Fund's website or upon request and without charge by calling Investor Relations toll-free at 1-866-839-5205.

### Proxy Voting

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve months ended June 30 is available by August 30 of the relevant year: (i) upon request and without charge by calling Investor Relations toll-free at 1-866-839-5205; and (ii) on the SEC's website at <http://www.sec.gov>.

### Investor Relations Information

As part of our ongoing commitment to provide information to our shareholders, I invite you to visit the Fund on the web at [www.aberdeentf.com](http://www.aberdeentf.com). From this page, you can view monthly fact sheets, portfolio manager commentary, distribution and performance information, updated daily fact sheets courtesy of Morningstar®, and view portfolio charting and other timely data.

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Please ensure that you are enrolled in our email services, which feature timely news from Aberdeen portfolio managers located around the



## Letter to Shareholders (unaudited) (concluded)

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Please contact Aberdeen Asset Management Inc. by:

- calling toll free at 1-866-839-5205 in the United States, or
- emailing [InvestorRelations@aberdeen-asset.com](mailto:InvestorRelations@aberdeen-asset.com)
- visiting Aberdeen Closed-End Fund Center at <http://www.aberdeen-asset.us/aam.nsf/usclosed/home>;
- visiting [www.aberdeenetf.com](http://www.aberdeenetf.com)

Yours sincerely,

**Christian Pittard**  
President

## Dividend Reinvestment and Direct Stock Purchase Plan (unaudited)



Computershare Trust Company, N.A., the Fund's transfer agent, sponsors and administers a Dividend Reinvestment and Direct Stock Purchase Plan (the Plan), which is available to shareholders.

The Plan allows registered stockholders and first time investors to buy and sell shares and automatically reinvest dividends and capital gains through the transfer agent. This is a cost-effective way to invest in the Fund.

Please note that for both purchases and reinvestment purposes, shares will be purchased in the open market at the current share price and cannot be issued directly by the Fund.

For more information about the Plan and a brochure that includes the terms and conditions of the Plan, please call Computershare at 1-800-647-0584 or visit [www.computershare.com/buyaberdeen](http://www.computershare.com/buyaberdeen).

All amounts are in U.S. Dollars unless otherwise stated.

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## Report of the Investment Manager (unaudited)

### Market/economic review

Shares of smaller companies in emerging stock markets, as measured by the MSCI Emerging Markets Small Cap Index, rose and outperformed their larger counterparts, as measured by the MSCI Emerging Markets Index, over the six-month period ended April 30, 2014. Lingering worries over the impact of the U.S. Federal Reserve's (the Fed) tapering of its asset purchase program and resurgent fears of a marked economic slowdown in China dampened investor sentiment at first, but markets later rebounded as these concerns eased. Expectations that the Chinese government will pump prime the economy following soft economic data and hopes of possible electoral changes in several developing countries provided further support.

Developing Asia led regional gains. Indian equities returned to favor after a sharp sell-off in 2013, given the marked improvement in its current accounts and the prospect of a fresh monetary policy change after the elections. Thailand, however, underperformed its regional peers, as months of political discord weighed on the domestic economy and stock market. The Thai army subsequently declared a coup shortly after a new caretaker prime minister took over from Yingluck Shinawatra. Latin American markets also lagged their peers in other regions, partly because of concerns that China's slowing growth would depress commodity prices. Elsewhere, heightened political tension between Russia and the West over Crimea weighed on Central and Eastern Europe.

### Fund performance review

At the stock level, Arezzo Industria e Comercio SA, Guinness Nigeria PLC and O Key Group SA GDR, were the primary detractors from the Fund's relative performance for the reporting period. The weak consumer environment in Brazil weighed on retailer Arezzo Industria e Comercio SA, while Guinness Nigeria PLC, a unit of UK alcoholic beverage group Diageo, reported disappointing results for the first half of its 2014 fiscal year owing to lackluster consumer spending and rising competition. Shares of Russian hypermarket operator O Key Group SA GDR fell on profit-taking following its outperformance in 2013. The performance of the stock was also weighed down by the economic and political fallout from Russia's intrusion into Ukraine.

Conversely, the holding in Hikma Pharmaceuticals PLC contributed to the Fund's relative return as the Jordan-based drug-maker continued to benefit from improved profitability in its U.S. generics business. Semiconductor equipment maker ASM International NV also bolstered performance as its share price rallied on good results and speculation that the increasing adoption of atomic layer deposition technology in wafer processing would drive future earnings. Hana

Microelectronics PCL also was a contributor, as the Thai semiconductor components manufacturer benefited from solid fourth-quarter 2013 results driven by healthy revenues.

During the reporting period, we initiated a position in EPAM Systems, Inc., a U.S. high-quality software engineering and IT outsourcing group, in our view, on relative share price weakness. Political uncertainty in Ukraine, where almost one-third of EPAM Systems, Inc.'s workforce is located, had weighed on its share price. The stock subsequently recovered somewhat after management reassured investors via a conference call that the company remained fully operational. We also added to the position in Russia's O Key Group SA GDR on share price weakness, and participated in Parque Arauco SA's capital issuance as the Chilean mall operator raised equity to fund its expansion. Against this, we exited the position in Carlsberg Malaysia as we believed that it had a relatively high valuation.

As discussed in previous reports, most of the Fund's venture capital holdings are technology-oriented venture capital holdings. As of April 30, 2014, many of the Fund's venture capital holdings have reached the end of their term and are now in wind down or liquidation. Over the past six months, BPA Israel Ventures and Emerging Market Ventures I, reached the end of their respective terms and are now in wind-down mode. Additionally, in January, 2014, Giza GE Venture Fund III entered its liquidation period following the end of its term. Four of the Fund's other investments also remain in liquidation mode at the end of the period. Only two active venture capital holdings remain in the Fund at the end of the period, Neurone Ventures II and Telesoft Partners II QP, as well as one direct company holding in Vidy, Inc. Trust.

Over the six month period, Neurone Ventures II increased in value by 250.3% driven wholly by EIPAT (formerly Shellcase), which successfully completed its Initial Public Offering on the Shanghai Stock Exchange in February 2014 at ¥19.2 per share. According to the stock price at the end of March 2014, Neurone Ventures II values EIPAT at 10.7 times cost, up from 1.0 times cost at the end of October 2013. Additionally, the value of Technology Crossover Ventures IV increased 214.4% during the period, driven by the fund's sale of Fiberlink Communications to IBM in December 2013. Both holdings also increased in value over the six month period. This valuation increase was partially offset by the falling valuations of four holdings, in particular two liquidating funds, Giza GE Venture Fund III and Concord Fund I Liquidating Main Trust, which decreased 6.6% and 22.6%, respectively, as they continued to pursue exit opportunities for their remaining holdings and wind down their portfolios.



## Report of the Investment Manager (unaudited)

Venture capital holdings distributed an aggregate of \$383,395 over the six month period. The largest distribution of \$114,442 was from JP Morgan Latin America Capital Partners as it paid its final distribution in December 2013, marking a full exit for the Fund. The holding increased 20.1% in value from the end of October through to December 2013, and generated a final return of 0.95 times the Fund's invested capital. At April 30, 2014, the Fund had 2.0% of its total capital commitment still unfunded. However, these are in liquidating investments and it is very unlikely that the General Partner will implement capital calls for new investments.

## Outlook

In our opinion, emerging markets could remain unsettled in the coming months, despite relative calm in some markets. Uncertainty over the Fed's monetary policy persists, while the continuing crisis in Ukraine and tense election campaigns in several developing countries have heightened geopolitical risks. We think that further turmoil in Ukraine could spill beyond regional economies and lead to a renewed bout of risk aversion in global financial markets. Also, while exports

have picked up in recent months, we feel that the marginal uptick masks a divergence between regions; emerging Asia and Eastern Europe appear to be faring better than Latin America. However, we think that these headwinds may blow over. Evidence of economic rebalancing and hopes that elections will usher in more reforms have already helped certain markets rebound, including Indonesia and India. In China, the government has responded to slowing growth by accelerating railway investment, improving low-income housing, and extending tax breaks to small businesses. Although smaller than previous stimulus packages, we believe that these targeted measures may help support growth without undermining financial stability. Meanwhile, sentiment towards emerging markets appears to be improving as investors return to the asset class. At the corporate level, we generally expect earnings to recover as companies continue adjusting to the cyclical slowdown by refocusing on profitability and trimming excess costs.

*Aberdeen Asset Managers Limited*



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## Portfolio Summary (unaudited)

The following chart summarizes the composition of the Fund's portfolio, in Geographic classification, expressed as a percentage of net assets.

### Geographic Asset Breakdown as of April 30, 2014

## Top Ten Equity Holdings (unaudited)

The following were the Fund's top ten holdings as of April 30, 2014:

| <b>Name of Security</b>                             | <b>Percentage of Net Assets</b> |
|---|---------------------------------|
| Grupo Aeroportuario del Centro Norte SAB de CV, ADR | 3.0%                            |
| Aeon Co. (M) Bhd                                    | 2.9%                            |
| Parque Arauco SA                                    | 2.4%                            |
| SPAR Group Ltd.                                     | 2.3%                            |
| Clicks Group Ltd.                                   | 2.3%                            |
| BS Financial Group, Inc.                            | 2.2%                            |

|                                |      |
|--------------------------------|------|
| Petra Foods Ltd.               | 2.2% |
| Cimsa Cimento Sanayi VE Tica   | 2.1% |
| Holcim Indonesia Tbk PT        | 2.1% |
| Arezzo Industria e Comercio SA | 2.1% |

## Total Investment Return (unaudited)

The following table summarizes Fund performance compared to the MSCI Emerging Markets Small Cap Index,<sup>(1)</sup> the Fund's benchmark, for the 1-year, 3-year, 5-year and 10-year periods annualized as of April 30, 2014.<sup>(2)</sup>

|                                       | 1 Year | 3 Years | 5 Years | 10 Years |
|---------------------------------------|--------|---------|---------|----------|
| Net Asset Value (NAV)                 | -6.9%  | 2.3%    | 9.7%    | 10.7%    |
| Market Value                          | -7.8%  | 2.3%    | 8.9%    | 10.8%    |
| MSCI Emerging Markets Small Cap Index | -0.9%  | -2.5%   | 15.4%   | 12.6%    |

*Aberdeen Asset Managers Limited has entered into a written contract with the Fund to waive fees, without which performance would be lower. See Note 3 in the Notes to Financial Statements. This contract aligns with the term of the advisory agreement and may not be terminated prior to the next annual consideration of the advisory agreement. Returns represent past performance. Total investment return at net asset value is based on changes in the net asset value of Fund shares and assumes reinvestment of dividends and distributions, if any, at market prices pursuant to the dividend reinvestment program sponsored by the Fund's transfer agent. Total investment return at market value is based on changes in the market price at which the Fund's shares traded on the NYSE MKT during the period and assumes reinvestment of dividends and distributions, if any, at market prices pursuant to the dividend reinvestment program sponsored by the Fund's transfer agent. The Fund's 1 year total investment return is based on the reported NAV on April 30, 2014. Because the Fund's shares trade in the stock market based on investor demand, the Fund may trade at a price higher or lower than its NAV. Therefore, returns are calculated based on both market price and NAV. The Fund's total return for the year is based on the reported NAV on financial reporting period ends. **Past performance is no guarantee of future results.** The performance information provided does not reflect the deduction of taxes that a shareholder would pay on distributions received from the Fund. The current performance of the Fund may be lower or higher than the figures shown. The Fund's yield, return, market price and NAV will fluctuate. Performance information current to the most recent month-end is available at [www.aberdeeneff.com](http://www.aberdeeneff.com) or by calling 866-839-5205.*

*The annualized gross expense ratio is 1.64%. The annualized net expense ratio after fee waivers and/or expense reimbursements is 1.59%.*

(1) The MSCI Emerging Markets Small Cap Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of the small-cap segment of emerging markets. The MSCI Emerging Markets Small Cap Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey\* and United Arab Emirates.

(2) Effective March 15, 2013, the Fund's investment strategy was changed to reflect a focus on global emerging markets smaller company issuers.

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## Portfolio of Investments (unaudited)

As of April 30, 2014

| Shares   | Description   | Value<br>(US\$)   |
|--|---|-------------------|
| <b>LONG-TERM EQUITY SECURITIES IN EMERGING COUNTRIES 98.3%</b> |   |                   |
| <b>COMMON STOCKS 96.3%</b>                                     |   |                   |
| <b>BRAZIL 14.4%</b>  |   |                   |
| <b>COMMERCIAL SERVICES &amp; SUPPLIES 1.2%</b>                 |   |                   |
| 111,000  | Valid Solucoes e Servicos de Seguranca em Meios de Pagamento e Identificacao SA | \$ 1,719,946      |
| <b>HEALTH CARE PROVIDERS &amp; SERVICES 1.9%</b>               |   |                   |
| 697,000  | OdontoPrev SA   | 2,797,690         |
| <b>REAL ESTATE MANAGEMENT &amp; DEVELOPMENT 3.2%</b>           |   |                   |
| 173,155  | Iguatemi Empresa de Shopping Centers SA   | 1,721,649         |
| 134,000  | Multiplan Empreendimentos Imobiliarios SA                                       | 2,961,551         |
|  |   | <b>4,683,200</b>  |
| <b>ROAD &amp; RAIL 1.9%</b>                                    |   |                   |
| 191,450  | Localiza Rent a Car SA  | 2,859,193         |
| <b>SOFTWARE 1.5%</b>   |   |                   |
| 140,000  | Totvs SA  | 2,286,086         |
| <b>SPECIALTY RETAIL 1.0%</b>                                   |   |                   |
| 140,000  | Cia Hering  | 1,479,269         |
| <b>TEXTILES, APPAREL &amp; LUXURY GOODS 2.1%</b>               |   |                   |
| 280,413  | Arezzo Industria e Comercio SA  | 3,137,708         |
| <b>TRANSPORTATION INFRASTRUCTURE 1.6%</b>                      |   |                   |
| 161,000  | Wilson Sons Ltd., BDR   | 2,346,676         |
|  |   | <b>21,309,768</b> |
| <b>CHILE 3.6%</b>  |   |                   |
| <b>INFORMATION TECHNOLOGY SERVICES 1.2%</b>                    |   |                   |
| 745,000  | Sonda SA  | 1,723,024         |
| <b>REAL ESTATE MANAGEMENT &amp; DEVELOPMENT 2.4%</b>           |   |                   |
| 2,013,849  | Parque Arauco SA  | 3,604,374         |
|  |   | <b>5,327,398</b>  |
| <b>CHINA 2.6%</b>  |   |                   |
| <b>CHEMICALS 1.4%</b>  |   |                   |
| 2,070,000  | Yingde Gases Group Co. Ltd.(a)  | 2,087,472         |
| <b>REAL ESTATE MANAGEMENT &amp; DEVELOPMENT 1.2%</b>           |   |                   |
| 1,895,000  | Yanlord Land Group Ltd.(a)  | 1,749,913         |
|  |   | <b>3,837,385</b>  |
| <b>HONG KONG 6.4%</b>  |   |                   |
| <b>BANKS 1.0%</b>  |   |                   |
| 1,000,000  | Dah Sing Banking Group Ltd.(a)  | 1,494,711         |
| <b>HOTELS, RESTAURANTS &amp; LEISURE 1.0%</b>                  |   |                   |
| 450,000  | Cafe de Coral Holdings Ltd.(a)  | 1,418,028         |
| <b>MARINE 1.1%</b>   |   |                   |
| 2,800,000  | Pacific Basin Shipping Ltd.(a)  | 1,644,826         |
| <b>SPECIALTY RETAIL 1.1%</b>                                   |   |                   |
| 2,544,000  | Giordano International Ltd.(a)  | 1,707,724         |

See Notes to Financial Statements.

## Portfolio of Investments (unaudited) (continued)

As of April 30, 2014

| Shares   | Description                                | Value<br>(US\$)   |
|--|--|-------------------|
| <b>LONG-TERM EQUITY SECURITIES IN EMERGING COUNTRIES (continued)</b> |  |                   |
| <b>COMMON STOCKS (continued)</b>                                     |  |                   |
| <b>TEXTILES, APPAREL &amp; LUXURY GOODS 1.1%</b>                     |  |                   |
| 1,460,000  | Texwinca Holdings Ltd.                     | \$ 1,572,434      |
| <b>TRANSPORTATION INFRASTRUCTURE 1.1%</b>                            |  |                   |
| 136,000  | Hong Kong Aircraft Engineering Co. Ltd.(a) | 1,581,921         |
|  |  | <b>9,419,644</b>  |
| <b>INDIA 9.1%</b>  |  |                   |
| <b>CHEMICALS 2.2%</b>  |  |                   |
| 290,000  | Castrol (India) Ltd.(a)                    | 1,428,390         |
| 85,000   | Kansai Nerolac Paints Ltd.                 | 1,789,770         |
|  |  | <b>3,218,160</b>  |
| <b>CONSTRUCTION MATERIALS 1.4%</b>                                   |  |                   |
| 581,000  | Ramco Cements Ltd. (The)                   | 2,083,085         |
| <b>INFORMATION TECHNOLOGY SERVICES 1.5%</b>                          |  |                   |
| 311,074  | MphasiS Ltd.                               | 2,142,421         |
| <b>PERSONAL PRODUCTS 1.8%</b>  |  |                   |
| 204,372  | Godrej Consumer Products Ltd.(a)           | 2,709,533         |
| <b>PHARMACEUTICALS 0.9%</b>  |  |                   |
| 154,500  | Piramal Enterprises Ltd.(a)                | 1,393,400         |
| <b>ROAD &amp; RAIL 1.3%</b>  |  |                   |
| 117,000  | Container Corp. of India(a)                | 1,866,265         |
|  |  | <b>13,412,864</b> |
| <b>INDONESIA 5.9%</b>  |  |                   |
| <b>BANKS 1.2%</b>  |  |                   |
| 15,300,000   | Bank Permata Tbk PT*(a)                    | 1,775,651         |
| <b>CONSTRUCTION MATERIALS 2.1%</b>                                   |  |                   |
| 12,840,000   | Holcim Indonesia Tbk PT(a)                 | 3,161,962         |
| <b>METALS &amp; MINING 0.5%</b>                                      |  |                   |
| 2,579,400  | Vale Indonesia Tbk PT(a)                   | 794,525           |
| <b>TRADING COMPANIES &amp; DISTRIBUTORS 2.1%</b>                     |  |                   |
| 7,405,500  | AKR Corporindo Tbk PT(a)                   | 3,055,883         |
|  |  | <b>8,788,021</b>  |
| <b>JORDAN 1.4%</b>   |  |                   |
| <b>PHARMACEUTICALS 1.4%</b>  |  |                   |
| 75,806   | Hikma Pharmaceuticals PLC(a)               | 1,989,289         |
| <b>KENYA 1.7%</b>  |  |                   |
| <b>BEVERAGES 1.7%</b>  |  |                   |
| 753,800  | East African Breweries Ltd.                | 2,573,022         |
| <b>LEBANON 1.0%</b>  |  |                   |
| <b>BANKS 1.0%</b>  |  |                   |
| 162,000  | BLOM Bank SAL, GDR                         | 1,506,600         |

See Notes to Financial Statements.



8 Aberdeen Emerging Markets Smaller Company Opportunities Fund, Inc.

## Portfolio of Investments (unaudited) (continued)

As of April 30, 2014

| Shares   | Description  | Value<br>(US\$)   |
|--|--|-------------------|
| <b>LONG-TERM EQUITY SECURITIES IN EMERGING COUNTRIES (continued)</b> |  |                   |
| <b>COMMON STOCKS (continued)</b>                                     |  |                   |
| <b>MALAYSIA 7.5%</b>   |  |                   |
| <b>AUTOMOBILES 1.0%</b>  |  |                   |
| 640,200  | Oriental Holdings Bhd                                | \$ 1,529,187      |
| <b>BEVERAGES 1.3%</b>  |  |                   |
| 120,000  | Fraser & Neave Holdings Bhd                          | 661,461           |
| 300,000  | Guinness Anchor Bhd(a)                               | 1,324,163         |
|  |  | <b>1,985,624</b>  |
| <b>FOOD PRODUCTS 1.3%</b>  |  |                   |
| 240,000  | United Plantations Bhd                               | 1,859,440         |
| <b>MULTILINE RETAIL 2.9%</b>   |  |                   |
| 939,800  | Aeon Co. (M) Bhd                                     | 4,236,367         |
| <b>REAL ESTATE MANAGEMENT &amp; DEVELOPMENT 1.0%</b>                 |  |                   |
| 1,666,800  | SP Setia Bhd(a)                                      | 1,540,568         |
|  |  | <b>11,151,186</b> |
| <b>MEXICO 3.0%</b>   |  |                   |
| <b>TRANSPORTATION INFRASTRUCTURE 3.0%</b>                            |  |                   |
| 153,000  | Grupo Aeroportuario del Centro Norte SAB de CV, ADR* | 4,504,320         |
| <b>NETHERLANDS 1.8%</b>  |  |                   |
| <b>SEMICONDUCTORS &amp; SEMICONDUCTOR EQUIPMENT 1.8%</b>             |  |                   |
| 60,000   | ASM International NV(a)                              | 2,625,803         |
| <b>NIGERIA 1.3%</b>  |  |                   |
| <b>BEVERAGES 1.3%</b>  |  |                   |
| 1,749,000  | Guinness Nigeria PLC                                 | 1,862,334         |
| <b>OMAN 1.1%</b>   |  |                   |
| <b>BANKS 1.1%</b>  |  |                   |
| 262,000  | BankMuscat SAOG, GDR                                 | 1,703,000         |
| <b>PHILIPPINES 1.9%</b>  |  |                   |
| <b>HOTELS, RESTAURANTS &amp; LEISURE 1.9%</b>                        |  |                   |
| 733,660  | Jollibee Foods Corp.(a)                              | 2,833,637         |
| <b>POLAND 1.9%</b>   |  |                   |
| <b>FOOD &amp; STAPLES RETAILING 1.9%</b>                             |  |                   |
| 215,898  | Eurocash SA(a)                                       | 2,854,981         |
| <b>REPUBLIC OF SOUTH KOREA 3.5%</b>                                  |  |                   |
| <b>BANKS 2.2%</b>  |  |                   |
| 214,330  | BS Financial Group, Inc.(a)                          | 3,281,607         |
| <b>MULTILINE RETAIL 1.3%</b>   |  |                   |
| 9,000  | Shinsegae Co. Ltd.(a)                                | 1,953,986         |
|  |  | <b>5,235,593</b>  |
| <b>ROMANIA 1.6%</b>  |  |                   |
| <b>BANKS 1.6%</b>  |  |                   |
| 905,000  | BRD-Groupe Societe Generale*                         | 2,335,612         |

See Notes to Financial Statements.

## Portfolio of Investments (unaudited) (continued)

As of April 30, 2014

| Shares   | Description                                   | Value<br>(US\$)   |
|--|---|-------------------|
| <b>LONG-TERM EQUITY SECURITIES IN EMERGING COUNTRIES (continued)</b> |   |                   |
| <b>COMMON STOCKS (continued)</b>                                     |   |                   |
| <b>RUSSIA 3.0%</b>   |   |                   |
| <b>BEVERAGES 1.4%</b>  |   |                   |
| 133,150  | Synergy Co.*(a)                               | \$ 2,051,725      |
| <b>FOOD &amp; STAPLES RETAILING 1.6%</b>                             |   |                   |
| 270,532  | O Key Group SA, GDR(a)                        | 2,388,164         |
|  |   | <b>4,439,888</b>  |
| <b>SINGAPORE 2.2%</b>  |   |                   |
| <b>FOOD PRODUCTS 2.2%</b>  |   |                   |
| 1,148,000  | Petra Foods Ltd.                              | 3,250,698         |
| <b>SOUTH AFRICA 9.6%</b>   |   |                   |
| <b>CHEMICALS 1.7%</b>  |   |                   |
| 1,303,000  | African Oxygen Ltd.                           | 2,562,527         |
| <b>DIVERSIFIED FINANCIAL SERVICES 1.8%</b>                           |   |                   |
| 284,059  | JSE Ltd.                                      | 2,605,551         |
| <b>FOOD &amp; STAPLES RETAILING 4.6%</b>                             |   |                   |
| 555,832  | Clicks Group Ltd.                             | 3,389,252         |
| 290,735  | SPAR Group Ltd.(a)                            | 3,415,937         |
|  |   | <b>6,805,189</b>  |
| <b>HOTELS, RESTAURANTS &amp; LEISURE 1.5%</b>                        |   |                   |
| 196,384  | City Lodge Hotels Ltd.                        | 2,302,736         |
|  |   | <b>14,276,003</b> |
| <b>SRI LANKA 1.3%</b>  |   |                   |
| <b>INDUSTRIAL CONGLOMERATES 1.3%</b>                                 |   |                   |
| 1,023,076  | John Keells Holdings PLC(a)                   | 1,858,550         |
| <b>THAILAND 5.8%</b>   |   |                   |
| <b>CONSTRUCTION MATERIALS 1.2%</b>                                   |   |                   |
| 148,000  | Siam City Cement PCL, Foreign Shares (a)      | 1,767,912         |
| <b>ELECTRONIC EQUIPMENT INSTRUMENTS &amp; COMPONENTS 1.4%</b>        |   |                   |
| 2,072,000  | Hana Microelectronics PCL, Foreign Shares (a) | 2,064,957         |
| <b>HEALTH CARE PROVIDERS &amp; SERVICES 1.1%</b>                     |   |                   |
| 520,000  | Bumrungrad Hospital PCL, Foreign Shares (a)   | 1,580,280         |
| <b>MEDIA 1.1%</b>  |   |                   |
| 1,000,000  | BEC World PCL, Foreign Shares (a)             | 1,693,954         |
| <b>REAL ESTATE MANAGEMENT &amp; DEVELOPMENT 1.0%</b>                 |   |                   |
| 1,020,000  | Central Pattana PCL, Foreign Shares (a)       | 1,432,273         |
|  |   | <b>8,539,376</b>  |
| <b>TURKEY 4.7%</b>   |   |                   |
| <b>BANKS 1.1%</b>  |   |                   |
| 1,627,000  | Turk Ekonomi Bankasi AS*(a)                   | 1,606,892         |

See Notes to Financial Statements.

10 Aberdeen Emerging Markets Smaller Company Opportunities Fund, Inc.

## Portfolio of Investments (unaudited) (continued)

As of April 30, 2014

| Shares   | Description   | Value<br>(US\$)    |
|--|---|--------------------|
| <b>LONG-TERM EQUITY SECURITIES IN EMERGING COUNTRIES (continued)</b> |   |                    |
| <b>COMMON STOCKS (continued)</b>                                     |   |                    |
| <b>CONSTRUCTION MATERIALS 2.1%</b>                                   |   |                    |
| 550,702  | Cimsa Cimento Sanayi VE Tica(a)   | \$ 3,216,741       |
| <b>INSURANCE 1.5%</b>  |   |                    |
| 1,593,000  | Aksigorta AS(a)   | 2,196,830          |
|  |   | <b>7,020,463</b>   |
|  |   | <b>142,665,436</b> |
| <b>VENTURE CAPITAL 1.9%</b>  |   |                    |
| <b>GLOBAL 0.9%</b>   |   |                    |
| 7,248,829(b)   | Emerging Markets Ventures I, L.P.*(c)(d)(e)   | 300,102            |
| 2,400,000(b)   | Telesoft Partners II QP, L.P.*(d)(e)  | 1,100,736          |
|  |   | <b>1,400,838</b>   |
| <b>ISRAEL 1.0%</b>   |   |                    |
| 1,674,587(b)   | BPA Israel Ventures, LLC*(c)(d)(e)  | 364,239            |
| 2,000,000(b)   | Concord Fund I Liquidating Main Trust*(d)(e)  | 79,400             |
| 2,750,000(b)   | Giza GE Venture Fund III, L.P.*(d)(e)   | 255,145            |
| 761,184(b)   | Neurone Ventures II, L.P.*(d)(e)  | 481,114            |
| 1,280,969(b)   | SVE Star Ventures Enterprises GmbH & Co. No. IX KG*(d)(e)                                 | 99,378             |
| 720,501(b)   | Vidyo, Inc. Trust*(d)(e)  | 90,668             |
| 1,375,001(b)   | Walden-Israel Ventures III, L.P.*(d)(e)   | 45,843             |
|  |   | <b>1,415,787</b>   |
|  |   | <b>2,816,625</b>   |
| <b>WARRANTS 0.1%</b>   |   |                    |
| <b>SRI LANKA 0.1%</b>  |   |                    |
| <b>INDUSTRIAL CONGLOMERATES 0.1%</b>                                 |   |                    |
| 81,028   | John Keells Holdings PLC, expires 11/11/16*   | 44,657             |
| 81,028   | John Keells Holdings PLC, expires 11/12/15*   | 41,308             |
|  |   | <b>85,965</b>      |
|  | <b>Total Long-Term Equity Securities in Emerging Countries 98.3% (cost \$165,130,773)</b> | <b>145,558,026</b> |
| <b>LONG-TERM EQUITY SECURITIES IN DEVELOPED COUNTRIES 0.9%</b>       |   |                    |
| <b>COMMON STOCKS 0.9%</b>  |   |                    |
| <b>UNITED STATES 0.9%</b>  |   |                    |
| <b>INFORMATION TECHNOLOGY SERVICES 0.9%</b>                          |   |                    |
| 44,562   | EPAM Systems, Inc.*   | 1,387,215          |

See Notes to Financial Statements.



## Portfolio of Investments (unaudited) (concluded)

As of April 30, 2014

| Shares  | Description   | Value<br>(US\$)       |
|---|---|-----------------------|
| <b>LONG-TERM EQUITY SECURITIES IN DEVELOPED COUNTRIES (continued)</b> |   |                       |
| <b>VENTURE CAPITAL 0.0%</b>   |   |                       |
| <b>UNITED STATES 0.0%</b>   |   |                       |
| 1,952,000(b)  | Technology Crossover Ventures IV, L.P.* <sup>(c)(d)(e)</sup>                            | \$ 7,613              |
|   |   | <b>7,613</b>          |
|   | <b>Total Long-Term Equity Securities in Developed Countries 0.9% (cost \$1,962,739)</b> | <b>1,394,828</b>      |
|   | <b>Total Investments 99.2% (cost \$167,093,512)(f)</b>                                  | <b>146,952,854</b>    |
|   | Other Assets in Excess of Liabilities 0.8%  | 1,206,717             |
|   | <b>Net Assets 100.0%</b>  | <b>\$ 148,159,571</b> |

\* Non-income producing security.

(a) Fair Valued Security. Fair Values are determined pursuant to procedures approved by the Board of Directors. See Note 2(a) of the accompanying Notes to Financial Statements.

(b) Represents contributed capital.

(c) As of April 30, 2014, the aggregate amount of open commitments for the Fund is \$1,524,584.

(d) Illiquid security.

(e) Restricted security, not readily marketable. See Note 6 of the accompanying Notes to Financial Statements.

(f) See Notes to Financial Statements for tax unrealized appreciation/depreciation of securities.

ADR American Depositary Receipt

BDR Brazilian Depositary Receipt

GDR Global Depositary Receipt

See Notes to Financial Statements.





## Statement of Assets and Liabilities (unaudited)

As of April 30, 2014

### Assets

|   |                         |
|---|-------------------------|
| Investments, at value (cost \$167,093,512)  | \$ 146,952,854          |
| Foreign currency, at value (cost \$526,868)   | 527,447                 |
| Cash  | 493,624                 |
| Dividends receivable  | 466,425                 |
| Prepaid expenses  | 7,246                   |
| <b>Total assets</b>   | <b>148,447,596</b>      |
| <b>Liabilities</b>  |                         |
| Investment management fees payable (Note 3)   | 125,305                 |
| Director fees payable   | 12,671                  |
| Administration fees payable (Note 3)  | 9,650                   |
| Payable for investments purchased   | 6,883                   |
| Investor relations fees payable (Note 3)  | 6,837                   |
| Accrued expenses  | 126,679                 |
| <b>Total liabilities</b>  | <b>288,025</b>          |
| <b>Net Assets</b>   | <b>\$ 148,159,571</b>   |
| <b>Composition of Net Assets:</b>   |                         |
| Common stock (par value \$.001 per share)   | \$ 9,765                |
| Paid-in capital in excess of par  | 164,382,145             |
| Accumulated net investment income   | 889,804                 |
| Accumulated net realized gain from investment and foreign currency transactions                               | 3,015,205               |
| Net unrealized depreciation on investments and other assets and liabilities denominated in foreign currencies | (20,137,348)            |
| <b>Net Assets</b>   | <b>\$ 148,159,571</b>   |
| Net asset value per common share based on 9,764,732 shares issued and outstanding                             | \$ 15.17 <sup>(a)</sup> |

(a) The NAV shown above differs from the traded NAV on April 30, 2014 due to financial statement rounding and/or financial statement adjustments.

See Notes to Financial Statements.



## Statement of Operations (unaudited)

For the Six Months Ended April 30, 2014

### Net Investment Income

#### Income

|   |    |           |
|---|----|-----------|
| Dividends (net of foreign withholding taxes of \$204,484) | \$ | 2,061,768 |
|   |    | 2,061,768 |

#### Expenses

|  |           |
|--|-----------|
| Investment management fee (Note 3)             | 804,363   |
| Directors' fees and expenses                   | 91,037    |
| Custodian's fees and expenses                  | 87,183    |
| Reports to shareholders and proxy solicitation | 37,586    |
| Legal fees and expenses                        | 33,644    |
| Investor relations fees and expenses (Note 3)  | 33,254    |
| Independent auditors' fees and expenses        | 24,596    |
| Administration fee (Note 3)                    | 22,061    |
| Insurance expense                              | 21,155    |
| Transfer agent's fees and expenses             | 15,044    |
| Miscellaneous                                  | 35,015    |
| Total expenses                                 | 1,204,938 |
| Less: Fee waivers (Note 3)                     | (32,995)  |
| Net expenses                                   | 1,171,943 |
| Net Investment Income                          | 889,825   |

#### Realized/Unrealized Gain/(Loss) from Investments:

##### Net realized gain/(loss) from:

|                               |             |
|-------------------------------|-------------|
| Investment transactions(a)    | (4,458,302) |
| Foreign currency transactions | (12,080)    |
|                               | (4,470,382) |

##### Net change in unrealized appreciation/(depreciation) on:

|  |                |
|--|----------------|
| Investments  | (5,587,738)    |
| Foreign currency translation   | 5,462          |
|  | (5,582,276)    |
| Net realized and unrealized loss from investment and foreign currency transactions | (10,052,658)   |
| Net Decrease in Net Assets Resulting from Operations                               | \$ (9,162,833) |

(a) Includes realized gain portion of distributions from underlying venture capital investments of \$142,254.

See Notes to Financial Statements.

14 Aberdeen Emerging Markets Smaller Company Opportunities Fund, Inc.

## Statements of Changes in Net Assets

|  | For the<br>Six Months Ended<br>April 30, 2014<br>(unaudited) | For the<br>Year Ended<br>October 31, 2013 |
|--|--|---|
| <b>Increase/(Decrease) in Net Assets</b>   |  |   |
| <b>Operations:</b>   |  |   |
| Net investment income  | \$ 889,825   | \$ 1,875,459                              |
| Net realized gain/(loss) on investments and foreign currency related transactions                      | (4,470,382)  | 48,017,991                                |
| Net change in unrealized appreciation/(depreciation) on investments and foreign currency translations  | (5,582,276)  | (48,762,895)                              |
| <b>Net increase/(decrease) in net assets resulting from operations</b>                                 | <b>(9,162,833)</b>   | <b>1,130,555</b>                          |
| <b>Distributions to Shareholders from:</b>   |  |   |
| Net investment income  | (1,428,487)  | (3,224,149)                               |
| Net realized gains   | (48,267,235)   |   |
| Net decrease in net assets from distributions  | (49,695,722)   | (3,224,149)                               |
| <b>Common Stock Transactions:</b>  |  |   |
| Issuance of 1,518,067 and 0 shares, respectively, due to stock distribution (Note 5)                   | 19,871,497   |   |
| Change in net assets from common stock transactions  | 19,871,497   |   |
| Change in net assets resulting from operations   | (38,987,058)   | (2,093,594)                               |
| <b>Net Assets:</b>   |  |   |
| Beginning of period  | 187,146,629  | 189,240,223                               |
| End of period (including accumulated net investment income of \$889,804 and \$1,428,466, respectively) | <b>\$ 148,159,571</b>  | <b>\$ 187,146,629</b>                     |

Amounts listed as are \$0 or round to \$0.

See Notes to Financial Statements.

## Financial Highlights

|   | For the<br>Six Months<br>Ended<br>April 30, 2014<br>(unaudited) | For the Fiscal Years Ended October 31, |           |           |           |           |
|---|---|--|-----------|-----------|-----------|-----------|
|   |   | 2013                                   | 2012      | 2011      | 2010      | 2009      |
| <b>PER SHARE OPERATING PERFORMANCE(a)</b>   |   |  |           |           |           |           |
| Net asset value per common share,<br>beginning of period  | \$22.69   | \$22.95                                | \$20.02   | \$20.86   | \$17.99   | \$15.24   |
| Net investment income   | 0.10  | 0.23                                   | 0.42      | 0.41      | 0.57      | 0.40      |
| Net realized and unrealized<br>gains/(losses) on investments,<br>interest rate swaps, futures<br>contracts and foreign currency<br>transactions | (1.55)  | (0.10)                                 | 2.85      | (0.72)    | 2.69      | 2.71      |
| Total from investment operations<br>applicable to common shareholders   | (1.45)  | 0.13                                   | 3.27      | (0.31)    | 3.26      | 3.11      |
| Distributions to common<br>shareholders from:   |   |  |           |           |           |           |
| Net investment income   | (0.17)  | (0.39)                                 | (0.34)    | (0.53)    | (0.39)    | (0.36)    |
| Net realized gains  | (5.85)  |  |           |           |           |           |
| Total distributions   | (6.02)  | (0.39)                                 | (0.34)    | (0.53)    | (0.39)    | (0.36)    |
| Capital Share Transactions:   |   |  |           |           |           |           |
| Impact due to capital shares issued<br>from stock distribution (Note 5)   | (0.05)  |  |           |           |           |           |
| Net asset value per common share,<br>end of period  | \$15.17   | \$22.69                                | \$22.95   | \$20.02   | \$20.86   | \$17.99   |
| Market value, end of period   | \$13.43   | \$20.47                                | \$20.65   | \$18.03   | \$19.08   | \$15.95   |
| <b>Total Investment Return Based<br/>on(b):</b>   |   |  |           |           |           |           |
| Market value  | -4.19%  | 1.04%                                  | 16.56%    | -2.76%    | 22.35%    | 29.52%    |
| Net asset value   | -2.36%(c)   | 0.77%                                  | 16.67%    | -1.24%    | 18.60%    | 21.35%    |
| <b>Ratio to Average Net Assets<br/>Applicable to Common<br/>Shareholders/Supplementary<br/>Data:</b>  |   |  |           |           |           |           |
| Net assets applicable to common<br>shareholders, end of period (000<br>omitted)   | \$148,160   | \$187,147                              | \$189,240 | \$165,075 | \$172,030 | \$148,328 |
| Average net assets applicable to<br>common shareholders (000 omitted)   | \$148,500   | \$190,084                              | \$175,613 | \$169,025 | \$157,099 | \$131,494 |
| Net operating expenses, net of fee<br>waivers   | 1.59%(d)  | 1.47%                                  | 1.43%     | 1.50%     | 1.53%     | 1.43%     |
| Net operating expenses, excluding<br>fee waivers  | 1.64%(d)  | 1.52%                                  | 1.48%     | 1.55%     | 1.61%     | 1.48%     |
| Net investment income   | 1.21%(d)  | 0.99%                                  | 1.97%     | 2.00%     | 2.97%     | 2.51%     |
| Portfolio turnover  | 5.39%   | 99.18%                                 | 5.14%     | 49.48%    | 5.36%     | 90.65%    |

(a) Based on average shares outstanding.

(b) Total investment return based on market value is calculated assuming that shares of the Fund's common stock were purchased at the closing market price as of the beginning of the period, dividends, capital gains, and other distributions were reinvested as provided for in the Fund's dividend reinvestment plan and then sold at the closing market price per share on the last day of the period. The computation does not reflect any sales commission investors may incur in purchasing or selling shares of the Fund. The total investment return based on the net asset value is similarly computed except that the Fund's net asset value is substituted for the closing market value.

(c) The total return shown above includes the impact of financial statement rounding of the NAV per share and/or financial statement adjustments.

(d) Annualized.

Amounts listed as are \$0 or round to \$0.

See Notes to Financial Statements.

16 Aberdeen Emerging Markets Smaller Company Opportunities Fund, Inc.



## Notes to Financial Statements (unaudited)

April 30, 2014

## 1. Organization

Aberdeen Emerging Markets Smaller Company Opportunities Fund, Inc. (the Fund) was incorporated in Maryland on October 12, 1993, and is registered under the Investment Company Act of 1940, as amended, as a closed-end, nondiversified management investment company. The Fund trades on the NYSE MKT under the ticker symbol ETF.

The Fund's name reflects the new investment policies which were approved by the Fund's Board of Directors (the Board) and also by shareholders at a Special Meeting of Shareholders on March 14, 2013. As a result of these policy changes, effective March 15, 2013, the Fund's new investment policies are as follows:

As a fundamental policy, under normal market conditions, at least 80% of the Fund's net assets, plus any borrowings for investment purposes, will be invested in equity securities of emerging market smaller company issuers. An emerging market country is any country determined by Aberdeen Asset Managers Limited, the Fund's investment adviser (the Adviser), to have an emerging market economy, considering factors such as the country's credit rating, its political and economic stability and the development of its financial and capital markets. Emerging market countries for purposes of this policy can include every nation in the world except the United States, Canada, Japan, Australia, New Zealand and most countries located in Western Europe. Smaller companies for the purposes of this policy can be companies that, at the time of purchase, have a market capitalization of less than \$5 billion.

The approved changes have not altered the Fund's investment objective of seeking long-term capital appreciation.

## 2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements. The policies conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses for the period. Actual results could differ from those estimates. The accounting records of the Fund are maintained in U.S. Dollars

### (a) Security Valuation: