

Aberdeen Managed Distribution Fund

Interim short report for the six month period to 31 January 2014

Investment objective and policy

The Fund aims to achieve both capital growth and an attractive level of income from a diversified portfolio. The Fund may invest in transferable securities and may also hold units in collective investment schemes (in particular, schemes managed by the Investment Adviser), money market instruments, warrants, derivatives and forward transactions, cash and near cash deposits.

Cumulative performance (%)

	Period of report 31/07/2013 to 31/01/2014	5 Years 31/01/2009 to 31/01/2014	Since launch 08/12/2003 to 31/01/2014 ^B
Fund - A Accumulation	(1.30)	72.75	85.07
Benchmark ^A	1.10	70.47	103.38

Annual discrete performance to 31 January

	31/01/2013 to 31/01/2014	31/01/2012 to 31/01/2013	31/01/2011 to 31/01/2012	31/01/2010 to 31/01/2011	31/01/2009 to 31/01/2010
% change	4.11	9.05	8.71	12.61	24.29

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

^A 50% FTSE All Share, 50% BofA Merrill Lynch Sterling Broad Market Index.

^B Figures for Aberdeen Managed Distribution Fund prior to 17 November 2006.

Figures are as at valuation point.

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

Investment markets were driven by sentiment and policy moves of central banks over the six months under review, as had been the case over the past several quarters. At the forefront was the US Federal Reserve, with its announcement of the start of a tapering of its asset purchases. Emerging markets took fright at the prospect of higher interest rates and suffered sizeable losses. Concerns over China's growth also played a part in exacerbating this market tumble. In Japan, quantitative easing is at a different stage. The central bank is on an easing path with some ammunition still intact (unlike the US which is clearly past the point of maximum accommodation). In Europe, the focus has been on economic stability, with expectations of improvement. UK data have been more positive and confirmed by notable sterling strength. On the continent, the outlook is patchier. While central banks are committed to maintaining loose monetary policy for some time to come, sentiment took a sharp dive towards the end of the period, not least in those markets which have been fed a diet of unprecedented liquidity.

UK equities were fairly volatile over the review period, with market corrections following periods of sharply rising prices. There was notable divergence within the market. Large-capitalised stocks fared less well, reflecting the uncertainty over the global recovery. In contrast, the smaller, more domestically focused stocks posted robust returns, as the UK economy gained traction. Bond yields were on a rising trend except for September and October, which saw a fall of 40 basis points. Short- and long-term bond yields were well anchored, but yields for 5- to 8-year bonds rose by 35 to 55 basis points. As a result, the longer-dated indices reaped the highest return, with index returns of 1.7% for gilts with tenors of 15 years and over. This compared with index returns of -0.6% for 5- to 15-year gilts. Corporate credit performed well with gains of 2.4%.

Portfolio review

We reduced the bond allocation, as yields fell to 2.55% towards the end of the period. Also within bonds, we sold the holding in the Aberdeen Asian Local Currency Short Duration Bond Fund owing to concerns of further weakness in Asian currencies. Along with the divestment, we raised the equity weighting and increased the allocation to infrastructure slightly with the introduction of The Renewables Infrastructure Group.

Outlook

Accommodative monetary policy will remain one of the dominant themes for 2014. Investors will, thus, continue to face distorted asset prices and low yields in another year of abundant liquidity and near-zero interest rates. Our central scenario for 2014 is unchanged from the fourth quarter of 2013. Continued benign conditions will be supportive of risk assets. In particular, equity markets could be driven higher by continued price-to-earnings multiple expansion rather than corporate profits, although that will make the asset class increasingly vulnerable to setbacks. Moves towards more normal monetary policies and a pick-up in economic activity will weigh on bond markets, but the rise in yields is likely to be modest, given the commitment from central banks to maintain key policy rates at low levels.

Portfolio breakdown

Portfolio of investments	As at 31 January 2014%	As at 31 July 2013%
Oil & Gas	7.14	6.04
Basic Materials	3.48	2.69
Industrials	4.59	3.74
Consumer Goods	6.73	5.38
Health Care	4.82	3.53
Consumer Services	5.13	5.28
Telecommunications	3.61	2.81
Utilities	4.15	3.64
Financials	17.47	15.24
Technology	1.87	1.16
Collective Investment Schemes	40.99	48.75
Future Contracts	-	(0.04)
Investment assets	99.98	98.22
Net other assets	0.02	1.78
Net assets	100.00	100.00

Fund facts

	Interim/annual accounting dates	Income payment dates
	31 January, 31 July	30 April, 31 July, 31 October, 31 January

	Ongoing charges figure % as at 31/01/2014	Ongoing charges figure % as at 31/07/2013
Share class A	1.45	1.37
Share class I	0.83	0.74
Share class Z	0.27	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 a synthetic element of 0.15% (2013 - 0.08%), to incorporate the ongoing charges of any underlying collective investments.

Distribution summary

	Total distribution (p) for the period to 31/01/2014	Total distribution (p) for the period to 31/01/2013
Share class A - Income	1.4900	1.6500
Share class A - Accumulation	2.1311	2.2915
Share class I - Income	1.2800	1.3400
Share class I - Accumulation	1.3218	1.3441
Share class Z - Accumulation	1.7211	N/A

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 31/01/2014 pence per share	Net asset value as at 31/07/2013 pence per share	Net asset value % change
Share class A - Income	121.79	124.58	(2.24)
Share class A - Accumulation	175.79	177.67	(1.06)
Share class I - Income	104.34	106.48	(2.01)
Share class I - Accumulation	108.73	109.63	(0.82)
Share class Z - Accumulation	176.51	-	N/A

Net of tax and expenses.

Performance record

Calendar year	Highest share price (p)	Lowest share price (p)
2009 Income A	102.20	75.76
2009 Accumulation A	127.85	92.77
2010 Income A	111.35	98.46
2010 Accumulation A	144.47	125.01
2011 Income A	113.84	105.59
2011 Accumulation A	153.38	141.13
2012 Income A	118.70	111.79
2012 Accumulation A	165.22	153.26
2012 ^A Income I	101.25	99.04
2012 ^A Accumulation I	101.75	99.52
2013 Income A	128.35	118.19
2013 Accumulation A	181.41	164.50
2013 Income I	109.62	100.76

Calendar year		Highest share price (p)	Lowest share price (p)
2013	Accumulation I	111.88	101.26
2013 ^B	Accumulation Z	181.38	174.51
2014 ^C	Income A	125.71	122.25
2014 ^C	Accumulation A	180.21	175.24
2014 ^C	Income I	107.67	104.73
2014 ^C	Accumulation I	111.45	108.40
2014 ^C	Accumulation Z	180.90	175.98

^A I share class launched on 1 October 2012.

^B Z share class launched on 21 August 2013.

^C to 31 January 2014.

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 January 2014.

- 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: 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.
- Derivatives for investment purposes: The Fund can use derivatives in order to meet its investment objectives or to protect from price and currency movements. 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.
- 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

Initial Charge

On 17 February 2014 the initial charge was removed from Aberdeen Managed Distribution Fund. This change reflects a movement in the UK funds' industry towards increased transparency of fund charges and associated costs.

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 Managed Distribution 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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