Aberdeen Emerging Markets Bond Fund

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

Investment objective and policy

The investment objective is to provide an attractive level of income and long-term capital return.

The investment policy is to invest primarily in fixed interest securities which are issued by corporations with their registered office in, and/or government related bodies domiciled in an emerging market country. The Fund may also invest in other transferable securities, money market instruments, cash, near cash, deposits, shares in collective investment schemes (including other funds managed by the investment adviser or its associates) and derivatives.

Cumulative performance (%)

	Period of report 31/07/2013 to 31/01/2014	Since launch 09/03/2011 to 31/01/2014
Fund - A Accumulation	(1.21)	14.96
Benchmark[A]	0.98	17.90

Source: Lipper, JP Morgan, Total Return, NAV to NAV, UK Net income reinvested, £.
[A] JPM EMBI Global Diversified (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

Emerging market debt returns were volatile over the period as the health of the US economy and Federal Reserve (Fed) communications dominated investor focus. Despite a debt ceiling crisis and federal government shutdown in October, improved US economic data in November led to a growing sense that there would not be a significant delay in the Fed beginning to taper its quantitative easing programme. In both its December and January meetings the Fed announced that it would taper its asset purchasing programme by US$10 billion leaving US$65 billion of purchases per month. While the market did not explicitly react to this news, it added to the generally negative sentiment towards emerging markets which has characterised the beginning of 2014.

India announced in August that its new central bank governor would be Raghuram Rajan, the current chief economic advisor to India's Ministry of Finance and former chief economist at the IMF. The appointment was interpreted positively by the market given his economic expertise and experience. In September, Rajan boosted investor sentiment towards the country by introducing a series of positive measures which could attract US$10 billion for foreign exchange inflows before the end of the year.

In August, the US Second Circuit Court of Appeals rejected Argentina's appeal against an upfront payment of US$1.3 billion to holdout creditors. At the same time the Court did delay the implementation of the ruling until the US Supreme Court decides whether to hear an Argentine appeal relating to the violation of its sovereign immunity. As a result, the government announced two new proposals in an effort to avoid defaulting on its performing bonds. Firstly, it would be reopening its exchange offer for the remaining holdouts following two precious restructurings in 2005 and 2010. It is also offered holders of exchange debt new issues under Argentine legislation, payable to a local custodian.

Moody's, the credit rating agency, downgraded Ukraine's sovereign rating to Caa1 from B3 and kept the outlook on negative in October, highlighting the precarious position of the country's external liquidity position. The government made overtures with the European Union over the month in an effort to sign an Association Agreement at the end of November, which would have released €180 million of direct support. Ukraine however failed to sign an Association Agreement or a Deep and Comprehensive Free Trade Agreement with the European Union, preferring instead to turn back to its neighbour Russia, who has traditionally provided subsidised energy to the country. The decision resulted in significant and sustained protests against the government. Nevertheless, the bail-out package from Russia is worth an estimated US$15 billion, which should be sufficient to cover the government's foreign currency needs until elections in 2015.

Portfolio review

The Fund underperformed its benchmark over the period under review. The Fund benefitted from an overweight position in Honduras and positioning in Egypt as well as an underweight position in Venezuela. On the other side, underweight positions in Argentina, Morocco and Belarus detracted from the Fund.

Towards the beginning of the reporting period, we added duration to the portfolio by purchasing the longer-maturity bond of Pemex, the Mexican state-owned oil company. We also took profits on our Pakistan holdings and participated in inaugural Eurobonds from Armenia and Mozambique. In the final months of the year, we reduced our underweight position in Ukraine, believing that much of the bad news surrounding the credit was priced in; on the other side we increased our underweight position in Venezuela. We also participated in the new 10 year Gabon Eurobond. In corporates, we reduced the Fund's holding of Indian financials, selling State Bank of India, which had been negatively affected by the broader woes of the Indian economy. In terms of currency exposure, we reduced our Korean won position which has been a top performer during 2013, we also removed the fund's Brazilian real and reduced the Indian rupee position.

Outlook

Looking ahead, while emerging markets have been prominent in the news during January, most stress has been seen in the currency market, yet the triggers have been different to 2013 as this year's sell-off has been driven by country-specific risk issues. Softer economic data from China is a worry and has the ability influence the broader market, so the response from Chinese policymakers will be important to monitor. It is an unfortunate coincidence of timing that these negative credit events have occurred concurrently, and though it is impossible to give an indication as to when this volatility may subside, the sell-off provides buying opportunities within emerging market debt – especially for those credits which have been negatively affected by sentiment despite solid or improving fundamentals.

Portfolio breakdown

Portfolio of investments	As at 31 January 2014%	As at 31 July 2013%
Corporate Bonds	20.83	19.96
Government Bonds	71.06	71.96
Forward Currency Contracts	0.10	0.59
Investment assets	**91.99**	**92.51**
Net other assets	**8.01**	**7.49**
Net assets	**100.00**	**100.00**

Fund facts

	Interim/annual accounting dates	Income payment date
	31 January, 31 July	Monthly on the last business day

	Ongoing charges figure % as at 31/01/2014	Ongoing charges figure % as at 31/07/2013
Share class A	1.65	1.65
Share class I	1.15	1.15
Share class Z	0.15	0.15

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 31/01/14	Total distribution (p) for the period to 31/01/13
Share class A - Income	1.98000	2.32000
Share class A - Accumulation	2.23557	2.51208
Share class I - Income	1.79000	1.39000
Share class I - Accumulation	1.87477	1.39720
Share class Z - Accumulation	2.27682	2.50085

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 not entitled to a refund of income tax with held. 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	101.15	104.31	(3.03)
Share class A - Accumulation	115.50	116.84	(1.15)
Share class I - Income	91.65	94.27	(2.78)
Share class I - Accumulation	97.07	97.95	(0.89)
Share class Z - Accumulation	115.57	116.03	(0.40)

Net of tax and expenses.

Performance record

Calendar year		Highest share price (p)	Lowest share price (p)
2011[A]	Income A	105.93	96.57
2011[A]	Accumulation A	107.89	99.04
2011[B]	Accumulation Z	101.42	100.34
2012	Income A	114.34	102.92
2012	Accumulation A	124.45	107.45
2012[C]	Income I	103.30	100.00
2012[C]	Accumulation I	104.02	100.00
2012	Accumulation Z	122.43	104.34

Calendar year		Highest share price (p)	Lowest share price (p)
2013	Income A	115.82	100.81
2013	Accumulation A	127.39	113.25
2013	Income I	104.70	91.15
2013	Accumulation I	106.68	94.99
2013	Accumulation Z	126.08	112.63
2014[D]	Income A	103.59	102.10
2014[D]	Accumulation A	117.88	116.17
2014[D]	Income I	93.85	92.51
2014[D]	Accumulation I	99.06	97.64
2014[D]	Accumulation Z	117.90	116.25

[A] The Fund was launched on 9 March 2011.
[B] Share class Z launched on 1 December 2011.
[C] Share class I launched on 1 October 2012.
[D] 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:
- 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.
- 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 Emerging Markets 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 Emerging Markets 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.

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