

# Aberdeen World Equity Fund

Annual short report for the year ended 31 July 2016

## Investment objective and policy

The investment objective of Aberdeen World Equity Fund is to provide long term total return from an internationally diversified portfolio of equities.

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 World Equity Fund – A Income Shares increased by 15.35% compared to an increase of 17.69% in the benchmark, the MSCI World 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

Global equities rose during the volatile year under review, which culminated in Britain's unexpected decision to leave the European Union. The Brexit vote induced severe market turbulence, which gave way to greater composure after central banks assured to keep monetary policy accommodative.

The expected direction of US interest rate policy continued to drive market sentiment. In December, the US Federal Reserve's move to raise interest rates by 25 basis points in December helped remove a key source of uncertainty, but in early 2016 growing caution over the fragile global recovery and persistent deflationary pressures forced the Fed to lower expectations for the number of rate hikes this year. The change in policy stance resulted in US dollar weakness, which provided some relief to commodities and commodity-dependent emerging markets.

Elsewhere, sentiment picked up when Japan and Europe imposed negative interest rates to combat low inflation and boost spending. However, the move quickly raised questions about the efficacy of such increasingly extreme monetary policy. This translated into weak markets, particularly within the financial sector, and for Japan a shift to a strengthening currency.

---

## Portfolio review

At the stock level, Samsung Electronics contributed to performance, after the company posted its second-highest quarterly earnings in July, driven by sales of its premium product lines, including the S7 Edge smartphone. Taiwan Semiconductor Manufacturing Company climbed as it delivered results that exceeded forecasts, on the back of robust smartphone demand and cost cuts. In July, the company also won a contract to be Apple's sole supplier of the next-generation processor used in the upcoming iPhone series. Daito Trust Construction rose too, after it posted record sales and profits for the year to March, driven by higher construction volumes and improved margins.

Conversely, Standard Chartered detracted from performance, due to an increase in loan impairments and declining business activity in 2015. The lender halved its interim dividend to conserve capital. On a more positive note, the lender returned to profitability in the first half of 2016. In July, it hired IMF director Jose Vinals as its chairman. He offers experience in dealing with the increasing regulatory uncertainties, having previously spent seven years on the Financial Stability Board, which oversees the global banking-sector regulations. Perrigo's shares came under pressure together with the wider healthcare sector since the start of 2016. The drugmaker trimmed full-year outlook and missed its quarterly-earnings forecasts, citing competitive pressures that have lowered price expectations. Potash Corporation of Saskatchewan also fell after the company reduced its 2016 estimates twice during the period and cut its quarterly dividend, as its profits suffered from a fall in fertiliser prices.

In portfolio activity, we sold Ericsson, Baxter, Baxalta, Zurich Insurance, Chevron and South32 as mentioned in the interim report. Subsequently, we also exited HSBC, given concerns about the continuing drag on returns from regulatory and compliance obligations. We divested Nordea as we feel that the business' growth prospects are limited, and are cautious over exposure to the Nordic property market. We sold Vale, following a sustained rally in Brazilian assets this year, supported by speculation amid renewed momentum for a change in government, as well as a sharp improvement in iron-ore prices. Notwithstanding this, imbalances between supply and demand continue to weigh on the market. Lastly, we exited Schneider to fund opportunities elsewhere.

Against this, we introduced several holdings. These included Check Point Software Technologies, M&T Bank, Fresenius Medical Care, Intercontinental Exchange, Housing Development Finance Corporation, ITC, MTR Corporation and Perrigo, all of which were mentioned in the interim report. In the second half, we introduced restaurant, coffee shop and budget hotel group Whitbread, impressed by its competitiveness in the UK, as well as its ambitions to expand overseas. We initiated positions in Kasikornbank, a leading Thai commercial lender with a robust branch network and a market-leading position among small- and medium-sized enterprises; and Japan's Keyence, a market leader that taps into growing demand for factory automation. We also introduced American software provider Amdocs, which benefits from increased outsourcing in its core segments and solid client retention, which gives it a robust recurring revenue stream.

## Outlook

While investor sentiment has strengthened post-Brexit vote, the longer-term implications of the UK's decision to leave the European Union will play out over time. The IMF's downgrade of its global growth forecasts confirms that the Brexit vote will likely add downward pressure to the world economy, which already faces an array of downside risks. Geopolitical turmoil, weak oil prices, a close presidential race in the US and uncertainty in Europe all threaten to dampen growth. Meanwhile, central banks appear to be running out of ammo, with negative interest rates in Europe and Japan failing to revive their economies. Despite the challenges that lie ahead, we remain confident of our bottom-up investment process, and will capitalise on market volatility to introduce new holdings with compelling valuations and proven long-term growth drivers.

## Portfolio breakdown

Portfolio of investments	As at 31 July 2016 %	As at 31 July 2015 %
North America	36.54	35.46
Europe, Middle East & Africa (ex United Kingdom)	20.89	22.81
Asia Pacific	16.99	10.50
Japan	10.05	7.67
United Kingdom	9.83	15.44
Latin America	5.15	5.37
<b>Investment assets</b>	<b>99.45</b>	<b>97.25</b>
<b>Net other assets</b>	<b>0.55</b>	<b>2.75</b>
<b>Net assets</b>	<b>100.00</b>	<b>100.00</b>

## Fund facts

	Interim/annual accounting dates	Income payment dates
	31 January, 31 July	30 April, 31 October

  

	Ongoing charges figure % as at 31 July 2016	Ongoing charges figure % as at 31 July 2015
Share class A	1.64	1.65
Share class I	1.14	1.15
Share class Z	0.14	0.15

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	1.6448	2.4457
A Income	1.4200	2.1400
I Accumulation	2.6361	3.5290
I Income	1.5400	2.1000
Z Accumulation	4.9314	5.9809

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	209.82	182.49	14.98
A Income	179.93	157.78	14.04
I Accumulation	218.51	189.10	15.55
I Income	126.40	110.81	14.07
Z Accumulation	241.06	206.54	16.71

Net of tax and expenses.

## Performance record

Accounting year ended		Highest price pence per share	Lowest price pence per share
2014	A Accumulation	190.78	168.66
2014	A Income	168.59	149.02
2014	I Accumulation	196.68	173.47
2014	I Income	118.71	104.68
2014	Z Accumulation	212.66	186.69
2015	A Accumulation	204.29	179.06
2015	A Income	178.72	156.64
2015	I Accumulation	211.37	185.08
2015	I Income	125.66	110.30
2015	Z Accumulation	230.19	200.90

Accounting year ended		Highest price pence per share	Lowest price pence per share
2016	A Accumulation	212.14	160.52
2016	A Income	183.07	138.51
2016	I Accumulation	220.91	166.78
2016	I Income	128.89	97.29
2016	Z Accumulation	243.69	183.14

## 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 5 because funds of this type have experienced medium to 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 risk 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.
- 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](http://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](mailto: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](http://aberdeen-asset.co.uk)**

Alternatively please contact our Customer Services Team on:

**Tel: 0345 300 2890**

**Email: [customer.services@aberdeen-asset.com](mailto: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 World Equity Fund is a sub-fund of Aberdeen Investment Funds ICVC, an openended investment company ('OEIC') authorised under the Financial Services and Markets Act 2000.

---

## Appointments

**Authorised Corporate Director**  
Aberdeen Fund Managers Limited

**Head Office**  
10 Queen's Terrace  
Aberdeen  
AB10 1YG

**Registered Office**  
Bow Bells House  
1 Bread Street  
London  
EC4M 9HH

**Depository**  
BNP Paribas Securities Services  
London Branch  
10 Harewood Avenue  
London  
NW1 6AA

**Auditors**  
KPMG LLP  
15 Canada Square  
London  
E14 5GL

**Registrar**  
International Financial Data Services (UK) Limited  
IFDS House  
St. Nicholas Lane  
Basildon  
Essex  
SS16 5FS  
(the register of shareholders can be inspected at  
this address)

## Contact us

**Phone**  
(Lines are open 9:00am to 5:00pm, Mondays  
to Fridays, excluding bank holidays)  
Dealing 0800 833 580  
Customer Services 0345 300 2890  
Broker Desk 0800 592 487

**Post**  
All enquiries Aberdeen Fund Managers Limited,  
PO Box 9029, Chelmsford, CM99 2WJ

For more information on Aberdeen Asset  
Management PLC and our product range please  
visit [aberdeen-asset.com](http://aberdeen-asset.com)



**Recycled**  
Supporting responsible use  
of forest resources  
[www.fsc.org](http://www.fsc.org) Cert no. SA-COC-1605  
© 1996 Forest Stewardship Council



The above document is strictly for information purposes only and should not be considered as an offer, investment recommendation or solicitation, to deal in any of the investments or funds mentioned herein and does not constitute investment research as defined under EU Directive 2003/125/EC. Aberdeen Asset Managers Limited ('Aberdeen') does not warrant the accuracy, adequacy or completeness of the information and materials contained in this document and expressly disclaims liability for errors or omissions in such information and materials.

Any research or analysis used in the preparation of this document has been procured by Aberdeen for its own use and may have been acted on for its own purpose. The results thus obtained are made available only coincidentally and the information is not guaranteed as to its accuracy. Some of the information in this document may contain projections or other forward looking statements regarding future events or future financial performance of countries, markets or companies. These statements are only predictions and actual events or results may differ materially. The reader must make their own assessment of the relevance, accuracy and adequacy of the information contained in this document and make such independent investigations, as they may consider necessary or appropriate for the purpose of such assessment. Any opinion or estimate contained in this document is made on a general basis and is not to be relied on by the reader as advice. Neither Aberdeen nor any of its employees, associated group companies or agents have given any consideration to nor have they or any of them made any investigation of the investment objectives, financial situation or particular need of the reader, any specific person or group of persons. Accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the reader, any person or group of persons acting on any information, opinion or estimate contained in this document. Aberdeen reserves the right to make changes and corrections to any information in this document at any time, without notice.

Issued by Aberdeen Fund Managers Limited, authorised and regulated by the Financial Conduct Authority in the United Kingdom. A member of the Aberdeen Asset Management group of Companies.

