

Aberdeen World Strategic Bond Fund

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

Investment objective and policy

The Fund's investment objective is long-term total return to be achieved by investing primarily in a diversified portfolio of global investment and sub-investment grade debt and debt related securities issued by companies, governments, government related bodies and supranational institutions.

Additionally, the Fund may invest in other transferable securities and units in collective investments schemes, including those managed by the ACD or companies related to the ACD. The Fund's assets will primarily be either denominated in Sterling or denominated in currencies other than Sterling and hedged back to Sterling. The Fund may use financial derivative instruments for investment purposes or efficient portfolio management.

Cumulative performance (%)

	Period of report 31/07/2013 to 31/01/2014	Since launch 11/03/2013 to 31/01/2014
Fund - A Accumulation	2.81	2.22
Benchmark [^]	2.60	1.58

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

[^] Barclays Global Aggregate Credit (Hedged GBP 100%) Index.

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

US government bond yields rose in July and August as investors anticipated the start of US Federal Reserve (Fed) tapering in September against a backdrop of mixed data. A surprise decision to not taper by the Fed however caused US government bond yields to fall and volatility to increase. Following a relatively quiet October, developed market rates markets broadly sold-off during November and December in response to stronger US data, a bi-partisan budget deal to avert another government shutdown and a surprise decision by the Federal Open Market Committee to taper asset purchases in December and January.

Credit spreads tightened over the period. Most market activity was focused on primary supply which had its traditional post summer bounce. Emerging markets, having reacted badly to news of Fed tapering, suffered underperformance. Nevertheless new issuance, in developed markets at least, was easily absorbed in by a market hungry for yield while new issuance premiums declined to almost zero, a sign of a strong and potentially overheated market. The New Year brought a change in tone to the market, with investors becoming worried about the risk of instability within emerging markets and the impact of the associated currency volatility on earnings.

In Europe, the European Central Bank took the unprecedented step of announcing forward rate guidance in July, indicating that they did not expect key interest rates to remain at the current low levels for an extended period of time. Later in the period the central bank surprised the market with a cut of its refinancing rate to 0.25% in November partly in response to an incredibly low inflation print. Overall, Eurozone tail risks receded over the period with the EU Council agreeing a general approach on a Single Resolution Mechanism to shore up the banking system.

Portfolio review

The Fund achieved a positive absolute return despite a volatile nominal interest rate environment.

In terms of positioning the Fund had a duration hedge in place in order to protect capital from a potential rise in nominal interest rates. This had mixed results as bond yields were volatile over the period. To offset the yield we had hedged out of the fund we remained overweight credit risk based on our economic view, our default forecast and our expectation that credit quality would remain stable throughout the period. Ultimately performance was driven by the spread advantage on the securities owned by the fund, in particular the high yield and emerging market debt exposures.

Outlook

In terms of nominal rates, we expect the global developed market recovery to continue in 2014 and that the recovery in the US will continue to justify a tapering of the US Federal Reserve's quantitative easing program. Investors have been comforted by the initial slow pace of the taper, and the Fed's forward guidance that short dated rates will remain low for a prolonged period. Given the official data sensitivity of the tapering guidance we expect 2014 to be punctuated with volatility leading into data releases and following data surprises.

On the credit side, a continued return to economic growth is expected to be positive for credit spreads. Following the strong credit market performance in 2013 we expect the rate of credit spread improvement will slow in 2014, but remain supported by low default rates and the continued reach for additional yield by investors.

Portfolio breakdown

Portfolio of investments	As at 31 January 2014%	As at 31 July 2013%
Asset Backed Bonds	0.48	1.85
Corporate Bonds	78.73	95.34
Government Bonds	19.08	3.23
Futures	(0.35)	-
Forward Currency Contracts	0.60	(1.19)
Investment assets	98.54	99.23
Net other assets	1.46	0.77
Net assets	100.00	100.00

Fund facts

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

	Ongoing charges figure % as at 31/01/2014	Ongoing charges figure % as at 31/07/2013
Share class A	1.13	1.13
Share class I	0.63	0.63

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 period to 31/01/2014
Share class A - Income	1.78000
Share class I - Income	1.79000
Share class A - Accumulation	1.81309
Share class I - Accumulation	1.80296

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 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 31/01/2014 pence per share	Net asset value as at 31/07/2013 pence per share	Net asset value % change
Share class A - Income	98.85	97.66	1.22
Share class I - Income	99.29	97.85	1.47
Share class A - Accumulation	101.93	98.92	3.04
Share class I - Accumulation	102.39	99.12	3.21

Net of tax and expenses.

Performance record

Calendar year		Highest share price (p)	Lowest share price (p)
2013 ^A	Income A	103.14	96.60
2013 ^A	Income I	103.22	96.83
2013 ^A	Accumulation A	103.14	96.96
2013 ^A	Accumulation I	103.22	97.10
2014 ^B	Income A	101.27	100.50
2014 ^B	Income I	101.71	100.92
2014 ^B	Accumulation A	102.57	101.80
2014 ^B	Accumulation I	103.02	102.22

^A The Fund was launched on 11 March 2013.

^B 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 3 because funds of this type have experienced low to medium 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.
- 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

On 01 January 2014 the name of the fund changed from Aberdeen Strategic Bond Fund to Aberdeen World Strategic Bond Fund.

Initial Charge

On 17 February 2014 the initial charge was removed from Aberdeen World Strategic Bond 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 World Strategic 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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