

Aberdeen High Yield Bond Fund

Annual short report for the year ended 31 July 2013

Investment objective and policy

The investment objective is to provide an attractive level of income with the opportunity for some long-term capital return.

The Fund will be primarily invested in non-Investment grade Debt and debt related securities issued by companies, governments, government related bodies and supranational institutions that are domiciled in the UK or a European Country and/or non-Investment grade Debt and debt related securities issued by companies which conduct a significant proportion of their business activities in the UK or a European Country which, in the investment advisor's opinion, are likely to produce a high yield.

The Fund investments may be of any credit quality and may include securities not paying interest currently and securities in default following purchase.

The Fund may also invest in other transferable securities, money market instruments, cash, near cash, deposits, shares in collective investment schemes (including other funds managed by the investment adviser or its associates). Derivatives may be used for efficient portfolio management and hedging purposes.

Under normal circumstances, the Fund may hold up to 10% of its net assets in cash or near cash assets. However, the Fund may from time to time adopt temporary defensive positions in response to adverse political, economic or bond market events in which case up to 100% of the Fund's net assets may be held in cash or near cash assets including short term Debt and debt related securities listed and traded on an eligible market or OTC market.

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 warnings relating to this fund are as follows:

- Derivatives may be used to hedge against various risks but may not be used for speculative purposes. The use of derivatives for hedging in a rising market may restrict potential gains.
- The underlying investments in the Fund are subject to interest rate and credit risk.
- The value of a bond will fall in the event of the default or reduced credit rating of the issuer.
- The value of your investment will rise or fall with any movement in exchange rates.

- The Fund charges annual management charges to capital which will constrain capital growth.
- The Fund invests primarily in non-investment grade securities. These securities carry a high risk of default compensated for by a substantially higher yield than provided by investment grade securities.

Cumulative performance (%)

	Period of report 31/07/2012 to 31/07/2013	Since launch 09/03/2011 to 31/07/2013
Fund - A Accumulation	15.83	9.03
Benchmark [^]	17.97	25.76

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

[^] BofA Merrill Lynch European Currency High Yield Constrained (Hedged GBP 100%) Index.

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

Over the period high yield market returns were positive, as the liquidity provided by global central banks stimulates the return of investors risk appetite in equity and credit markets.

The much debated bubble in bond markets continues, however we have at last started to see a backup in government bond yields. In particular, 10-year US Treasuries have risen from historical lows of 1.47% to 2.58%.

During the period the level high yield bond issuance reached new records, as banks continue to de-lever and sell down non-core assets from their balance sheets. Demand for the asset class continues to rise on the back of investors continued search for a compelling income stream relative to government and investment grade bonds, which currently offer very low yields.

Corporate earnings have generally remained within expectations. However, we remain wary of the Automotive and Steel sectors due to the high capital intensive nature of industry and low margins.

Defaults in the European high yield market remain subdued. The average default rate is currently at 3.4% versus 3.6% from a year ago, while the rate is 2.9% in the US high yield market.

Portfolio review

We currently have 85 holdings in the portfolio, with a weighting of 9.0% towards CCC rated bonds. We continue to de-risk the overall exposure of the portfolio due to the strong performance of the Fund, which has returned 17.38% on a gross of fees basis.

We also continue to find attractive new issues, and consequently have sold some of our holdings as they have reached our yield targets or are showing signs of credit weakness in the credit metrics we follow. Over the period, the Fund's performance has been in the first quartile throughout.

Outlook

Retail inflows into the European high yield market remain strong. However, with government and investment grade bond yields still very low, coupled with the expectation of an improving macroeconomic backdrop in Europe, interest from pension funds and insurance companies has increased.

Currently yields for the asset class are at 5.82% and still low, but we are confident of a positive return in 2013 for the asset class.

Portfolio breakdown

Portfolio of investments	As at 31 July 2013%	As at 31 July 2012%
Corporate Bonds	94.77	92.24
Equities	0.22	-
Forward Currency Contracts	(1.35)	1.08
Investment assets	93.64	93.32
Net other assets	6.36	6.68
Net assets	100.00	100.00

Fund facts

	Interim/annual accounting dates	Income payment date
	31 January, 31 July	Monthly on the last business day

	Ongoing charges figure % as at 31/07/2013	Ongoing charges figure % as at 31/07/2012
Share class A	1.40	1.54
Share class I	0.85	N/A

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	6.47000	6.59000
Share class I - Income	6.39000	N/A
Share class A - Accumulation	7.44876	7.04427
Share class I - Accumulation	6.56830	N/A

Distributions are stated net of 20% income tax withheld. UK higher and additional rate taxpayers not holding through an ISA may have additional income tax to pay. Non taxpayers are not entitled to a refund of income tax withheld. Corporate investors may have an additional liability to corporation tax. Corporate investors may be entitled to a refund of income tax withheld to the extent that it exceeds their corporation tax liability.

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	91.66	84.84	8.04
Share class I - Income	103.40	N/A	N/A
Share class A - Accumulation	109.56	94.53	15.90
Share class I - Accumulation	109.89	N/A	N/A

Net of tax and expenses.

Performance record

Calendar year		Highest share price (p)	Lowest share price (p)
2011 ^A	Income A	102.67	78.66
2011 ^A	Accumulation A	103.40	82.07
2012	Income A	93.73	80.55
2012 ^B	Income I	105.66	99.88
2012	Accumulation A	106.81	85.52
2012 ^B	Accumulation I	106.83	99.88
2013 ^C	Income A	96.14	90.73
2013 ^C	Income I	108.56	102.53
2013 ^C	Accumulation A	112.81	106.76
2013 ^C	Accumulation I	113.01	106.84

^AThe Fund was launched on 9 March 2011.

^B Share class I launched on 1 October 2012.

^C 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 4 because funds of this type have experienced average 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:
- 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.
- Bonds: Bonds are affected by changes in interest rates, inflation and any decline in creditworthiness of the bond issuer. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may not be able to pay the bond income as promised or could fail to repay the capital amount used to purchase the bond.
- 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 High Yield Bond 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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Contact us

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(Lines are open 9:00am to 5:00pm, Mondays to Fridays, excluding bank holidays)

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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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