

# Aberdeen UK Equity Fund

Annual short report for the year ended 31 July 2013

## Investment objective and policy

The objective of the Fund is to provide capital growth through investment in companies registered in the United Kingdom, or companies which derive a significant proportion of their revenues or profits from the United Kingdom or have a significant proportion of their assets there.

## 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 Fund invests in a specific country market which may increase share price volatility.

## Cumulative performance (%)

	Period of report 31/07/2012 to 31/07/2013	5 years 31/07/2008 to 31/07/2013	Since launch 12/08/1985 to 31/07/2013 <sup>c</sup>
Fund - A Accumulation	23.16	64.61	654.31
Benchmark <sup>a</sup>	24.28	53.13	N/A

## Annual discrete performance to 31 July<sup>b</sup>

	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	23.16	4.59	17.26	22.44	(10.99)

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

<sup>a</sup> FTSE All Share Index.

<sup>b</sup> Figures are as at valuation point.

<sup>c</sup> Figures for Aberdeen UK 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

UK 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 (Fed) also announced its long-awaited third round of quantitative easing. In March, markets were briefly shaken by the near-collapse of Cyprus' banking system, which sparked worries of a run in other parts of the European periphery. Confidence returned after the ECB lowered interest rates and said it could impose negative deposit rates to encourage lending. It is believed such a move could bolster demand on the Continent and in turn help UK exporters. Towards the period-end, gains were clipped by concerns that the Fed would soon scale down its asset purchases, but nascent signs of recovery and the Bank of England's pledge to keep rates low for an extended period reassured investors. On the economic front, second-quarter GDP growth was buttressed by the expansion of all sectors for the first time in nearly three years.

## Portfolio review

At the stock level, our holdings in Schroders, Persimmon and Prudential were the top contributors to relative return. Both asset management company Schroders and insurer Prudential gained from improved sentiment in the financial sector, particularly after central banks vowed to keep policy expansionary. In addition, Schroders' assets under management rose to a record, bolstering its full-year results. The company increased its final dividend, bringing the full-year dividend to 43p a share, up from 39p in 2011. Prudential also reported impressive yearly earnings. It continued to expand its reach in Asia by buying the insurance assets of Thailand's Thanachart Bank and entering into a long-term distribution partnership with Acleda, Cambodia's largest retail and commercial bank. House builder Persimmon benefited from increased demand, helped in part by government schemes that boosted access to mortgages.

Conversely, our holding in Amec detracted as the stock price corrected after outperforming in the prior year. Nevertheless, the engineering company reported healthy profit growth that was bolstered by oil and gas revenues and acquisitions that broadened its global footprint. Not holding Lloyds Banking and Barclays also cost the Fund as these lenders rose in tandem with the financial sector. We remain cautious about UK banks in general, given concerns over regulatory risk, earnings transparency and highly leveraged businesses.

In portfolio activity, we sold WM Morrison Supermarkets, considering its modest market share and the amount of investment required to maintain its competitive position. We also pared the positions in several holdings on share price strength, including Schroders, Prudential, Associated British Foods, miner Rio Tinto, consumer goods company Unilever, engine maker Rolls-Royce and hotel and restaurant group Whitbread.

With the proceeds, we introduced Aggreko, a supplier of mobile power, given its solid long-term potential amid structural shortage in many emerging economies. We also added to energy services provider Wood Group, defence systems supplier Cobham, oil and gas company BG Group and Standard Chartered on price weakness. We topped up the lender following allegations of money laundering for Iran. A subsequent US\$340 million settlement was reached with New York authorities. We maintained a dialogue with the bank throughout the episode and feel that it is now able to continue its emerging market-focused growth strategy.

## Outlook

At the time of writing, additional positive data, from industrial output and exports to manufacturing and services Purchasing Managers' Index, has lifted hopes that a recovery is well underway. Buoyed by the stronger readings, the Bank of England upgraded its GDP growth outlook. While we are similarly encouraged, we feel that optimism should be tempered with some caution. Unemployment remains sticky at 7.8%, domestic demand is still sluggish and more investments are needed to ensure a sustainable turnaround. On the housing front, price rises have sparked fears of a new bubble forming. Against this uncertain backdrop, stock-picking remains key. After the hefty gains of the previous years, a correction in the domestic market 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%
Basic Materials	8.23	9.26
Consumer Goods	13.99	15.32
Consumer Services	12.20	13.76
Financials	17.19	16.72
Health Care	5.14	5.50
Industrials	15.22	13.33
Oil & Gas	14.99	15.16
Technology	2.72	3.28
Telecommunications	3.32	2.07
Utilities	3.58	4.90
<b>Investment assets</b>	<b>96.58</b>	<b>99.30</b>
<b>Net other assets</b>	<b>3.42</b>	<b>0.70</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 31/07/2013	Ongoing charges figure % as at 31/07/2012
Share class A	1.60	1.60
Share class I	0.87	1.10

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 - Income	2.0800	2.0900
Share class I - Income	3.0000	2.6500
Share class A - Accumulation	2.4050	2.3753
Share class I - Accumulation	3.6068	3.1144

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	141.79	116.18	22.04
Share class I - Income	141.65	116.03	22.08
Share class A - Accumulation	165.90	133.92	23.88
Share class I - Accumulation	173.17	138.79	24.77

Net of tax and expenses.

## Performance record

Calendar year		Highest share price (p)	Lowest share price (p)
2009	Income A	97.90	61.30
2009	Income I	97.96	61.22
2009	Accumulation A	107.01	65.76
2009	Accumulation I	109.48	67.01
2010 <sup>AB</sup>	Income A	115.78	91.68
2010 <sup>B</sup>	Income I	115.84	91.76
2010 <sup>AB</sup>	Accumulation A	129.01	100.82
2010 <sup>AB</sup>	Accumulation I	132.64	103.41
2011	Income A	120.65	98.12
2011	Income I	120.76	98.08
2011	Accumulation A	134.89	111.08
2011	Accumulation I	139.06	114.65

Calendar year		Highest share price (p)	Lowest share price (p)
2012	Income A	122.97	108.09
2012	Income I	123.13	108.14
2012	Accumulation A	141.75	123.06
2012	Accumulation I	147.29	127.44
2013 <sup>c</sup>	Income A	145.71	124.15
2013 <sup>c</sup>	Income I	145.88	124.34
2013 <sup>c</sup>	Accumulation A	168.66	143.11
2013 <sup>c</sup>	Accumulation I	175.79	148.74

<sup>a</sup> Aberdeen UK Opportunities Fund, a sub-fund of Aberdeen Investment Funds ICVC amalgamated into the Fund on 12 March 2010.

<sup>b</sup> The Fund changed its name on 12 March 2010.

<sup>c</sup> 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.
- 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](http://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.

### 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](http://www.aberdeen-asset.co.uk)

[www.aberdeenukprices.com](http://www.aberdeenukprices.com)

Alternatively please contact our Customer Services Team on:

Tel: **0845 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 UK 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

**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 & Depositary 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](http://www.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



