

Aberdeen Latin American Equity Fund

Annual short report for the year ended 31 July 2016

Investment objective and policy

The Fund's investment objective is long-term total return to be achieved by investing in equities and equity-related securities of Latin American companies or companies with significant activities in Latin America.

Note: The term 'total return' means a combination of income and capital growth and no positive return is implied.

Performance review

For the year ended 31 July 2016, the value of Aberdeen Latin American Equity Fund – A Accumulation Shares increased by 33.94% compared to an increase of 25.08% in the benchmark, the MSCI EM Latin America 10/40 NR Index.

Source: Lipper, Basis: total return, NAV to NAV, net of annual charges, UK Net income reinvested, GBP.

Please remember that past performance is not a guide to future returns. The price of shares and the revenue from them may fall as well as rise. Investors may not get back the amount originally invested.

Market review

Latin American equities rose in the year under review, well ahead of the broader emerging markets benchmark. Regional stockmarkets slumped in the first half because of weakness in commodity and energy prices, and the US Federal Reserve's rate hike in December. Brazil was particularly weak, as the economy sank deeper into a recession and inflation rose to a 12-year high. However, it began to show signs of improvement towards the period-end. Mexico's economy contracted for the first time in three years during the second quarter, amid prolonged industrial sluggishness and a weak peso. Chilean economic activity remained subdued, while Colombia unexpectedly hiked benchmark interest rates as inflation surged on the back of a severe drought. Regional investor sentiment improved dramatically in 2016, driven by a combination of political developments, rebounding commodity prices and a return of global risk appetite. In Brazil, the bid to impeach president Dilma Rousseff culminated in her removal from office in mid-May. Vice-president Michel Temer took over as interim president, forming an economic team consisting of investor favourites, such as former central bank president Henrique Meirelles as finance minister. Temer's interim administration unveiled an ambitious programme of reforms to buttress the country's public finances. In Peru, market-friendly candidate Pedro Pablo Kuczynski was elected as president, with a mandate to boost infrastructure investments.

Portfolio review

Good stock selection in Brazil was a key contributor to relative performance. Banco Bradesco rebounded sharply to narrow its discount to sectoral peers, and fashion retailer Lojas Renner outshone its peers despite tough operating conditions. Mall operator Multiplan and shoe retailer Arezzo were boosted by an apparent bottoming-out of the consumer downturn. We also benefited from not holding some underperforming Mexican stocks, such as America Movil, which suffered from intense domestic competition and a large foreign debt.

Conversely, the biggest detractor was not holding state-owned oil giant Petrobras, which has been at the focus of Brazil's corruption scandals. It rebounded after Temer appointed a new management, and the real's appreciation reduced its hefty US dollar debt burden in local currency terms. Holding Valid Solucoes also hurt performance, as the payment and mobile-solutions company posted weaker-than-expected results, hampered by its means-of-payment division.

In portfolio activity, we introduced Grupo Lala, a leading dairy business in Mexico, and Cementos Pacasmayo, an attractively-priced Peruvian cement producer. We exercised our rights and participated in Parque Arauco's capital raising, on valuation grounds and the Chilean mall operator's well-mapped development pipeline. In addition, we switched a portion of Banco Bradesco's ordinary shares to its preference shares to capitalise on the widening discount. Against this, we sold Souza Cruz shares to parent BAT, which had raised its bid to privatise the unit.

Outlook

Latin America and emerging markets as a whole, with the notable exception of Eastern Europe, have not been at the centre of Brexit-related volatility, and have been among the most resilient following the Brexit referendum result. With global interest rates now expected to remain lower for longer, Latin American equities are likely to benefit in the near term.

A regional trend away from populism appears to be taking shape, particularly in Brazil, Argentina and Peru. While our investment process does not follow benchmark indices, MSCI's decision not to downgrade the Peruvian stockmarket's status from emerging to frontier market seems a positive development. Challenges do remain; such as, popular backlash against austerity policies and the possibility of reforms being blocked by the opposition. In Colombia, a peace deal with rebel group Farc could end one of the world's longest-running civil wars and open up new opportunities for the country.

Demographics, especially a burgeoning middle class, continues to serve as the compelling growth engine driving possibilities for businesses in Latin America. We remain focused on picking and holding stocks with good fundamentals, and using volatility to diversify our portfolio.

Portfolio breakdown

Portfolio of investments	As at 31 July 2016 %	As at 31 July 2015 %
Brazil	61.17	58.35
Mexico	20.01	23.45
Chile	9.66	9.25
Peru	2.48	1.41
Colombia	2.25	3.40
Argentina	2.08	2.27
Investment assets	97.65	98.13
Net other assets	2.35	1.87
Net assets	100.00	100.00

Fund facts

	Interim/annual accounting dates	Income payment date
	31 January, 31 July	31 October
	Ongoing charges figure % as at 31 July 2016	Ongoing charges figure % as at 31 July 2015
Share class A	2.02	2.03
Share class I	1.27	1.28

The ongoing charges figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. This includes the annual management charge, the other operating expenses and any synthetic element to incorporate the ongoing charges of any underlying collective investments. The OCF can fluctuate as underlying costs change. Where underlying costs have changed, the OCF disclosed in the Key Investor Information Document will be updated to reflect current changes.

Distribution summary

	Total distribution (p) for the year to 31/07/2016	Total distribution (p) for the year to 31/07/2015
A Accumulation	0.5505	0.6420
I Accumulation	1.0883	1.2898

Prior to 6th April 2016, distributions paid in respect of the Fund came with a tax credit of 1/9th of the amount stated. UK higher and additional rate taxpayers not holding through an ISA may have additional income to pay in respect of these. Non taxpayers are not entitled to a refund of the 1/9th tax credit. Distributions received by corporate investors are subject to the corporate streaming rules.

Performance summary

	Net asset value as at 31/07/2016 pence per share	Net asset value as at 31/07/2015 pence per share	Net asset value % change
A Accumulation	89.70	66.04	35.83
I Accumulation	94.11	68.77	36.85

Net of tax and expenses.

Performance record

Accounting year ended		Highest price pence per share	Lowest price pence per share
2014	A Accumulation	100.09	76.01
2014	I Accumulation	102.84	78.27
2015	A Accumulation	99.15	64.97
2015	I Accumulation	102.55	67.65
2016	A Accumulation	90.63	51.61
2016	I Accumulation	95.07	53.94

Risk profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

Typically lower rewards, lower risk				Typically higher rewards, higher risk		
←				→		
1	2	3	4	5	6	7

Risk and reward indicator table as at 31 July 2016.

- This Fund is ranked at 6 because funds of this type have experienced high rises and falls in value in the past.
- Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. The indicator does not take into account the following risks of investing in this Fund:
- Exchange rates: Investing globally can bring additional returns and diversify risk. However, currency exchange rate fluctuations may have a positive or negative impact on the value of your investment.
- Emerging markets: Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This may mean your money is at greater risk.
- A full list of risks applicable to this Fund can be found in the Prospectus.
- The latest risk and reward profile can be found on the Key Investor Information Document (KIID) for this Fund which is available on the website at aberdeen-asset.co.uk.

Other information

Consumers' rights and protections, including any derived from EU legislation, are currently unaffected by the result of the UK referendum to leave the European Union, and will remain unchanged unless and until the UK Government changes the applicable legislation.

What if I have a complaint?

If you need to complain about any aspect of our service, you should write to the Complaints Team, Aberdeen Fund Managers Limited, 10 Queen's Terrace, Aberdeen, AB10 1YG, who will initiate our formal complaints procedure. If you prefer, you may call the Complaints Team on 01224 404490 or email complaints@aberdeen-asset.com in the first instance. A leaflet detailing our complaints procedure is available on request.

If the complaint is not resolved by us to your satisfaction then you may take your complaint to the Financial Ombudsman Service. In order to contact the Financial Ombudsman Service or obtain details of the compensation scheme you should write to The Financial Ombudsman Service, Exchange Tower, London, E14 9SR or telephone 0300 1239 123 or 0800 023 4567.

Literature and Fund information

Our website contains a wealth of information on our funds and investment approach, including Key Investor Information Documents (KIIDs) for all of the funds available for investment. We also publish Supplementary Information Documents (SIDs), Application Forms, Fund Lists and Terms and Conditions.

You can invest online and access fund performance and pricing information.

Please visit:

aberdeen-asset.co.uk

Alternatively please contact our Customer Services Team on:

Tel: 0345 300 2890

Email: customer.services@aberdeen-asset.com

Report and accounts

Copies of the annual and half-yearly long form report and accounts for this Fund are available free of charge on request to Aberdeen Fund Managers Limited.

Aberdeen Latin American Equity Fund is a sub-fund of Aberdeen Investment Funds ICVC, an opened investment company ('OEIC') authorised under the Financial Services and Markets Act 2000.

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