

Aberdeen American Equity Fund

Annual short report for the year ended 31 July 2013

Investment objective and policy

The Fund aims to achieve capital growth from a portfolio of North American securities.

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 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 26/02/1982 to 31/07/2013 ^c
Fund - A Accumulation	28.76	72.10	1,391.24
Benchmark ^a	28.62	91.80	3,968.35

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	28.76	4.56	13.95	13.02	(0.74)

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

^a S&P 500 Index (lagged by 1 day).

^b Figures are as at valuation point.

^c Figures for Aberdeen American Growth Fund, a sub-fund of Aberdeen Investments I prior to 10 April 2006.

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

North American equity markets climbed for much of the reporting period, posting healthy gains despite a stretch of volatility in early 2013. Initially, the uncertain fiscal situation across Europe and the US presidential election dominated news, closely followed by the fiscal cliff, and the eventual reality of across-the-board US federal spending cuts under sequestration. All eyes then turned to the Federal Reserve amid speculation over when it might slow the pace of monetary easing. Nonetheless, the US economy continued to show signs of slow but steady improvement, most notably in employment figures. However, GDP growth remains below the long-term trend, indicating that the recovery is struggling to gain sufficient momentum.

Portfolio review

At the stock level, our holding in Aetna bolstered performance as the healthcare services provider benefited from well-managed costs and higher premiums in its commercial and Medicare businesses. Diversified financial services company Charles Schwab posted healthy year-over-year revenue growth during the period, mainly owing to a sharp increase in asset management fees, while the prospect of higher interest rates further supported its share price. Elsewhere, not holding Apple contributed to relative performance as its shares fell significantly during the period.

Conversely, our position in fertiliser maker Potash Corp. of Saskatchewan was a significant detractor, as its shares declined following Russian potash company Uralkali's withdrawal from its marketing joint venture with Belaruskali. The export alliance's dissolution is expected to weigh on global potash prices. Canadian telecom Telus Corp.'s shares moved lower amid rumours that a large US telecom provider was looking to enter the Canadian market. Finally, enterprise technology company EMC Corp.'s shares fell on decelerating sales in its VMWare business segment. However, the stock price recovered when it announced a quarterly dividend and the expansion of its share repurchase plan, as well as improved underlying business performance later in the period.

During the year, we initiated positions in pharmaceutical company Pfizer, discount member warehouse operator Costco Corp., and oil and gas company ConocoPhillips. We sold Mondelez International, created by the split of Kraft Foods into two companies, as we believed it looked expensive and felt that management's growth strategy was overly dependent on acquisitions. We also sold medical device maker St. Jude Medical and diversified financial JPMorgan Chase & Co., among others.

Outlook

US corporate performance remains healthy; companies' balance sheets are solid and they are generating cash and record profits. We believe that CEOs and corporate boards are showing capital discipline and are balancing investors' desire to see excess capital returned to shareholders with the need to invest in their businesses.

On a more cautionary note, Congress will need to raise the federal debt ceiling again in September. Although this year's budget deficit has materially narrowed, the perennial problem remains of how best to stem the growth of government debt. While all sides appear optimistic, it seems they are no closer to a long-term solution as party politics sees both sides locked in a policy gridlock. An unfortunate consequence of the improving economy is that politicians are losing their sense of urgency. As such, and despite the economic and corporate improvements since 2008, fundamental economic repair remains a work in progress.

Portfolio breakdown

Portfolio of investments	As at 31 July 2013%	As at 31 July 2012%
Industrials	8.71	11.07
Materials	5.54	4.67
Consumer Staples	17.57	17.07
Financials	14.65	15.11
Health Care	14.15	11.87
Consumer Discretionary	13.04	12.23
Energy	9.84	10.17
Information Technology	14.35	15.21
Telecommunication Services	1.55	2.14
Investment assets	99.40	99.54
Net other assets	0.60	0.46
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	1.63	1.63
Share class I	0.91	1.13

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 - Accumulation	2.7085	N/A
Share class I - Accumulation	12.7045	5.6263

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	1,509.53	1,165.52	29.52
Share class I - Accumulation	1,599.07	1,226.43	30.38

Net of tax and expenses.

Performance record

Calendar year		Highest share price (p)	Lowest share price (p)
2009 ^A	Accumulation A	1,014.12	669.10
2009 ^A	Accumulation I	1,053.12	692.02
2010	Accumulation A	1,155.06	939.50
2010	Accumulation I	1,205.39	978.15
2011	Accumulation A	1,203.90	949.67
2011	Accumulation I	1,259.75	994.35
2012	Accumulation A	1,219.43	1,097.29
2012	Accumulation I	1,285.30	1,151.00
2013 ^B	Accumulation A	1,508.43	1,199.06
2013 ^B	Accumulation I	1,597.63	1,264.93

^A Aberdeen US Alpha Equity Fund, a sub-fund of Aberdeen International Funds ICVC amalgamated into the Fund on 9 October 2009.

^B 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 risk 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.
- 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

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

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 American 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

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