

ABERDEEN ASIA-PACIFIC INCOME FUND INC
Form N-CSRS
July 02, 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:	811-04611
Exact name of registrant as specified in charter:	Aberdeen Asia-Pacific Income Fund, Inc.
Address of principal executive offices:	1735 Market Street, 32 nd Floor Philadelphia, PA 19103
Name and address of agent for service:	Andrea Melia Aberdeen Asset Management Inc. 1735 Market Street 32 nd 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, 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 monthly distributions at an annual rate of \$0.035 per share set once a year. 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 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 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 month to month 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 the Fund's assets are denominated.

Based on generally accepted accounting principles, the Fund estimates that distributions for the fiscal year commenced November 1, 2012, including the distributions paid on May 17, 2013 and June 14, 2013, consisted of 74% net investment income, 8% net realized short-term capital gains and 18% 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.

Letter to Shareholders (unaudited)

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, 2013. The Fund's investment objective is to seek current income. The Fund may also achieve incidental capital appreciation.

Total Return Performance

The Fund's total return, based on net asset value (NAV), net of fees was 2.5% for the six months ended April 30, 2013 and 9.5% per annum since inception, assuming the reinvestment of dividends and distributions. The Fund's total return for the six-month period is based on the reported NAV on April 30, 2013.

Share Price and NAV

For the six months ended April 30, 2013, based on market price, the Fund's total return was (0.8%), assuming reinvestment of dividends and distributions. The Fund's share price decreased by 3.4% over the six-month period, from \$7.90 on October 31, 2012 to \$7.63 on April 30, 2013. The Fund's share price on April 30, 2013 represented a discount of 1.5% to the NAV per share of \$7.75 on that date, compared with a premium of 1.5% to the NAV per share of \$7.78 on October 31, 2012.

Portfolio Allocation

As of April 30, 2013, the Fund held 39.7% of its total investments in Australian debt securities, 53.4% in Asian debt securities, 4.4% in European debt securities, 2.4% in U.S. debt securities and 0.1% in Canadian debt securities.

Of the Fund's total investments, 35.5% were held in U.S. Dollar-denominated bonds issued by foreign issuers, bringing the Fund's U.S. Dollar exposure to 36.9%. The rest of the Fund's currency exposure was 43.7% in the Australian Dollar and 19.4% in various Asian currencies.

Credit Quality

As of April 30, 2013, 70.1% 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 or Moody's Investors Services, Inc., or, if unrated, judged by Aberdeen Asset Management Asia Limited (the Investment Manager) to be of equivalent quality.

Managed Distribution Policy

Distributions to common shareholders for the twelve months ended April 30, 2013 totaled \$0.42 per share. Based on the share price of \$7.63 on April 30, 2013, the distribution rate over the twelve-month period ended April 30, 2013 was 5.5%. 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 May 9, 2013 and June 11, 2013, the Fund announced that it will pay on June 14, 2013 and July 12, 2013 a distribution of US \$0.035 per share to all shareholders of record as of May 31, 2013 and June 28, 2013, respectively.

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, 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 12, 2013 distribution payment. This policy is subject to regular review at the Board's quarterly meetings, unless market conditions require an earlier evaluation. The next annual review is scheduled to take place in June 2014.

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, 2013 and fiscal year ended October 31, 2012, the Fund did not repurchase any shares.

Revolving Credit Facility and Leverage

On April 10, 2013, the Fund entered into a \$600,000,000 revolving credit loan facility with a syndicate led by Bank of America Merrill Lynch, for a 364-day term. Prior to April 10, 2013, the syndicate was led by The Bank of Nova Scotia. The outstanding balance on the loan as of April 30, 2013 was \$600,000,000. 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. Since the end of the reporting period at April 30, 2013, the Fund has reduced its revolving credit loan facility to \$150,000,000 and engaged in other forms of leverage. We believe the Fund has been able to lock in an attractive rate cost of borrowing and extend the maturity of the leverage facility while diversifying its borrowing structure during what we believe to be a strong current interest rate environment. Please see Note 11 Subsequent Events in the Notes to Financial Statements for more details.

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 1-800-522-5465.

Aberdeen Asia-Pacific Income Fund, Inc.

Letter to Shareholders (unaudited) (concluded)

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 1-800-522-5465; 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.aberdeenfax.com. From this page, you can view monthly fact sheets, portfolio manager commentary, distribution and performance information, updated daily fact sheets courtesy of Morningstar®, conduct portfolio charting and other timely data.

Please take a look at Aberdeen's award-winning Closed-End Fund Talk Channel, where you can watch fund manager web casts and view our latest short films. For replays of recent broadcasts or to register for upcoming events, please visit Aberdeen's Closed-End Fund Talk Channel at www.aberdeen-asset.us/aam.nsf/usClosed/aberdeentv.

Please ensure that you are enrolled in our email services, which feature timely news from Aberdeen portfolio managers located around the world. Enroll today at www.aberdeen-asset.us/aam.nsf/usclosed/email and be among the first to receive the latest closed-end fund news, announcements of upcoming fund manager web casts, films and other information.

Please contact Aberdeen Asset Management Inc. by:

calling toll free at 1-800-522-5465 in the United States, or
emailing InvestorRelations@aberdeen-asset.com
visiting www.aberdeenfax.com

Yours sincerely,

Christian Pittard

President

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

Aberdeen Asia-Pacific Income Fund, Inc.

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Report of the Investment Manager (unaudited)

Market/Economic Review

Asian fixed income markets posted modest gains in a steady uptrend during the six-month period ended April 30, 2013. Initially, there were investor concerns over lackluster data and budget uncertainty in the U.S., while an inconclusive Italian election and Cyprus's banking woes reignited European sovereign fears. Subsequently, the U.S. economy appeared to improve, while the Federal Reserve reaffirmed its accommodative monetary stance. A Cyprus bailout by the Troika (the European Commission, the International Monetary Fund and the European Central Bank) also eased investor concerns. Towards the end of the period, bond markets were supported by the Bank of Japan's bold quantitative easing, softening economic growth and receding inflation. In local currency bonds, the Philippine market was the best performer, as it benefited from cuts to the special deposit account (SDA) and credit rating upgrades.

Economic data were mixed across Asia. Weak external demand continued to weigh on regional exports, although manufacturing activity improved marginally. China's economy grew by a slower-than-expected 7.7% in the quarter ended March 31, 2013 while, in Singapore, initial estimates showed gross domestic product (GDP) contracting. India's current account deficit widened to a record high of 6.7% of GDP. In Australia, business conditions remained soft and consumer confidence waned amid rising unemployment. Conversely, Korea's economy expanded at its quickest pace in two years, while Thailand lifted its 2013 growth forecast to 5.3% to reflect the anticipated boost from stimulus moves. Foreign direct investments in Indonesia reached a five-year high.

Core inflation fell across most of the region. Central banks in Australia and India cut their benchmark rates, while Philippine policymakers trimmed the SDA rate. Both Australia and India announced further rate cuts in May, while Korea also lowered interest rates by 25 basis points (bps).

Fund Performance Review

Fund performance for the reporting period was enhanced by contributions from the interest rate strategies within the Asian local currency bond portfolio, which offset the drag on performance from the allocation to U.S. Dollar-denominated Asian credit. The overweight allocation and duration positions in both Thailand and the Philippines provided the largest boost to performance, along with the overweight to Malaysia and India. Holdings in Australian bonds also bolstered the Fund's relative return, with both duration and credit strategies contributing positively.

Conversely, the allocation to U.S. Dollar-denominated Asian credit detracted marginally from performance, which was due to the underweight to high-yield industrials, as well as security selection in investment-grade oil and gas credits. We maintain a more conservative position in the high-yield sector, particularly in Chinese industrials.

The local currency portion of the Fund uses currency forwards as part of the currency overlay process in an effort to position the currency exposure according to our strategy. These forwards had a negative impact on the performance of the local currency portfolio over the review period due primarily to the hedging positions in the Thai baht and Singapore Dollar.

The Fund can also use interest rate swaps to hedge interest rate exposure or otherwise obtain exposure to a particular interest rate market, but we are not deploying this strategy currently. During the reporting period, the Fund used interest rate swaps as a tool to hedge the leverage of the Fund. The Fund also uses credit-linked notes¹ to reduce the impact of withholding taxes in Indonesia.

The use of bond futures contracts was primarily to hedge and manage the interest rate exposure of the U.S. Dollar-denominated Asian credit portfolios. During the review period, the Fund held net short² U.S. Treasury futures positions, which hindered the performance of the Asian credit portfolio.

There have been no bond futures positions in the Australian sleeve since May 2012. Accordingly, there was no impact from Australian bond derivatives during the reporting period.

Outlook

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In our view, the economic recovery in the Asia-Pacific region remains fragile. We believe that weak external demand still hampers the pace of growth in Asia, although domestic consumption has been resilient. Central banks have been cautious, opting to keep monetary policy on hold with a slight easing bias. The liquidity support from the quantitative easing of advanced economies, and hence rising risk appetite, has been evident in both Asian equity and fixed income markets, in our view. Currency volatility, though low, has also increased. We believe that fund flows into regional bond markets remain robust, with investors drawn to the higher yields amid a low-interest-rate environment. Against such a backdrop, we remain focused on relative value opportunities in the fixed income markets.

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 loan facility and other

¹ A security for which the coupon or price is linked to the performance of a reference asset.

² A short position involves the sale of a security or other financial instrument that is not currently owned, with the intention of subsequently repurchasing it (covering) at a lower price.

Aberdeen Asia-Pacific Income Fund, Inc.

Report of the Investment Manager (unaudited) (continued)

funds obtained through various forms of leverage 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 common 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.

The Fund obtained leverage via bank borrowing during the reporting period. On April 10, 2013, the Fund entered into a \$600,000,000 revolving credit loan facility with a syndicate led by Bank of America Merrill Lynch. The loan facility is for a 364-day term 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. Prior to April 10, 2013, the syndicate was led by The Bank of Nova Scotia. The outstanding balance on the loan as of April 30, 2013 was \$600,000,000.

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 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 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 Managers 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 \$1,000,000,000.

Prices and availability of leverage are extremely volatile in the current market environment. 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 as another form of leverage 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.

Since the end of the reporting period at April 30, 2013, the Fund has engaged in other forms of leverage and refinanced its revolving credit loan facility as described in Note 11, Subsequent Events. The Fund's total amount of leverage remains at \$600 million following the refinancing.

Interest Rate Swaps

As of April 30, 2013, the Fund held interest rate swap agreements with an aggregate notional amount of \$600,000,000, which represented 100% of the Fund's total borrowings. Under the terms of the agreements currently in effect, the Fund receives a floating rate of interest (three month USD-LIBOR BBA rate) and pays fixed rates of interest for the terms and based upon the notional amounts set forth below:

Remaining

Term as of

April 30, 2013	Amount (in millions)	Fixed Rate Payable (%)
54 months	\$ 66.0	0.84
42 months	174.0	1.42
40 months	60.0	1.20
18 months	300.0	0.82

Aberdeen Asia-Pacific Income Fund, Inc.

Report of the Investment Manager (unaudited) (concluded)

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.

Effective June 11, 2013, the Investment Manager terminated \$450 million in notional value of the above swaps in connection with the Fund's refinancing of its loan facility and from floating interest rate to fixed rate forms of leverage as described in Note 11, Subsequent Events.

Aberdeen Asset Management Asia Limited

Aberdeen Asia-Pacific Income Fund, Inc.

Average Annual Returns (unaudited)

April 30, 2013

The following table summarizes Fund performance compared to the Fund's blended benchmark consisting of 45% of the UBS Composite Index, 35.75% of the JP Morgan Asian Credit Index, and 19.25% of the IBOXX Asia ex Japan Government Bond Index for the 1-year, 3-year, 5-year and 10-year periods as of April 30, 2013.

	1 Year	3 Years	5 Years	10 Years
Net Asset Value (NAV)	8.4%	10.6%	9.7%	10.5%
Market Value	6.7%	9.9%	11.4%	11.3%
Benchmark	8.2%	10.1%	9.2%	9.7%

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. 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 six-month period is based on the reported NAV on April 30, 2013. **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 800-522-5465.

The net operating expense ratio is 1.31%. The net operating expense ratio, excluding interest expense, is 0.99%.

Aberdeen Asia-Pacific Income Fund, Inc.

Portfolio Composition (unaudited)

Quality of Investments

As of April 30, 2013, 70.1% 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 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, 2013, compared with the previous six and twelve months:

Date	AAA/Aaa %	AA/Aa %	A %	BBB/Baa %	BB/Ba* %	B* %	NR** %
April 30, 2013***	35.4	11.2	23.5	11.7	15.0	1.6	1.6
October 31, 2012	36.2	11.5	22.8	12.6	15.1	1.3	0.5
April 30, 2012***	36.0	8.3	22.7	14.8	16.9	1.3	0.0

* Below investment grade

** Not Rated

*** Unaudited

Geographic Composition

The table below shows the geographical composition (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, 2013, compared with the previous six and twelve months:

Date	Australia %	Asia (including NZ) %	Europe %	United States %	Canada %
April 30, 2013*	39.7	53.4	4.4	2.4	0.1
October 31, 2012	41.6	54.2	2.2	1.9	0.1
April 30, 2012*	42.5	54.0	2.8	0.6	0.1

* Unaudited

Currency Composition

The table below shows the currency composition of the Fund's total investments as of April 30, 2013, compared with the previous six and twelve months:

Date	Australian Dollar %	Asian Currencies (including NZ Dollar) %	US Dollar* %
April 30, 2013**	43.7	19.4	36.9
October 31, 2012	43.9	19.7	36.4
April 30, 2012**	45.3	19.8	34.9

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* Includes U.S. Dollar-denominated bonds issued by foreign issuers: 36.9% of the Fund's total investments on April 30, 2013, 36% of the Fund's total investments on October 31, 2012, and 34.6% of the Fund's total investments on April 30, 2012.

** Unaudited

Maturity Composition

As of April 30, 2013, the average maturity of the Fund's total investments was 7.2 years, compared with 7.2 years at October 31, 2012, and 7.3 years at April 30, 2012. The table below shows the maturity composition of the Fund's investments as of April 30, 2013, 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, 2013*	18.8	26.9	43.1	11.2
October 31, 2012	20.4	23.7	42.3	13.6
April 30, 2012*	20.0	27.7	35.3	17.0

* Unaudited

Aberdeen Asia-Pacific Income Fund, Inc.

Summary of Key Rates (unaudited)

The following table summarizes the movements of key interest rates and currencies from April 30, 2013 and the previous six- and twelve- month periods.

	April 30, 2013	October 31, 2012	April 30, 2012
Australia			
90 day bank bills	2.91%	3.14%	4.05%
10 yr bond	3.09%	3.13%	3.67%
Australian Dollar	\$1.04	\$1.04	\$1.04
Malaysia			
3-month T-bills	3.00%	3.05%	3.06%
10 yr bond	3.36%	3.46%	3.57%
Malaysian Ringgit*	₹3.04	₹3.05	₹3.06
New Zealand			
90 day bank bills	2.67%	2.69%	2.71%
10 yr bond	3.17%	3.48%	3.99%
New Zealand Dollar	\$0.86	\$0.82	\$0.82
Philippines			
90 day T-bills	0.37%	0.73%	2.47%
10 yr bond	3.48%	5.11%	5.79%
Philippines Peso*	₱41.16	₱41.20	