Aberdeen Emerging Markets Equity Fund

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

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.

Cumulative performance (%)

	Period of report 31/07/2013 to 31/01/2014	5 Years 31/01/2009 to 31/01/2014	Since launch 16/03/1987 to 31/01/2014[B]
Fund - A Accumulation	(13.38)	90.74	1,244.47
Benchmark[A]	(7.94)	77.48	N/A

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	(19.25)	14.05	3.41	28.52	55.83

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

[A] MSCI Emerging Markets Index.

[B] Figures for Aberdeen Emerging Markets Unit Trust prior to 24 July 2003.

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.

Aberdeen

Market review

Emerging stockmarkets and currencies faced an unusually turbulent period during the six months under review. Investor sentiment fluctuated amid incessant speculation over the exact timing of the US Federal Reserve's (Fed) plan to unwind monetary stimulus. Following a sharp sell-off over the summer on tapering concerns, pressure on some of the most vulnerable markets and their currencies eased somewhat before they saw another widespread correction in the latter part of the review period. Fears of a sharper economic slowdown in China resurfaced following mixed local data and difficulties with a local trust fund. Risk aversion was fuelled by the Fed's tapering of quantitative easing, a steep devaluation of the Argentine peso as well as political uncertainty in Thailand and Turkey.

Portfolio review

At the stock level, Samsung Electronics, Infosys and Gedeon Richter were the key contributors to the fund's relative return. Korean semiconductor firm Samsung continued to post record results that were driven by its mobile division. Indian software company Infosys gained from prospects of a recovery in the US, where it has a large customer base, and on signs that the operating environment was stabilising. The return of one of its founders Narayana Murthy, a pioneer in the domestic IT services industry, also reassured investors. Hungarian drugmaker Gedeon Richter reported improved results and continues to expand its presence in other emerging markets such as Latin America and China.

Against this, our two Turkish bank holdings, Akbank and Garanti, hurt the fund's performance as the local banking sector sold off sharply on the back of domestic macro headwinds. Losses were compounded by the sharp depreciation of the Turkish lira. The central bank's aggressive interest rate hike to shore up confidence in the currency towards the end of the reporting period further undermined their share prices. South African retailers, Massmart and Truworths, also lagged. Both continued to suffer from a lackluster domestic economic environment and higher interest rates.

In portfolio activity, we introduced Yum! Brands, which owns global chains, such as KFC and Pizza Hut, and has good growth prospects in emerging markets.

Outlook

The sharp sell-off in emerging markets may be overdone, particularly after having underperformed their developed market peers over the past few years. To put things in perspective, the Fed's decision to push ahead with more tapering was widely expected, and it is doing so at a modest pace. In addition, it has pledged to maintain a policy rate near zero until the recovery in the labour market proves sustainable – and this could be some time yet.

Concerns over China's easing growth also seem overblown as there are no clear signs of a sudden downturn. The recent tightening in credit conditions sends the signal that policymakers are willing to tolerate lower growth to address the misallocation of capital and foster a more sustainable consumption-led growth. And while the mainland's financial sector may be facing increasing difficulties, we do not expect it to experience serious liquidity problems or contagion effects. The financial system is sufficiently capitalised to bail out any internal bank failures, while a closed capital account gives the authorities a firm handle on the situation. Ultimately the reforms, if implemented, should provide better investment opportunities in China.

Elsewhere, countries such as Turkey and Argentina were already struggling, even before things came to a boil last month. Despite suggestions of contagion risks stemming from Argentina's woes, the peso's devaluation has had little impact on key developing countries. A growing appetite for US dollars in the face of creeping inflation, a large current account deficit and a paucity of foreign currency reserves appears to be the catalyst for the peso's wobbles.

That said, the immediate outlook for emerging markets is likely to remain clouded as their economies undergo cyclical adjustments. Their cheaper currencies, however, should help boost exports. And while higher interest rates will slow domestic growth and imports in the short term, this will eventually lead to an improvement in current account positions, underpin currencies and allow interest rates to fall. In addition, the events of recent months have reminded policymakers that they need to compete for global capital which will likely drive further constructive reform. This is encouraging, given that countries with sounder fundamentals will be more resilient than the structurally deficient ones.
The recent bout of market turbulence has also elicited more decisiveness. India and South Africa have hiked interest rates; Turkey did the same despite earlier resistance. Brazil which is already tightening is likely to continue.

Over the longer term, emerging markets' appeal remains undimmed. Many developing economies have better fiscal discipline and sounder banking systems than their developed peers. Their public and private debt ratios, while rising, are still low. Imbalances that exist are not as pronounced; economic growth is healthier, demographics generally positive and companies are in good shape financially and are well positioned to capitalise on rising consumer wealth and opportunities in overseas markets. Furthermore, both emerging market policymakers and corporate management are well experienced in handling these periodic crises of confidence and we are hopeful that they will rise to this latest challenge. The current volatility presents opportunities to invest in good quality companies – a lot is already in the price. We believe this focus on fundamentals will serve investors well in the long run.

Portfolio breakdown

Portfolio of investments	As at 31 January 2014%	As at 31 July 2013%
Europe, Middle East & Africa	20.71	21.60
Asia	51.48	50.99
Latin America	25.94	26.27
North America	1.03	-
Investment assets	**99.16**	**98.86**
Net other assets	**0.84**	**1.14**
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 31/01/2014	Ongoing charges figure % as at 31/07/2013
Share class A	1.95	1.95
Share class I	1.21	1.21
Share class Z	0.22	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 fund investments.

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 - Accumulation	477.50	550.47	(13.26)
Share class I - Accumulation	508.60	584.14	(12.93)
Share class Z - Accumulation	542.81	620.34	(12.50)

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

Calendar year		Highest share price (p)	Lowest share price (p)
2013	Accumulation A	631.22	504.55
2013	Accumulation I	667.91	535.72
2013	Accumulation Z	706.61	569.36
2014[A]	Accumulation A	510.63	476.80
2014[A]	Accumulation I	543.59	507.85
2014[A]	Accumulation Z	579.73	542.01
2014[AB]	Income I	541.21	507.85

[A] to 31 January 2014.
[B] shareclass launched 13 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 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

On the 01 January 2014 the name of the fund changed from Aberdeen Emerging Markets Fund to Aberdeen Emerging Markets Equity Fund.

Initial Charge

On 17 February 2014 the initial charge was removed from sub-funds in the Aberdeen Investment Funds ICVC, with the exception of the Aberdeen Emerging Markets Equity Fund. This change reflected a movement in the UK funds' industry towards increased transparency of fund charges and associated costs.

The Aberdeen Emerging Markets Equity Fund will continue to levy a 2.00% initial charge on Class A and Class I Shares, due to continued capacity constraints. This initial charge is paid to the Aberdeen Emerging Markets Equity Fund itself for the benefit of all investors (and not to the Authorised Corporate Director, Aberdeen Fund Managers Limited, or any other party).

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 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.

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

Depositary
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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