

Aberdeen Emerging Markets Fund

Annual short report for the year ended 31 July 2013

Investment objective and policy

The Fund aims to provide long term capital growth from direct or indirect investment in emerging stock markets worldwide or companies with significant activities in 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 warnings relating to this fund are as follows:

- The value of your investment will rise or fall with any movement in exchange rates.
- The Fund invests in markets which are not as well developed and regulated as the UK. These may be less liquid and carry more risk being prone to above average 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 16/03/1987 to 31/07/2013 ^c
Fund - A Accumulation	3.83	78.01	1,452.14
Benchmark ^a	5.72	36.39	N/A

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	3.83	0.89	13.53	35.93	10.12

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

^a MSCI Emerging Markets Index.

^b Figures are as at valuation point.

^c Figures for Aberdeen Emerging Markets Unit Trust prior to 24 July 2003.

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

Emerging market equities were modestly higher in the year under review. They held on to gains generated in the first six months, despite the heightened volatility in the second half. An improving global backdrop, receding worries in Europe and the liquidity influx from ultra-loose monetary policies in the developed world bolstered sentiment at first. However, the rally faltered in the latter half of the reporting period. Gathering signs of an economic slowdown spreading from China, coupled with the prospect of the US Federal Reserve (Fed) scaling back its bond purchases sparked a broad sell-off in emerging market assets. Brazil and Turkey came under extra pressure amid nationwide anti-government protests. Towards the period-end, however, markets rebounded following the Fed's assurance that it would maintain stimulus until the economy improved substantially. Beijing also injected funds into the money market to allay fears of a credit squeeze and pledged to fine-tune policies to keep economic growth steady.

Portfolio review

At the stock level, our holdings in leading pan-Asian life insurance company AIA Group, Mexican bank Banorte and Thai cement company Siam Cement contributed the most to relative performance. AIA recorded stellar sales growth across Asia, driven by increased market share and local demand. Lender Banorte reported rosier net interest margins on the back of decent growth in higher-yielding loans. Siam Cement's earnings rose sharply, helped by demand for cement and better chemical spreads.

Against this, South African retailer Truworths declined as sluggish consumer demand hurt the company's prospects. Hong Kong developer Hang Lung Group was affected by disappointing domestic property sales and slower-than-expected rental growth in China; however, its leasing business continued to grow solidly. Brazilian mining company Vale fell along with other domestic equities amid the emerging market sell-off, slowing economic growth and nationwide protests. Lower iron ore prices and uncertainty over a revision of the country's mining code weighed further on its share price.

In portfolio activity, we introduced three new stocks and sold two. Besides establishing a position in global miner BHP Billiton during the first six months of the review period, the other two stocks were initiated in the second half. We initiated ITC, India's leading cigarette maker with interests in paper and packaging, hotels and agribusiness. The company, which is also an associate of British American Tobacco, has a robust balance sheet and strong cash flow. We also bought Magnit, a leading Russian grocery chain with good fundamentals. Against this, we exited Indian mobile phone operator Bharti Airtel on concerns over the increasingly competitive domestic operating environment as well as Korean department store operator Shinsegae.

Outlook

Emerging market equities may have clawed back some of their losses after a volatile first half, but the scope for a sustained recovery in asset prices remains uncertain. Recent jitters indicate how bumpy an exit from loose monetary policy could be. Worries about the prospects for some of the larger developing economies and the growing realisation that stimulus withdrawal may happen sooner rather than later, especially if the US economy shows further evidence of a recovery, are likely to keep investors cautious. Other domestic concerns such as popular unrest and widening trade deficits could also temper risk appetite.

While we are aware of the short-term macroeconomic headwinds, we remain focused on our holdings' solid fundamentals and are optimistic about their long-term prospects. Their robust balance sheets, sustainable businesses and proven management should help them weather the challenges and thrive as economic growth picks up again. In terms of valuations, the pullback over the past few months has revealed pockets of value and emerging market equities are now trading at the widest discount to developed markets since the financial crisis. Good value remains to be found for discerning stock-pickers.

Portfolio breakdown

Portfolio of investments	As at 31 July 2013%	As at 31 July 2012%
Europe, Middle East & Africa	21.60	21.77
Asia	50.99	49.20
Latin America	26.27	26.70
Investment assets	98.86	97.67
Net other assets	1.14	2.33
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	1.95	1.94
Share class I	1.21	1.20
Share class Z	0.23	0.23

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 - Accumulation	2.2513	2.8277
Share class I - Accumulation	6.8314	6.8081
Share class Z - Accumulation	13.4664	12.4815

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	550.47	525.54	4.74
Share class I - Accumulation	584.14	553.60	5.52
Share class Z - Accumulation	620.34	582.11	6.57

Net of tax and expenses.

Performance record

Calendar year		Highest share price (p)	Lowest share price (p)
2009	Accumulation A	416.53	221.01
2009	Accumulation I	430.60	227.46
2009	Accumulation Z	441.59	231.62
2010	Accumulation A	541.94	388.26
2010	Accumulation I	564.32	401.60
2010	Accumulation Z	584.32	412.17
2011	Accumulation A	545.29	440.35
2011	Accumulation I	569.95	461.08
2011	Accumulation Z	593.13	480.96
2012	Accumulation A	569.07	477.93
2012	Accumulation I	601.27	502.76
2012	Accumulation Z	634.88	525.93
2013 ^A	Accumulation A	631.22	516.64
2013 ^A	Accumulation I	667.91	547.86
2013 ^A	Accumulation Z	706.61	581.27

^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 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.
- Emerging Markets: Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This may mean your money is at greater risk.
- 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 Emerging Markets 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



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