

Aberdeen Multi-Manager Cautious Managed Portfolio

Annual short report for the year ended 31 October 2013

Investment objective and policy

To achieve income and capital growth by the adoption of a cautious investment approach. Investment will be primarily in shares or units of collective investment schemes. Up to 60% of the Portfolio will be invested in collective investment schemes which invest mainly in equities or which pursue a strategy mainly linked to equity investment.

The Portfolio may also invest in other collective investment schemes including those which invest in fixed income holdings. 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	14.59	63.04	90.15

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	14.59	6.37	(0.90)	11.18	21.39

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

During the first half of the reporting period, we made some changes to the fixed income positions after an exceptionally strong run in credit markets, and where subsequent valuations appeared less compelling. To that end, we exited Kames Strategic Bond, BlueBay Investment Grade Bond and Invesco Sterling Bond, which reduced the directional credit exposure of the portfolio. Against this, we introduced Ignis Absolute Return Government Bond and Threadneedle Global Opportunities Bond. Both the positions are focused on absolute returns and therefore less reliant on the direction of bond markets to achieve a positive return. Although profits were taken from directional credit, the portfolio maintained its exposure to Jupiter Strategic Bond, Schroder Strategic Bond and Legal & General Dynamic Bond, all of which should capture the upside from credit markets if the rally continues. More importantly, these funds have the flexibility to shift to a defensive stance should market conditions dictate. The net impact of the bond fund changes was a modest reduction in fixed income allocation in favour of equities, specifically in existing positions within Japan and Europe. In Japan we bought Pictet Japanese Equity Opportunities as a core holding to compliment the value-oriented style of GLG Japan CoreAlpha. We also broadened our exposure in the US by initiating a position in Threadneedle American Extended Alpha to complement our holding in Findlay Park American.

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	34.20	33.31
European Equities	8.05	3.00
North American Equities	8.10	6.61
Japanese Equities	3.96	1.48
Asia Pacific Equities	4.62	4.22
Specialist Equities	–	3.49
UK Fixed Interest	12.68	21.82
Global Fixed Interest	25.36	21.70
Hedge Fund	0.60	–
Futures	(0.09)	0.14
Investment assets	97.48	95.77
Net other assets	2.52	4.23
Net assets	100.00	100.00

Fund facts

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

	Ongoing charges figure % as at 31/10/2013	Ongoing charges figure % as at 31/10/2012
Unit class R	2.36	2.33
Unit class I	1.36	1.33
Unit class P	1.86	1.83

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 0.78% (2012, 0.77%) 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	2.6500	2.0200
Accumulation R	3.6263	2.7150
Income I	2.2900	0.9000
Accumulation I	2.3218	0.9000
Accumulation P	2.2982	0.8241

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	130.46	116.82	11.68
Accumulation R	181.29	159.07	13.97
Income I	112.65	100.08	12.56
Accumulation I	115.98	100.98	14.85
Accumulation P	115.46	100.94	14.38

Net of tax and expenses.

Performance record

Calendar year		Highest unit price (p)	Lowest unit price (p)
2009	Income R	113.73 ^C	88.55 ^D
2009	Accumulation R	145.88 ^C	111.28 ^D
2010	Income R	124.16 ^C	106.52 ^D
2010	Accumulation R	162.90 ^C	138.01 ^D
2011	Income R	126.07 ^C	106.10 ^D
2011	Accumulation R	165.90 ^C	140.74 ^D
2012	Income R	123.57 ^C	109.71 ^D
2012	Accumulation R	165.36 ^C	146.80 ^D
2012 ^A	Income I	102.79	99.37
2012 ^A	Accumulation I	103.67	100.00
2012 ^B	Accumulation P	103.56	100.00

Calendar year		Highest unit price (p)	Lowest unit price (p)
2013 ^E	Income R	132.35	119.37
2013 ^E	Accumulation R	182.16	162.50
2013 ^E	Income I	114.33	102.41
2013 ^E	Accumulation I	116.53	103.28
2013 ^E	Accumulation P	116.01	103.16

^A I unit class launched 1 October 2012.

^B P unit class launched 1 October 2012.

^C Highest offer unit price.

^D Lowest bid unit price.

^E 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 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:
- 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.
- 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.
- This Fund can use derivatives in order to meet its investment objectives. This may result in gains or losses that are greater than the original amount invested.
- 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 Cautious Managed 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

Authorised Fund Manager

Aberdeen Fund Managers Limited

Bow Bells House

1 Bread Street

London EC4M 9HH

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

Trustee

National Westminster Bank plc

Trustee & Depositary Services

Younger Building

1st Floor

3 Redheughs Avenue

Edinburgh EH12 9RH

Investment Adviser

Aberdeen Asset Managers Limited

10 Queens Terrace

Aberdeen AB10 1YG

Registrar

International Financial Data Services (UK) Limited

IFDS House

St Nicholas Lane

Basildon

Essex SS16 5FS

Auditors

KPMG Audit PLC

Saltire Court

20 Castle Terrace

Edinburgh EH1 2EG

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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