

ABERDEEN ASIA-PACIFIC INCOME FUND INC  
Form N-CSRS  
July 07, 2011

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:	811-04611
Exact name of registrant as specified in charter:	Aberdeen Asia-Pacific Income 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:	Andrea Melia  Aberdeen Asset Management Inc.  1735 Market Street 32 <sup>nd</sup> Floor  Philadelphia, PA 19103
Registrant's telephone number, including area code:	800-522-5465
Date of fiscal year end:	October 31
Date of reporting period:	April 30, 2011

Item 1 Reports to Stockholders

# 11

## Aberdeen Asia Pacific Income Fund, Inc.

Semi-Annual Report

April 30, 2011

Invests primarily in Australian and Asian debt securities.



## Letter to Shareholders (unaudited)

June 8, 2011

Dear Shareholder,

We present this Semi-Annual Report which covers the activities of Aberdeen Asia-Pacific Income Fund, Inc. (the Fund) for the six months ended April 30, 2011. The Fund's investment objective is to seek current income. The Fund may also achieve incidental capital appreciation.

### Net Asset Value Performance

The Fund's total return based on net asset value (NAV) was 9.93% for the six months ended April 30, 2011 and 9.80% per annum since inception, assuming the reinvestment of distributions.

### Share Price Performance

The Fund's share price increased by 6.4% over the six month period, from \$6.90 on October 31, 2010 to \$7.34 on April 30, 2011. The Fund's share price on April 30, 2011 represented a discount of 5.3% to the NAV per share of \$7.75 on that date, compared with a discount of 5.1% to the NAV per share of \$7.27 on October 31, 2010. At the date of this letter, the share price was \$7.16 representing a discount of 5.4% to the NAV per share of \$7.57.

### Portfolio Allocation

As of April 30, 2011, the Fund held 44.2% of its total investments in Australian debt securities, 51.5% in Asian debt securities, 2.8% in European debt securities, 1.4% in U.S. debt securities and 0.1% in Canadian debt securities.

Of the Fund's total investments, 33.7% were held in U.S. Dollar denominated bonds issued by foreign issuers, bringing the Fund's U.S. Dollar exposure to 34.1%. The rest of the Fund's currency exposure was 47.3% in the Australian Dollar and 18.6% in various Asian currencies.

### Credit Quality

As of April 30, 2011, 67.3% of the Fund's portfolio was invested in securities where either the issue or the issuer was rated A or better by the Standard & Poor's Corporation or Moody's Investors Services, Inc., or judged by Aberdeen Asset Management Asia Limited (the Investment Manager) to be of equivalent quality.

### Distributions

Distributions to common shareholders for the twelve months ended April 30, 2011 totaled \$0.42 per share. Based on the share price of \$7.34 on April 30, 2011, the distribution rate over the twelve months ended was 5.7%. Since all distributions are paid after deducting applicable withholding taxes, the effective distribution rate may be higher for those U.S. investors who are able to claim a tax credit.

On June 7, 2011, the Board of Directors of the Fund (the Board) authorized a monthly distribution of \$0.035 per share, payable on July 15, 2011 to common shareholders of record as of June 30, 2011.

The Fund's policy is to provide investors with a stable monthly distribution out of current income, supplemented by realized capital gains and, to the extent the Fund does not generate earnings from dividends, interest and net realized capital gains equal to or in excess of the aggregate distributions paid by the Fund, paid-in capital, which is a non-taxable return of capital. It is the Board's intention that a monthly distribution of \$0.035 per share be maintained for twelve months, beginning with the July 15, 2011 distribution payment. This policy is subject to regular review at the Board's quarterly meetings, unless market conditions require an earlier evaluation. The next review is scheduled to take place in September 2011.

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### Share Repurchase Policy

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, 2011 and the fiscal year ended October 31, 2010, the Fund did not repurchase any shares.

### Revolving Credit Facility and Leverage

The Fund has entered into a \$600 million loan facility with a syndicate led by The Bank of Nova Scotia, which was renewed for a 364 day term on April 13, 2011. Under the terms of the loan facility and applicable regulations, the Fund is required to maintain certain asset coverage ratios for the amount of its outstanding borrowings. The Board regularly reviews the use of leverage by the Fund. The Fund is also authorized to use reverse repurchase agreements as another form of leverage.

### 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 Forms N-Q 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 1-800-522-5465.

### 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

Aberdeen Asia-Pacific Income Fund, Inc.

## Letter to Shareholders (unaudited) (concluded)

portfolio securities during the twelve months ended June 30, 2010, is available: (i) upon request and without charge by calling Investor Relations toll-free at 1-800-522-5465; and (ii) on the SEC's website at <http://www.sec.gov>.

### Investor Relations Information

For information about the Fund, daily updates of share price, NAV and details of distributions, please contact Aberdeen Asset Management Inc. by:

Calling toll free at 1-800-522-5465 in the United States,  
Emailing [InvestorRelations@aberdeen-asset.com](mailto:InvestorRelations@aberdeen-asset.com), or  
Visiting the website at [www.aberdeefax.com](http://www.aberdeefax.com).

For more information about Aberdeen Closed-End Funds, please 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 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 and monthly manager reports. If you sign up

for our email service online, we can ensure that you are among the first to know about Aberdeen's latest closed-end fund news.

Included within this report is a reply card with postage paid envelope. Please complete and mail the card if you would like to be added to our enhanced email service and receive future communications from Aberdeen.

Yours sincerely,

**Christian Pittard**

President

## Dividend Reinvestment and Direct Stock Purchase Plan

The Fund has a Dividend Reinvestment and Direct Stock Purchase Plan (the "Plan"), which is sponsored and administered by Computershare Trust Company, N.A., the Fund's transfer agent.

The Plan allows registered stockholders and first time investors to buy and sell shares and automatically reinvest dividends and capital gains through our 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.

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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 U.S. Dollars unless otherwise stated.**

Aberdeen Asia-Pacific Income Fund, Inc.



## Distribution Disclosure Classification (unaudited)

The Fund's policy is to provide investors with a stable monthly distribution 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 accounting rules, the amount 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. However, under the Investment Company Act of 1940 (the "1940 Act"), the Fund is required to indicate the sources of certain distributions to shareholders.

The Fund estimates that distributions for the fiscal year commencing November 1, 2010, including the distribution paid on June 17, 2011 are comprised of 100% net investment income.

This estimated distribution composition may vary from month to month because it may be materially impacted by future realized gains and losses on securities and fluctuations in the value of the currencies in which Fund assets are denominated.

In January 2012, 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 2011 calendar year.

## Report of the Investment Manager (unaudited)

### Share Price Performance

On April 30, 2011, the Fund's share price was \$7.34, which represented a discount of 5.3% to the NAV per share of \$7.75. As of June 8, 2011, the share price was \$7.16, representing a discount of 5.4% to the NAV per share of \$7.57.

### Loan Facility and the Use of Leverage

The Fund utilizes leverage to seek to increase the yield for its shareholders. The amounts borrowed from the line of credit may be invested to return higher rates than the rates in the Fund's portfolio. However, the cost of leverage could exceed the income earned by the Fund on the proceeds of such leverage. To the extent that the Fund is unable to invest the proceeds from the use of leverage in assets which pay interest at a rate which exceeds the rate paid on the leverage, the yield on the Fund's stock will decrease. In addition, in the event of a general market decline in the value of assets in which the Fund invests, the effect of that decline will be magnified in the Fund because of the additional assets purchased with the proceeds of the leverage. Non-recurring expenses in connection with the implementation of the loan facility will reduce the Fund's performance.

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The Fund's leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. The funds borrowed pursuant to the loan facility may constitute a substantial lien and burden by reason of their prior claim against the income of the Fund and against the net

assets of the Fund in liquidation. The Fund is not permitted to declare dividends or other distributions in the event of default under the loan facility. In the event of a default under the credit agreement, the lenders have the right to cause a liquidation of the collateral (i.e., sell portfolio securities and other assets of the Fund) and, if any such default is not cured, the lenders may be able to control the liquidation as well. The loan facility has a term of 364 days and is not a perpetual form of leverage; there can be no assurance that the loan facility will be available for renewal on acceptable terms, if at all.

The credit agreement governing the loan facility includes usual and customary covenants for this type of transaction. These covenants impose on the Fund asset coverage requirements, fund composition requirements and limits on certain investments, such as illiquid investments, which are more stringent than those imposed on the Fund by the 1940 Act. The covenants or guidelines could impede the Investment Manager, Aberdeen Asset Management Limited (the Investment Adviser) or Aberdeen Asset Management Investment Services Limited (the Sub-Adviser) from fully managing the Fund's portfolio in accordance with the Fund's investment objective and policies. Furthermore, non-compliance with such covenants or the occurrence of other events could lead to the cancellation of the loan facility. The covenants also include a requirement that the Fund maintain a NAV of no less than \$1 billion.

Aberdeen Asia-Pacific Income Fund, Inc.

## Report of the Investment Manager (unaudited) (continued)

The Board regularly reviews the use of leverage by the Fund and may explore other forms of leverage. The Fund may implement a reverse repurchase agreement program if the Board determines it would be advantageous for the Fund and shareholders to do so. A reverse repurchase agreement involves the sale of a security, with an agreement to repurchase the same or substantially similar securities at an agreed upon price and date. Whether such a transaction produces a gain for the Fund depends upon the costs of the agreements and the income and gains of the securities purchased with the proceeds received from the sale of the security. If the income and gains on the securities purchased fail to exceed the costs, the Fund's NAV will decline faster than otherwise would be the case. Reverse repurchase agreements, as with any leveraging techniques, may increase the Fund's return; however, such transactions also increase the Fund's risks in down markets.

### Interest Rate Swaps

The Fund enters into interest rate swaps to efficiently gain or hedge interest rate or currency risk. On November 11, 2010, the Fund unwound two interest rate swap agreements with aggregate notional amounts of Hong Kong Dollar ( HKD ) 53 and 74 million. On April 21 and April 28, 2011, the Fund entered into new interest rate swap agreements with an aggregate notional amount of \$116.0 and \$127.5 million, respectively. As of April 30, 2011, the Fund held interest rate swap agreements with an aggregate notional amount of \$540.0 million and Thailand Baht ( THB ) 695.0 million which represented 94% of the total borrowings. Under the terms of the agreements currently in effect, the Fund receives a floating rate of interest. The U.S. Dollar agreements receive the three month USD-LIBOR BBA rate. The THB agreement received the six month Thai Baht Fixing rate. The Fund pays fixed rates of interest for the terms and based upon the notional amounts set forth below:

Remaining Term as of April 30, 2011	Amount (in millions)	Fixed Rate Payable (%)
60 months	\$ 116.0	2.3180
60 months	\$ 127.5	2.1875
38 months	\$ 144.0	3.0125
38 months	\$ 22.5	2.9600
18 months	THB 695.0	3.2300
12 months	\$ 130.0	1.8170

A significant risk associated with interest rate swaps is the risk that the counterparty may default or file for bankruptcy, in which case the Fund would bear the risk of loss of the amount expected to be received under the swap agreements. There can be no assurance that the Fund will have an interest rate swap in place at any given time nor can there be any assurance that, if an interest rate swap is in

place, it will be successful in hedging the Fund's interest rate risk with respect to the loan facility. The implementation of this strategy is at the discretion of the Leverage Committee of the Board of Directors.

### Economic Review

Asian bond yields rose during the reporting period, as sentiment was weighed down by Europe's sovereign debt crisis and inflationary fears. Market participants appeared unmoved by the European Union's and the International Monetary Fund's ( IMF ) 85 billion bailout package for Ireland, while higher food and energy prices and strong economic growth drove inflation numbers beyond targets set by central banks. Losses were slightly pared from February onwards, thanks to heightened risk aversion and a pick-up of inflows into the asset class. Continued political unrest in the Middle East and north Africa, as well as the devastating earthquake and tsunami in Japan, curtailed risk appetite, which benefited bond markets. Towards the end of the period, sentiment was further lifted by a rally in U.S. Treasuries after the Federal Reserve signaled its intent to maintain an accommodative monetary policy stance in response to disappointing economic data.

Positive currency returns helped the iBoxx Asia ex-Japan Government Bond Index and UBS Composite Index rise by 3.96% and 14.40%, respectively. The Australian Dollar was the best performer, gaining by 11.55% against the U.S. Dollar on the back of rising commodity prices. Next was the Taiwan Dollar, favored for its increasingly close economic ties to the mainland, while the Singapore Dollar rallied after the central bank allowed the currency to appreciate faster.

Asia dollar credit, as measured by the Merrill Lynch Asian U.S. Dollar Bond Index, returned 0.29%. Investors brushed aside negative news as they sought better yield and fund flows returned to emerging bond markets towards the period-end. Amid a flight to safety, investment-grade

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bonds outperformed their high-yield counterparts. At the sector level, banks and corporates performed well. In the primary market, there were a total of 64 new issues worth a total of \$35.55 billion.

On the economic front, regional growth remained firm. Third- and fourth-quarter GDP continued to improve across most countries, driven by an acceleration in investment and consumption, as well as a rebound in exports. The anticipated moderation in growth this year back towards more sustainable levels as a result of tighter monetary policy and an easing of low base effects was unexpectedly mild.

Unsurprisingly, inflationary pressures intensified as output gaps closed or narrowed, while supply-side uncertainties, such as the

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## Report of the Investment Manager (unaudited) (concluded)

devastating floods and Cyclone Yasi in Australia, added pressure on food and energy prices. Most central banks were increasingly hawkish and continued to tighten monetary policy. Even Bangko Sentral ng Philipines, the central bank of the Philippines, which had been one of the more dovish central banks, raised its policy rate to 4.25% for the first time since mid-2009. China hiked lending rates three times as consumer prices rose to about 5% year-on-year for most of the reporting period.

The use of bond and interest rate futures contracts was primarily to hedge and manage the interest rate exposure of the Australian bond

and U.S. dollar-denominated Asian credit portfolios. While the Australian futures detracted value, the latter added to the Fund's overall performance.

The portfolio's paid interest rate swap positions in both Thailand and Hong Kong were also positive as yields rose during the period. The Hong Kong position was unwound in November 2010.

We also employed foreign-exchange forwards to manage the exposure to Asian currencies. These forwards detracted marginally, although the Fund's overall Asian currency exposure added value.

## Portfolio Composition (unaudited)

### Quality of Investments

As of April 30, 2011, 67.3% of the Fund's total investments were invested in securities where either the issue or the issuer was rated A or better by Standard & Poor's Corporation or Moody's Investors Service, Inc. or, if unrated, judged to be of equivalent quality by the Investment Manager. The table below shows the asset quality of the Fund's portfolio as of April 30, 2011, compared with the previous six and twelve months:

	AAA/Aaa	AA/Aa	A	BBB/Baa	BB/Ba*	B*
Date	%	%	%	%	%	%
April 30, 2011	30.1	14.2	23.0	11.8	20.1	0.8
October 31, 2010	26.8	12.9	25.0	12.7	19.8	2.8
April 30, 2010	31.8	11.1	25.0	11.0	18.0	3.1

\* Below investment grade

### Geographic Composition

The table below shows the geographical composition (i.e., with U.S. Dollar denominated bonds issued by foreign issuers allocated into country of issuance) of the Fund's total investments as of April 30, 2011, compared with the previous six and twelve months:

Date	Australia	Asia	Europe	United States	Canada
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	%	(including NZ)	%	%	%
		%			
April 30, 2011	44.2	51.5	2.8	1.4	0.1
October 31, 2010	44.2	54.5		1.3	
April 30, 2010	42.7	53.6		3.7	

Aberdeen Asia-Pacific Income Fund, Inc.

## Portfolio Composition (unaudited) (concluded)

### Currency Composition

The table below shows the currency composition of the Fund's total investments as of April 30, 2011, compared with the previous six and twelve months:

Date	Australian	Asian Currencies	US Dollar*
	Dollar	(including NZ dollar)	
	%	%	%
April 30, 2011	47.3	18.6	34.1
October 31, 2010	44.4	19.0	36.6
April 30, 2010	42.7	20.8	36.5

\* Includes U.S. Dollar denominated bonds issued by foreign issuers: 33.7% on April 30, 2011, 36.3% on October 31, 2010, and 38.9% on April 30, 2010.

### Maturity Composition

As of April 30, 2011, the average maturity of the Fund's total investments was 7.1 years, compared with 7.2 years at October 31, 2010. The following table shows the maturity composition of the Fund's investments as of April 30, 2011, compared with the previous six and twelve months:

Date	Under 3 Years	3 to 5 Years	5 to 10 Years	10 Years & Over
	%	%	%	%
April 30, 2011	20.9	24.6	37.3	17.2
October 31, 2010	24.5	27.2	31.5	16.8
April 30, 2010	28.4	24.7	34.9	12.0

Aberdeen Asia-Pacific Income Fund, Inc.

## Summary of Key Rates (unaudited)

The following table summarizes the movements of key interest rates and currencies from the previous six and twelve month periods.

	April 30, 2011	October 31, 2010	April 30, 2010
<b>Australia</b>			
90 day bank bills	4.92%	4.87%	4.63%
10 year bonds	5.43%	5.20%	5.71%
Australian Dollar	\$1.09	\$0.98	\$0.93
<b>Malaysia</b>			
90 day T-bills	2.78%	2.89%	2.58%
10 year bonds	3.97%	3.82%	4.06%
Malaysian Ringgit*	₹2.96	₹3.11	₹3.18
<b>New Zealand</b>			
90 day bank bills	2.69%	3.21%	2.75%
10 year bonds	5.44%	5.24%	5.91%
New Zealand Dollar	\$0.81	\$0.76	\$0.73
<b>Philippines</b>			
90 day T-bills	0.78%	3.83%	4.14%
10 year bonds	6.45%	5.96%	8.11%
Philippines Peso*	₱42.81	₱43.02	₱44.46
<b>Singapore</b>			
90 day T-bills	0.27%	0.29%	0.33%
10 year bonds	2.41%	1.98%	2.67%
Singapore Dollar*	₹\$1.22	₹\$1.29	₹\$1.37
<b>South Korea</b>			
90 day T-bills	3.39%	2.38%	2.15%
10 year bonds	4.48%	4.36%	4.82%
South Korean Won*	₩1,071.65	₩1,125.25	₩1,108.35
<b>Thailand</b>			