

Aberdeen Ethical World Fund

Annual short report for the year ended 31 July 2013

Investment objective and policy

The investment objective is to achieve long-term capital growth. The objective will be achieved through investment in a portfolio of international quality investments chosen on the basis of ethical ("socially responsible") criteria. These criteria include the environment, employee relations, product quality and international operations. The Fund may also invest in fixed interest securities.

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 21/05/1999 to 31/07/2013
Fund - A Income	17.51	41.72	82.17
Benchmark ^A	26.30	64.16	93.98

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	17.51	(1.07)	8.83	18.69	(5.62)

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

^A FTSE World Index.

^B Figures are as at valuation point.

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

Equities worldwide rallied during the year under review, following concerted efforts by major central banks to stimulate the faltering global economy, underlining the shared sense of urgency. In particular, the US unveiled a third round of quantitative easing, while an agreement was reached on the budget deal following the re-election of president Obama. The European Central Bank's plan to buy unlimited amounts of short-term bonds in cash-strapped nations also lifted sentiment, as did its interest rate cut to a record low of 0.5%. However, gains were pared following Federal Reserve chairman Benanke's hint at a possible end to monetary easing, although he reiterated much later that policy would remain accommodative, which reassured investors. In Asia, decelerating growth in China weighed on sentiment, whereas Japan's economy responded to Prime Minister Abe's aggressive expansionary policies. Nevertheless, the global economy still struggled to gain traction through the review period – although second-quarter GDP growth in the US improved, it still remains below historical levels, while weak domestic consumption in the Eurozone prompted the European Central Bank to lower its economic outlook for both 2013 and 2014.

Portfolio review

The Fund's underperformance was partly a result of stock selection in Canada, where Potash Corp was the top detractor. The fertiliser producer's share price suffered late in the period following the decision by one of its Russian competitors, Uralkali, to quit one of the world's two biggest potash cartels. This has caused severe uncertainty and the very real possibility of significantly lower prices for this key crop nutrient.

Also costing the Fund was the overweight to Brazil, where our holdings such as Banco Bradesco and Petrobras were among the main detractors. Generally, Brazilian equities and the real were affected by slowing growth and anti-government protests. As well, Banco Bradesco's second-quarter profit growth missed estimates.

On a positive note, the lack of exposure to US technology company Apple helped the Fund the most, as the stock sold off due to intense competition and a lack of new innovations. It also reported its slowest growth rate in years in January and indicated that the trend may continue. Conversely, other US holdings benefited from positive results – energy group EOG Resources was supported by solid growth in oil and natural gas revenues, while networking equipment maker Cisco Systems reported better-than-expected second-quarter results, thanks to increased corporate investment in online data delivery.

In portfolio activity, we introduced several quality companies such as UK steam specialist Spirax-Sarco Engineering and Japanese medical equipment maker Sysmex, as well as US real estate services firm Jones Lang LaSalle in view of its solid global position in property management. We also initiated positions in Spanish food casing manufacturer Viscofan, owing to the strength of its business and healthy growth outlook, as well as UK energy services company John Wood, a well-managed business with good long-term potential. Against this, we sold Japanese machine toolmaker Amada as its business prospects deteriorated, as well as China Mobile in view of more attractive investment opportunities elsewhere. We also divested Japan's Shin-Etsu Chemical as it failed the Fund's SRI screen.

Outlook

There has been a pick-up in economic activity in the developed world, particularly the US and Japan. In particular, business confidence in Japan has strengthened considerably and profitability is improving. As well, further market-friendly policies are expected to be announced following prime minister Shinzo Abe's victory in the upper house elections. Conversely, economic conditions for some emerging economies have deteriorated, with clear signs of stress in China, particularly that of excessive credit growth. We remain cautious on the overall global economic outlook, preferring to focus on the core fundamentals of companies instead.

Portfolio breakdown

Portfolio of investments	As at 31 July 2013%	As at 31 July 2012%
United Kingdom	21.12	16.78
Europe (excluding UK)	22.14	21.43
Latin America	3.33	5.03
North America	26.86	23.63
Japan	5.94	8.13
Asia Pacific	19.33	24.29
Investment assets	98.72	99.29
Net other assets	1.28	0.71
Net assets	100.00	100.00

Fund facts

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

	Ongoing charges figure % as at 31/07/2013	Ongoing charges figure % as at 31/07/2012
Share class A	1.63	1.63
Share class I	1.13	1.13

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.

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 - Income	2.2200	2.3500
Share class I - Income	3.1400	3.2000
Share class A - Accumulation	2.8159	2.9311
Share class I - Accumulation	4.0877	4.0754

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 - Income	141.59	122.15	15.91
Share class I - Income	153.83	132.69	15.93
Share class A - Accumulation	182.06	154.62	17.75
Share class I - Accumulation	203.66	172.10	18.34

Net of tax and expenses.

Performance record

Calendar year		Highest share price (p)	Lowest share price (p)
2009	Income A	120.49	74.21
2009	Income I	131.13	80.63
2009	Accumulation A	145.70	88.38
2009	Accumulation I	160.08	96.86
2010	Income A	134.51	111.79
2010	Income I	146.39	121.44
2010	Accumulation A	164.72	135.52
2010	Accumulation I	181.90	148.98
2011	Income A	135.02	108.87
2011	Income I	146.96	118.33
2011	Accumulation A	165.35	135.20
2011	Accumulation I	182.61	149.84

Calendar year		Highest share price (p)	Lowest share price (p)
2012	Income A	128.91	114.80
2012	Income I	140.12	124.89
2012	Accumulation A	162.65	143.56
2012	Accumulation I	181.41	159.64
2013 ^A	Income A	150.36	128.60
2013 ^A	Income I	163.60	140.00
2013 ^A	Accumulation A	190.79	162.79
2013 ^A	Accumulation I	213.21	181.58

^A 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

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.

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) which contain Application forms and additional information, such as Terms and Conditions.

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 Ethical World 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

Authorised Corporate Director

Aberdeen Fund Managers Limited

Head Office

10 Queens Terrace
Aberdeen
AB10 1YG

Registered Office

Bow Bells House
1 Bread Street
London
EC4M 9HH

Depository

National Westminster Bank Plc
Trustee & Depository Services
Younger Building
3 Redheughs Avenue
Edinburgh
EH12 9RH

Auditors

KPMG Audit PLC
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

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	0845 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 www.aberdeen-asset.com



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