

ABERDEEN AUSTRALIA EQUITY FUND INC  
Form N-CSR  
December 17, 2013

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:	811-04438
Exact name of registrant as specified in charter:	Aberdeen Australia Equity Fund, Inc.
Address of principal executive offices:	1735 Market Street, 32 <sup>nd</sup> Floor Philadelphia, PA 19103
Name and address of agent for service:	Ms. Andrea Melia Aberdeen Asset Management Inc. 1735 Market Street 32 <sup>nd</sup> Floor Philadelphia, PA 19103
Registrant's telephone number, including area code:	866-839-5205
Date of fiscal year end:	October 31
Date of reporting period:	October 31, 2013

Item 1 Reports to Stockholders



## Managed Distribution Policy (unaudited)

The Board of Directors of the Fund has authorized a managed distribution policy ( MDP ) of paying quarterly distributions at an annual rate, set once a year, that is a percentage of the rolling average of the Fund's prior four quarter-end net asset values. With each distribution, the Fund will issue a notice to shareholders and an accompanying press release which will provide detailed information regarding the amount and composition of the distribution and other information required by the Fund's MDP exemptive order. The Fund's Board of Directors may amend or terminate the MDP at any time without prior notice to shareholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination of the MDP. You should not draw any conclusions about the Fund's investment performance from the amount of distributions or from the terms of the Fund's MDP.

## Distribution Disclosure Classification (unaudited)

The Fund's policy is to provide investors with a stable distribution rate. Each quarterly distribution will be paid out of current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital.

The Fund is subject to U.S. corporate, tax and securities laws. Under U.S. tax rules, the amount applicable to the Fund and character of distributable income for each fiscal period depends on the actual exchange rates during the entire year between the U.S. Dollar and the currencies in which Fund assets are denominated and on the aggregate gains and losses realized by the Fund during the entire year.

Therefore, the exact amount of distributable income for each fiscal year can only be determined as of the end of the Fund's fiscal year, October 31. Under Section 19 of the Investment Company Act of 1940, as amended (the 1940 Act ), the Fund is required to indicate the sources of certain distributions to shareholders. The estimated distribution composition may vary from quarter to quarter because it may be materially impacted by future income, expenses and realized gains and losses on securities and fluctuations in the value of the currencies in which Fund assets are denominated.

The distributions for the fiscal year ended October 31, 2013 consisted of 33% net investment income, 43% net realized long-term capital gains and 24% tax return of capital.

In January 2014, a Form 1099-DIV will be sent to shareholders, which will state the amount and composition of distributions and provide information with respect to their appropriate tax treatment for the 2013 calendar year.

## 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.

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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).

## Letter to Shareholders (unaudited)

Dear Shareholder,

We present this Annual Report which covers the activities of Aberdeen Australia Equity Fund, Inc. (the Fund) for the year ended October 31, 2013. The Fund's principal investment objective is long-term capital appreciation through investment primarily in equity securities of Australian companies listed on the Australian Stock Exchange Limited. Its secondary objective is current income, which is expected to be derived primarily from dividends and interest on Australian corporate and governmental securities.

### Total Return Performance

The Fund's total return, based on net asset value (NAV) net of fees, was 4.0% for the year ended October 31, 2013 and 8.3% per annum since inception, assuming the reinvestment of dividends and distributions, compared to the October 31, 2013 annual return of 14.6%, in U.S. Dollar terms, for the S&P/ASX 200 Accumulation Index (ASX 200), the Fund's benchmark. The Fund's total return for the year ended October 31, 2013 and per annum since inception are based on the reported NAV on each annual period end.

### Share Price and NAV

The Fund's share price increased by 3.2% over the year, from \$10.38 on October 31, 2012 to \$10.71 on October 31, 2013. The Fund's share price on October 31, 2013 represented a premium of 13.5% to the NAV per share of \$9.44 on that date, compared with a premium of 4.0% to the NAV per share of \$9.98 on October 31, 2012.

### Managed Distribution Policy

The Fund has a managed distribution policy of paying quarterly distributions at an annual rate, set once a year, that is a percentage of the rolling average of the Fund's prior four quarter-end NAVs. In March 2013, the Board of Directors of the Fund (the Board) determined the rolling distribution rate to be 10% for the 12-month period commencing with the distribution payable in April 2013. This policy will be subject to regular review by the Board. The distributions will be made from current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital, which is a non-taxable return of capital.

On November 8, 2013, the Fund announced that it will pay on December 13, 2013, a distribution of US \$0.25 per share to all shareholders of record as of November 18, 2013.

### 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 fiscal year ended October 31, 2013 and fiscal year ended October 31, 2012, 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

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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 additional, timely information to investors, including Fund performance and investment strategy, we would like to highlight the monthly fact sheets including fund manager commentary, which are posted to the Fund's website at [www.aberdeeniaf.com](http://www.aberdeeniaf.com). Also, there are daily updates of share price, NAV and details of distributions. If you have any questions in relation to this information or suggestions on how to improve it further, we would be delighted to hear from you.

Please contact Aberdeen Asset Management Inc. by:

Calling toll free at 1-866-839-5205 in the United States;

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.aberdeeniaf.com](http://www.aberdeeniaf.com).

For additional information on Aberdeen's family of closed-end funds, we invite you to visit our Closed-End Investor Center at [www.aberdeen-asset.us/cef](http://www.aberdeen-asset.us/cef).

From the site you will also be able to review Fund performance, download literature and sign up for email services. The site houses topical information about the funds, including fact sheets from Morningstar® that are updated daily, tools that permit you to conduct performance charting and timely information from our fund managers, among other data. When you enroll in our online email

Aberdeen Australia Equity Fund, Inc.

## Letter to Shareholders (unaudited) (concluded)

services, we can ensure that you are among the first to know about Aberdeen's latest closed-end fund news and receive alerts regarding upcoming fund manager web casts, films and other information.

Yours sincerely,

**Christian Pittard**

President

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

Aberdeen Australia Equity Fund, Inc.



## Report of the Investment Manager (unaudited)

### Market Review

Australian equities rose over the 12-month period ended October 31, 2013, despite global volatility triggered by uncertainty over the U.S. Federal Reserve's (Fed) quantitative easing plans. Market sentiment was buttressed by China's pledge to do more to support economic growth and subsequent upbeat economic data from mainland China, as well as the Fed's about-face in September to delay the unwinding of its government asset purchases. These developments trumped persistent worries over weak growth in Europe and fears that America was poised for a prolonged shutdown amid the budget impasse. On the economic front, June-quarter gross domestic product (GDP) rose modestly. However, growth concerns in the face of a mining investment slowdown prompted the Reserve Bank of Australia to cut its benchmark interest rate four times during the annual period. In politics, Kevin Rudd, the previous prime minister of the Labour government, who had been ousted by Julia Gillard, became prime minister again temporarily due to Ms. Gillard's poor rating in pre-election polls. Subsequently in September's Federal election, this change of personnel in the Labour party proved to be of no avail as the election still resulted in the Labour party being defeated. As a consequence, Tony Abbott, the leader of the Liberal party became the new prime minister. There were no significant changes in economic policies in the final month of the Fund's financial year. At the sector level, telecommunications, consumer services, financials and healthcare led the market gains, but basic materials bucked the uptrend, falling on initial jitters over slowing growth in China. Towards the end of the reporting period, market sentiment was lifted by receding worries over the U.S. federal budget and debt ceiling that were postponed until early 2014, the end of the partial government shutdown, and hopes that the Fed will maintain the pace of its bond-buying.

### Fund Performance Review

At the stock level, the primary contributor to Fund performance was the Australian exchange listing of Singapore Telecom, as investors focused on the stock's yield, cash flow and balance sheet strength, in

our view. Global mining giants BHP Billiton and Rio Tinto both contributed to and detracted from relative performance. The Fund holds the UK exchange-listed companies – not those listed on the Australian exchange. Indications of stronger commodities demand in China supported their share prices, but both the UK and Australian listings underperformed versus their respective markets. As a result, not holding the Australian local stocks contributed to the Fund's performance, whereas the exposure to the UK listings was a detractor. We continue to like both companies as we believe that they have good management, focus on cost controls during market downturns, and have ownership of world-class mines. Fund performance also was hindered by the holding in gold miner Newcrest Mining, whose shares were hurt by higher costs, falling prices and production shortfalls at most of its mines. Furthermore, the company was the subject of allegations of poor corporate governance. Management has vowed to implement all the recommendations of an independent review which it had commissioned.

### Outlook

We believe that, in the near term, global equities may remain supported by the Fed's decision to delay tapering of its quantitative easing monetary policy. The suspension of the U.S. debt ceiling, which allows the government to spend beyond the previous limit, has also soothed market jitters temporarily, although its expiration in early February could again heighten risk aversion. On the domestic front in Australia, we think that softening economic growth could aggravate joblessness, while the government may take longer than expected to pare the budget deficit as weaker global commodity prices continue to dampen revenues. The outlook, however, is brighter over the long term, in our view. Lower interest rates may potentially help to rebalance the economy by reducing its dependence on the mining sector while resources again may benefit when demand from emerging market economies recovers.

### Aberdeen Asset Management Asia Limited



## Portfolio Composition (unaudited)

October 31, 2013

The following chart summarizes the composition of the Fund's portfolio, in Standard & Poor's Industry Classification Standard (GICS) sectors, expressed as a percentage of net assets. The GICS structure consists of 10 sectors, 23 industry groups, 59 industries and 122 subindustries. The Fund may invest between 25% and 35% of its total assets in the securities of any one industry group if, at the time of investment, that industry group represents 20% or more of the ASX 200. As of October 31, 2013, the Fund did not have more than 25% of its assets invested in any industry group.

As of October 31, 2013, the Fund held 97.1% of its net assets in equities, 0.9% in short-term investments and 2.0% in other assets in excess of liabilities.

### Asset Allocation

## Top Ten Equity Holdings (unaudited)

The following were the Fund's top ten holdings as of October 31, 2013:

Name of Security	Percentage of Net Assets
BHP Billiton PLC - London Listing	10.5%
Rio Tinto PLC - London Listing	7.2%
Australia & New Zealand Banking Group Ltd.	6.8%
Commonwealth Bank of Australia	6.7%
QBE Insurance Group Ltd.	5.7%
Woolworths Ltd.	5.5%
AMP Ltd.	5.0%
Westfield Group Ltd.	4.7%
Australian Stock Exchange Ltd.	4.2%
Westpac Banking Corp. Ltd.	4.1%

Aberdeen Australia Equity Fund, Inc.

## Total Investment Return (unaudited)

October 31, 2013

The following table summarizes Fund performance compared to the S&P/ASX 200 Accumulation Index ( ASX 200 ), the Fund's benchmark, for the 1-year, 3-year, 5-year and 10-year periods as of October 31, 2013.

	1 Year	3 Years	5 Years	10 Years
Net Asset Value (NAV)	4.0%	3.1%	13.5%	11.0%
Market Value	13.3%	4.3%	15.8%	13.7%
Benchmark	14.6%	8.8%	19.4%	13.1%

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 total return is based on the reported NAV on each annual period end. 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. **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 by calling 866-839-5205.

The net operating expense ratio is 1.41%.

Aberdeen Australia Equity Fund, Inc.

## Portfolio of Investments

As of October 31, 2013

Shares	Description	Value (US\$)
<b>LONG-TERM INVESTMENTS 97.1%*</b>		
<b>COMMON STOCKS 97.1%</b>		
<b>CONSUMER DISCRETIONARY 1.5%</b>		
1,050,400	Tatts Group Ltd.	\$ 3,118,934
<b>CONSUMER STAPLES 9.4%</b>		
684,200	Coca-Cola Amatil Ltd.	8,337,818
356,100	Woolworths Ltd.	11,742,909
		<b>20,080,727</b>
<b>ENERGY 5.9%</b>		
138,600	Caltex Australia Ltd.	2,421,775
146,700	Woodside Petroleum Ltd.	5,378,008
235,000	WorleyParsons Ltd.	4,893,628
		<b>12,693,411</b>
<b>FINANCIALS 37.2%</b>		
2,356,900	AMP Ltd.	10,561,125
452,900	Australia & New Zealand Banking Group Ltd.	14,492,959
259,900	Australian Stock Exchange Ltd.	9,027,793
199,400	Commonwealth Bank of Australia	14,357,301
859,900	QBE Insurance Group Ltd.	12,042,280
977,700	Westfield Group Ltd.	10,005,291
269,300	Westpac Banking Corp. Ltd.	8,743,402
		<b>79,230,151</b>
<b>HEALTH CARE 5.7%</b>		
68,300	Cochlear Ltd.	3,794,866
127,500	CSL Ltd.	8,381,200
		<b>12,176,066</b>
<b>INFORMATION TECHNOLOGY 3.3%</b>		
686,200	Computershare Ltd.	<b>6,963,828</b>
<b>MATERIALS 22.3%</b>		
722,800	BHP Billiton PLC London Listing	22,304,502
1,170,400	Incitec Pivot Ltd.	2,944,638
285,900	Newcrest Mining Ltd.	2,772,280
215,700	Orica Ltd.	4,294,211
302,100	Rio Tinto PLC London Listing	15,286,306
		<b>47,601,937</b>
<b>TELECOMMUNICATION SERVICES 3.8%</b>		
2,621,800	Singapore Telecommunications Ltd.	<b>8,117,407</b>
<b>UTILITIES 8.0%</b>		
582,900	AGL Energy Ltd.	8,610,957
7,069,400	SP AusNet	8,351,254
		<b>16,962,211</b>
	<b>Total Long-Term Investments 97.1% (cost \$185,481,820)</b>	<b>206,944,672</b>

See Notes to Financial Statements.

Aberdeen Australia Equity Fund, Inc.

## Portfolio of Investments (concluded)

As of October 31, 2013

Par Amount	Description	Value (US\$)
<b>SHORT-TERM INVESTMENT 0.9%</b>		
\$1,952,000	Repurchase Agreement, State Street Bank & Trust Co., 0.00% dated 10/31/2013, due 11/01/2013 in the amount of \$1,952,000 collateralized by a U.S. Treasury Note, 1.63%, maturing 11/15/2022; total market value of \$1,991,313	\$ 1,952,000
	<b>Total Short-Term Investment 0.9% (cost \$1,952,000)</b>	<b>1,952,000</b>
	<b>Total Investments 98.0% (cost \$187,433,820)</b>	<b>208,896,672</b>
	Other Assets in Excess of Liabilities 2.0%	4,206,136
	<b>Net Assets 100.0%</b>	<b>\$ 213,102,808</b>

\* 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.

See Notes to Financial Statements.

Aberdeen Australia Equity Fund, Inc.

## Statement of Assets and Liabilities

As of October 31, 2013

<b>Assets</b>	
Investments, at value (cost \$185,481,820)	\$ 206,944,672
Repurchase agreement, at value (cost \$1,952,000)	1,952,000
Foreign currency, at value (cost \$4,456,207)	4,428,431
Cash	263
Prepaid expenses in connection with the at-the-market stock offering	178,400
Dividends receivable	51,942
Prepaid expenses	45,236
<b>Total assets</b>	<b>213,600,944</b>
<b>Liabilities</b>	
Investment management fees payable (Note 3)	164,772
Investor relations fees payable (Note 3)	41,312
Administration fees (Note 3)	15,637
Director fees payable	8,606
Other	267,809
<b>Total liabilities</b>	<b>498,136</b>
<b>Net Assets</b>	<b>\$ 213,102,808</b>
<b>Composition of Net Assets:</b>	
Common stock (par value \$.01 per share)	\$ 225,741
Paid-in capital in excess of par	159,443,056
Distributions in excess of net investment income	(1,088,412)
Accumulated net realized loss from investment transactions	(1,164,592)
Net unrealized appreciation on investments	21,510,426
Accumulated net realized foreign exchange gains	34,251,563
Net unrealized foreign exchange loss	(74,974)
<b>Net Assets</b>	<b>\$ 213,102,808</b>
Net asset value per common share based on 22,574,119 shares issued and outstanding	\$ 9.44
See Notes to Financial Statements.	

Aberdeen Australia Equity Fund, Inc.



## Statement of Operations

For the Year Ended October 31, 2013





SunGard Capital Corp. And SunGard Capital Corp. II  
Management Non-Qualified Performance-Based Option Agreement  
**Amendment Dated November 30, 2009**

ed upon attainment of pre-determined performance goals, by (ii) (A) the number of days in which Optionee was employed by Employer

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me fully vested and exercisable on the one-year anniversary of the Change of Control; (B) if the Investor IRR as of the Change of Control

Investors shall be taken into account, minus the amount of commissions, fees and expenses payable by the Investors to the investment b

urred, any amount that is scheduled to vest on the one-year anniversary of the Change of Control pursuant to Section 2(1)(i) above shall

Termination occurs;

ole discretion, either (i) cause the Option to Vest on a Return-on-Equity Basis treating the Fair Market Value of any retained Stock as an



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**EXHIBIT 99.2**

**Form of Amendment to Senior Management Performance-Based  
Class A Stock Option Award Agreement**

SunGard Capital Corp.

**Management Non-Qualified Performance-Based Class A Option Agreement**  
**Amendment Dated November 30, 2009**

sed upon attainment of pre-determined performance goals, by (ii) (A) the number of days in which Optionee was employed by Employ

become fully vested and exercisable on the one-year anniversary of the Change of Control; (B) if the Investor IRR as of the Change of

investors shall be taken into account, minus the amount of commissions, fees and expenses payable by the Investors to the investment b

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urred, any amount that is scheduled to vest on the one-year anniversary of the Change of Control pursuant to Section 2(m)(i) above shall

Termination occurs;

le discretion, either (i) cause the Option to Vest on a Return-on-Equity Basis treating the Fair Market Value of any retained Stock as an

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**EXHIBIT 99.3**

**Form of Amendment to Senior Management Performance-Based  
Restricted Stock Unit Award Agreement**

SunGard Capital Corp. And SunGard Capital Corp. II  
**Management Performance-Based Restricted Stock Unit Agreement**  
**Amendment Dated November 30, 2009**



otherwise would have been earned at the end of such calendar year based upon attainment of pre-determined performance goals, by (ii) (A)

its shall become fully vested and exercisable on the one-year anniversary of the Change of Control; (B) if the Investor IRR as of the Ch

investors shall be taken into account, minus the amount of commissions, fees and expenses payable by the Investors to the investment b

...s occurred, any amount that is scheduled to vest on the one-year anniversary of the Change of Control pursuant to Section 3(j)(i) above  
(ii) with respect to the portion of the Stock Units that are earned for a calendar year after 2010, the Stock Units shall be deemed to have

its sole discretion, either (i) cause the Stock Units to Vest on a Return-on-Equity Basis treating the Fair Market Value of any retained S

any Stock Units that subsequently vest shall be paid upon the first to occur of (i) the Grantee's separation from service without Cause

erlying the vested Stock Units, subject to satisfaction of the Grantee's tax withholding obligations as described below, within 30 days a

Paragraph 2 below:

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