

Aberdeen European Equity Fund

Annual short report for the year ended 31 July 2013

Investment objective and policy

The Fund aims for maximum capital growth through investment in a broad spread of European securities. The Manager will invest in European companies which offer good prospects for capital growth. Whilst the Fund will invest principally in companies incorporated in Europe, the Manager may also invest in companies which derive an important proportion of their earnings from European trade or operations. It is intended that the Fund will have minimal exposure to the UK. The Manager will also take opportunities as they arise to invest in European emerging markets.

Risk profile

Shareholders should be aware of the risks inherent in investing in securities and other financial instruments. Financial markets can be vulnerable to unpredictable price movements and are affected by a number of factors.

The value of your investment and the revenue derived from it will rise and fall due to market and company specific factors.

The specific risk warning relating to this fund is as follows:

- The value of your investment will rise or fall with any movement in exchange rates.

Cumulative performance (%)

	Period of report 31/07/2012 to 31/07/2013	5 years 31/07/2008 to 31/07/2013	Since launch 08/11/1991 to 31/07/2013 ^c
Fund - A Accumulation	26.14	28.09	430.81
Benchmark ^a	36.03	34.43	667.88

Annual discrete performance to 31 July^b

	31/07/2012 to 31/07/2013	31/07/2011 to 31/07/2012	31/07/2010 to 31/07/2011	31/07/2009 to 31/07/2010	31/07/2008 to 31/07/2009
% change	26.14	(4.52)	12.56	13.10	(16.46)

Source: Lipper, Total Return, NAV to NAV, UK Net income reinvested, £.

^a FTSE Europe ex UK Index.

^b Figures are as at valuation point.

^c Figures for Aberdeen European Growth Unit Trust prior to 16 December 2005.

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

European equities rallied during the year under review as ample liquidity from loose fiscal and monetary policies kept markets buoyant worldwide. Specifically, it was the European Central Bank's (ECB) decision to buy unlimited amounts of short-term debt, through its outright monetary transactions programme, that assuaged fears of a Eurozone breakup early in the reporting period. During this time, the US Federal Reserve also announced its long-awaited third round of quantitative easing. In May, markets received another shot of confidence when the ECB lowered its main refinancing rate and said it could impose negative deposit rates to boost lending. It is believed such a move could help bolster demand. The market gains belied ongoing headwinds, however. Recession in the currency bloc deepened while unemployment rose to a record high. Political wrangling over how to control budget deficits and monitor bad banks threatened to split governments while the near-collapse of Cyprus' banking system also spooked investors. Towards the period-end, gains were clipped by concerns that the Fed would soon scale down its asset purchases but the ECB's pledge to keep rates low for an extended period reassured investors. Encouragingly, European manufacturing expanded in July for the first time in two years.

Portfolio review

At the stock level, our exposure to Fuchs Petrolub, Amadeus IT Holdings and Assa Abloy added to performance. Engine oil maker Fuchs posted record revenues and earnings in 2012 while further strengthening its balance sheet, and followed this up with good first-half results that benefited from rising demand in emerging economies, particularly China and Africa. Travel software and services provider Amadeus also reported good half-year earnings despite the global slowdown. Lock maker Assa Abloy was similarly buoyed by healthy profit growth.

On the flip side, our holdings in Fugro, Kongsberg Gruppen and Swedish Match detracted. Fugro, which conducts surveys of deepwater oilfields, reported better-than-expected full-year results but price pressures continued to weigh on margins. Early in the reporting period, its chairman also resigned over differences with the board. Nevertheless, we continue to like the company for its niche skills and solid global positions. Greater competition hurt tobacco company Swedish Match although its share price recovered latterly on news that it could receive a takeover bid from one of its rivals. Kongsberg Gruppen's results met expectations with good performance in both the marine and defence businesses whereas activity slowed in the division that supplies remote weapon stations.

In portfolio activity, we initiated a position in Spanish IT company Amadeus as we are attracted to its decent levels of recurring revenues and reasonable valuation. We also introduced Nordic bank Svenska Handelsbanken given its conservative lending model, solid capital position and potential for global expansion. Another new holding was Swiss-based Syngenta, a producer of seeds and agrochemicals, which we like for its exposure to structurally growing markets and franchise strength in emerging economies. Elsewhere, we topped up French retailer Casino. Recent protests in Brazil weighed on the stock price but the company's interim results showed continued growth in its international operations, including Brazil, while its valuation remains attractive. We also added to tank storage provider Vopak, which offers a global network of attractive infrastructure assets that should benefit from further growth in energy transportation.

Conversely, we pared Fuchs, food company Nestle, cosmetics producer L'Oreal, lens maker Essilor and industrial gases supplier Linde on price strength.

Outlook

At the time of writing, additional positive economic data, including Eurozone GDP, has lifted hopes that a recovery is in sight. However, headwinds remain. Unemployment is still high and domestic demand lacklustre. The strengthening euro could hamper continental exports that appear to be picking up pace. Political uncertainty ahead of the German election and unsteady coalitions in other parts of Europe, amid mounting anti-austerity sentiment, are further risks. Against this uncertain backdrop, stock-picking remains key. After the hefty gains, a market correction might prove timely, particularly when the US starts tapering. This could provide an opportunity to pick up or add to well-managed companies with the market leadership and financial strength that will help them weather the current headwinds and emerge stronger.

Portfolio breakdown

Portfolio of investments	As at 31 July 2013%	As at 31 July 2012%
Austria	2.94	2.54
Denmark	3.58	3.98
France	20.72	21.12
Germany	10.51	11.98
Italy	2.58	2.79
Netherlands	13.21	12.50
Norway	3.67	2.92
Spain	2.47	-
Sweden	16.69	13.54
Switzerland	22.12	25.51
Investment assets	98.49	96.88
Net other assets	1.51	3.12
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 31/07/2013	Ongoing charges figure % as at 31/07/2012
Share class A	1.64	1.66
Share class I	0.91	1.16
Share class Z	0.14	0.16

The ongoing charges figure is calculated in accordance with the guidelines issued by the European Securities and Markets Authority. It is the ratio of the total ongoing charges to the average net asset value over twelve months and includes the annual management charge, the other operating expenses and any synthetic element to incorporate the ongoing charges of any underlying collective investments.

On 1 October 2012 the Annual Management Charge on share class I decreased from 1.00% to 0.75%, this has resulted in a reduction to the ongoing charge.

Distribution summary

	Total distribution (p) for the year to 31/07/2013	Total distribution (p) for the year to 31/07/2012
Share class A - Accumulation	1.9419	1.4862
Share class I - Accumulation	2.7541	1.9138
Share class Z - Accumulation	4.2107	3.3272

Distributions in respect of the Fund come 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. 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 31/07/2013 pence per share	Net asset value as at 31/07/2012 pence per share	Net asset value % change
Share class A - Accumulation	139.93	110.35	26.81
Share class I - Accumulation	133.09	104.17	27.76
Share class Z - Accumulation	153.65	119.38	28.71

Net of tax and expenses.

Performance record

Calendar year		Highest share price (p)	Lowest share price (p)
2009	Accumulation A	111.34	65.18
2009 ^A	Accumulation I	103.72	93.13
2009	Accumulation Z	115.86	67.17
2010 ^{BC}	Accumulation A	117.85	95.89
2010 ^{BC}	Accumulation I	110.37	89.54
2010 ^C	Accumulation Z	124.49	100.40
2011	Accumulation A	126.30	92.69
2011	Accumulation I	118.49	87.13
2011	Accumulation Z	134.11	98.99
2012	Accumulation A	121.27	101.98
2012	Accumulation I	114.79	96.19
2012	Accumulation Z	132.00	110.05

Calendar year		Highest share price (p)	Lowest share price (p)
2013 ^D	Accumulation A	143.11	121.21
2013 ^D	Accumulation I	135.91	114.75
2013 ^D	Accumulation Z	156.68	131.97

^A Share class I Accumulation launched on 9 October 2009, when Aberdeen European Fund, a sub-fund of Aberdeen International Funds ICVC amalgamated into the Fund.

^B Aberdeen European Opportunities Fund, a sub-fund of Aberdeen Investment Funds ICVC amalgamated into the Fund on 12 March 2010.

^C The Fund changed its name on 12 March 2010.

^D to 31 July 2013.

Risk and reward 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 2013.

- 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 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 our website at www.aberdeen-asset.co.uk

Other information

Annual Management Charge (AMC)

On 1 October 2012 the AMC on share class I decreased from 1.00% to 0.75%

Name change – Aberdeen Unit Trust Managers Limited

As a result of a recent review of our company names, on 20 May 2013 Aberdeen Unit Trust Managers Limited changed its name to **Aberdeen Fund Managers Limited**. The name change does not affect your holdings with Aberdeen or the way in which they are managed.

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

Please visit:

www.aberdeen-asset.co.uk

www.aberdeenukprices.com

Alternatively please contact our Customer Services Team on:

Tel: **0845 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 European Equity Fund is a sub-fund of Aberdeen Investment Funds ICVC, an open-ended investment company ('OEIC') authorised under the Financial Services and Markets Act 2000.

Aberdeen Fund Managers Limited only provides information about its own products and will not give individual financial advice. If you are in any doubt about the suitability of a product to meet your financial needs, then you should seek the advice of a financial intermediary.

The information in this report is designed to enable shareholders to make an informed judgement on the activities of the Fund during the period it covers, and the results of those activities at the end of the period. The naming of specific shares or bonds is not a recommendation to deal in them. The views expressed are those of Aberdeen Fund Managers Limited and should not be construed as advice either to buy, retain, or sell a particular investment.

Investment in the Fund should generally be viewed as a long-term investment.

Appointments

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For more information on Aberdeen Asset Management PLC and our product range please visit www.aberdeen-asset.com



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