

Aberdeen Multi-Manager Constellation Portfolio

Annual short report for the year ended 31 October 2013

Investment objective and policy

To achieve capital growth. Investment will be primarily in shares or units of collective investment schemes managed by companies judged to be boutique in nature. The Portfolio may also invest directly in transferable securities, money market instruments, near cash, cash and deposits.

Cumulative performance (%)

	Period of report 31/10/2012 to 31/10/2013	5 years 31/10/2008 to 31/10/2013	Since launch 10/08/2001 to 31/10/2013
Fund - R Accumulation	23.47	85.89	106.46

Annual discrete performance to 31 October

	31/10/2012 to 31/10/2013	31/10/2011 to 31/10/2012	31/10/2010 to 31/10/2011	31/10/2009 to 31/10/2010	31/10/2008 to 31/10/2009
% change	23.47	4.06	(0.59)	13.83	27.86

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

Figures are as at valuation point.

No benchmark.

Please remember that past performance is not a guide to future returns.

The price of units and the revenue from them may fall as well as rise.

Investors may not get back the amount originally invested.

Manager's review

Global equities rallied during the year under review, supported by coordinated loose monetary policy from major central banks. Sentiment was further boosted as Japanese policymakers explicitly targeted an inflation rate of 2%. The US presidential election and China's smooth leadership transition supported risk appetite as well. However, Federal Reserve (Fed) chairman Ben Bernanke's hints in May that US monetary policy would be tightened unsettled markets. Core government bond yields rose sharply, while equity markets, particularly in developing countries, corrected. After a period of volatility, Bernanke calmed markets by emphasising that the reduction in quantitative easing would be linked to an improvement in employment data, suggesting that the degree of future tapering would be measured. Subsequently, he surprised investors by keeping stimulus unchanged in September, which helped markets rally. Near the end of the review period, the last-minute deal by the US Congress to suspend the debt ceiling until February 2014 further encouraged risk appetite.

Portfolio review

In view of the improving US economy and accommodative monetary policy backdrop, we raised the allocation to US equities through the purchase of Edgewood US Select Growth and Loomis Sayles US Leaders to sit alongside Findlay Park American and Cullen North American High Dividend. We also initiated a position in Alken European Opportunities, which has taken profits from growth-oriented companies in favour of value opportunities. A position was also initiated in Prusik Asian Equity Income, which proved to be well timed given its substantial outperformance relative to peers. We also added to JO Hambro Continental European, narrowing the underweight position in turn.

Against this, we sold the positions in First State Global Emerging Leaders and JO Hambro UK Equity Income.

The allocation to Japanese equities proved to be a significant contributor to return, with GLG Japan CoreAlpha the strongest performing investment over the year. Our positions in JO Hambro Continental European, Majedie UK Income and JO Hambro UK Dynamic also generated positive returns. Although the positions in the US funds generated solid absolute returns, they underperformed. Findlay Park American was affected by the allocation to Latin American stocks during the summer, while the Threadneedle American Extended Alpha Fund suffered during the spring as defensive sectors rallied.

Outlook

Equity markets have generated considerable returns for investors against a backdrop that remains broadly supported by coordinated policy action from central banks. We are, however, in a phase of the economic cycle where we are transitioning from unconventional US monetary policy towards a more normalised environment. We note the Fed's rising confidence in US economic data. Indeed, it would seem premature for officials to begin managing investor expectations if they thought that the economic upturn was still fragile. However, while data continues to improve, recovery remains tentative in some regions, notably Europe. Looking ahead, equity markets would require positive earnings growth to progress meaningfully from current levels, since upbeat economic news has largely been discounted. We therefore expect higher levels of volatility as we enter a transition period in US monetary policy. Against this backdrop, the balanced approach of the Aberdeen Multi Manager Funds has captured not only the equity gains in rising markets, but also retained exposure to managers who have more conservatively positioned portfolios.

Portfolio breakdown

Portfolio of investments	As at 31 October 2013 %	As at 31 October 2012 %
UK Equities	14.31	18.48
European Equities	19.08	17.20
North American Equities	38.58	30.56
Asia Pacific Equities	12.39	11.79
Japanese Equities	9.71	9.71
Emerging Markets Equities	4.42	9.66
Investment assets	98.49	97.40
Net other assets	1.51	2.60
Net assets	100.00	100.00

Fund facts

	Interim/annual accounting dates	Income payment date
	30 April, 31 October	31 December

	Ongoing charges figure % as at 31/10/2013	Ongoing charges figure % as at 31/10/2012
Unit class R	2.65	2.59
Unit class I	1.65	1.59

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 a synthetic element of 0.96% (2012, 0.93%) to incorporate the ongoing charges of underlying fund investments.

Distribution summary

	Total distribution (p) for the year to 31/10/2013	Total distribution (p) for the year to 31/10/2012
Income R	–	0.1700
Accumulation R	–	0.1700
Income I	0.9800	0.1100
Accumulation I	0.9811	0.1100

Distributions in respect of the Fund come with a tax credit of 1/9th of the amount stated. UK higher rate taxpayers not holding through an ISA may have additional income tax 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 31/10/2013 pence per unit	Net asset value as at 31/10/2012 pence per unit	Net asset value % change
Income R	196.61	160.34	22.62
Accumulation R	196.82	160.51	22.62
Income I	122.65	99.79	22.91
Accumulation I	123.77	99.90	23.89

Net of tax and expenses.

Performance record

Calendar year		Highest unit price (p)	Lowest unit price (p)
2009	Income R	151.43 ^B	104.55 ^C
2009	Accumulation R	151.43 ^B	104.55 ^C
2010	Income R	173.99 ^B	137.54 ^C
2010	Accumulation R	173.99 ^B	137.54 ^C
2011	Income R	178.19 ^B	138.76 ^C
2011	Accumulation R	178.19 ^B	138.76 ^C
2012	Income R	173.00 ^B	148.26 ^C
2012	Accumulation R	173.00 ^B	148.26 ^C
2012 ^A	Income I	103.11	98.01
2012 ^A	Accumulation I	103.22	98.05

Calendar year		Highest unit price (p)	Lowest unit price (p)
2013 ^D	Income R	197.58	164.19
2013 ^D	Accumulation R	197.79	164.36
2013 ^D	Income I	124.24	102.36
2013 ^D	Accumulation I	124.38	102.47

^A I unit class launched 1 October 2012.

^B Highest offer unit price.

^C Lowest bid unit price.

^D to 31 October 2013.

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

- 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:
- 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.

Other information

Initial charges

On 17 February 2014 the initial charge was removed from all Portfolios in the Aberdeen Funds range. Prior to this, a maximum initial charge of 5% could be levied on new subscriptions. This change reflects a movement in the UK funds' industry towards the removal of initial charges and represents a reduction in fees when investing in the Portfolios.

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.

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 a Supplementary Information Document which contains 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

Aberdeen Multi-Manager Constellation Portfolio is a sub-fund of Aberdeen Funds, an authorised unit trust scheme classified as a non-UCITS retail scheme and structured as an umbrella scheme under the COLL Sourcebook and was established by a trust deed entered into between the Manager and the Trustee dated 3 July 2001 (as amended) ("the Trust Deed") and was authorised by the FSA (replaced by the Financial Conduct Authority on 1 April 2013) on 5 July 2001.

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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London EC4M 9HH

(authorised and regulated by the Financial Conduct Authority in the United Kingdom)

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Trustee & Depositary Services

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Investment Adviser

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Registrar

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Auditors

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