

Aberdeen Property Share Fund

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

Investment objective and policy

The objective of the Fund is to provide long term total return, from a diversified portfolio of property company securities or companies which derive a significant proportion of their revenues or profits from property, or have a significant proportion of their assets in property. Holdings will be concentrated in the United Kingdom, though investment overseas is permitted.

Cumulative performance (%)

	Period of report 31/07/2013 to 31/01/2014	5 Years 31/01/2009 to 31/01/2014	Since launch 29/10/1990 to 31/01/2014 ^B
Fund - A Accumulation	5.67	129.04	500.31
Benchmark ^A	7.67	142.49	377.77

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	23.16	27.28	(1.12)	10.41	33.82

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

^A FTSE Real Estate Index to 30/11/2009 then FTSE 350 Real Estate Index.

^B Figures for Aberdeen Property Share Unit Trust prior to 24 April 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

Combining the positive performance of the six months under review with earlier gains meant the listed property sector rose over 25% over the last 12 months and almost 20% per annum over the past five years. The recent gains were all the more impressive given volatility over the summer when global financial markets fell in response to the prospect of the US Federal Reserve (Fed) trimming its asset purchases. Commercial property, and by extension listed property, values have benefited from ultra-low interest rates because of their attractive yields so news of the Fed's tapering might well have been expected to weigh on share prices. Instead, property shares together with the wider UK equity market bucked the trend to end the period at the highest levels achieved post the 2008-09 financial crisis.

Better UK economic news underscored the resilience. Domestic GDP growth forecasts were upgraded, including the IMF's 2014 projection, which was recently raised from 1.9% to 2.4%, and the level of unemployment has fallen sharply. Any investor concerns that this improvement might trigger an increase in interest rates were assuaged by a commitment by the Bank of England to maintain the base rate at 0.5% 'for some time to come'. In Europe economic conditions also showed signs of improvement, albeit not as strongly, while so-called 'periphery risk' appears to be receding. News out of Greece is finally improving, while strong demand for Spain's debt issuance close to the end of the period suggests that investor confidence is returning. Although Europe's recovery is slow and far from guaranteed, this bodes well both for the UK economy and also the fund, 16% of which is invested in Continental property shares.

In both the commercial and residential property market, buying interest continued to push capital values higher and yields correspondingly lower. A recent pick-up in market rents, including those for the lacklustre retail and industrial sectors, underscored improved tenant health and confidence.

Portfolio review

At the stock level, several themes emerged from recent positive performers. House builders, Berkeley Group and Bellway did extremely well, aided by a recovery in volumes and rising house prices, while active developers, Development Securities and Helical Bar, rebounded on the back of healthy results.

Conversely, the UK property sector's outperformance meant that a number of the fund's European holdings, which fall outside the benchmark index, detracted from relative performance. These included previous strong performer Unibail-Rodamco, a leading French commercial property developer, Paris office owner ICADE and Dutch fuel storage owner Vopak. Amongst our UK holdings British Land performed well in absolute but our underweight relative to its substantial index position meant that it hurt the fund's relative performance. Lastly our exposure to supermarket properties via Tesco proved a disappointment as its share price fell on the back of lacklustre operating results.

In portfolio activity, we trimmed the fund's three housebuilders, Persimmon, Berkeley Group and Bellway, on strength. We also reduced two of the largest weights in London West-End owners, Derwent London and Great Portland Estates, after their strong runs, and exited the fund's small position in Primary Health Properties. The proceeds were recycled into the weaker performing European holdings, including Unibail-Rodamco and ICADE, as well as building the position in Swedish property company Hufvudstaden, which was introduced earlier in 2013. In the UK interesting value opportunities were harder to find, although we increased the position in SEGRO, an industrial owner, and introduced

Workspace Group, an owner of London multi-let commercial properties. Both companies have significantly improved their balance-sheet strength, allowing them to focus on delivering what we anticipate will be attractive returns from their properties, which are not only high yielding, but are also well placed to benefit from any economic recovery.

Outlook

After a long period of economic malaise it is very encouraging to see signs of recovery in the UK, and potentially across Europe. Assuming policymakers can successfully balance the need to normalise monetary policy while ensuring the recovery is well underway, we anticipate robust results from the fund's holdings. For the fund's London specialists, capital gains from yield compression are likely to slow and then abate, not least because their property values are back to pre-crisis levels. Nonetheless they remain well positioned for long-term rental growth. In addition those holdings with industrial, secondary and development assets still have the potential to deliver healthy capital gains, helped by a narrowing of the valuation gap between prime assets and lower grade, and the potential to benefit from a steadying or improving economic environment. However the strong outperformance of share prices has left many holdings trading at substantial premiums to net asset value and offering dividend yields below that of the wider equity market. Hence it appears that much of the expected gains have already been priced in and it is unlikely that the remarkable returns of recent years will be repeated. Given the difficulty in finding value at the moment, our focus remains on selectively recycling capital as opportunities arise, while investing in robustly financed, well-run and favourably-positioned property shares so that unit holders will be well served in the long run.

Portfolio breakdown

Portfolio of investments	As at 31 January 2014%	As at 31 July 2013%
France	9.55	9.47
Netherlands	2.44	3.09
Sweden	2.39	-
Switzerland	1.41	1.67
United Kingdom	79.25	82.95
Investment assets	95.04	97.18
Net other assets	4.96	2.82
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	1.62	1.61
Share class I	0.87	0.86

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	Total distribution (p) for the period to 31/01/2013
Share class A - Accumulation	0.3115	0.1571
Share class I - Accumulation	0.9863	0.3758

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.

	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	83.60	79.30	5.42
Share class I - Accumulation	137.61	130.10	5.77

Net of tax and expenses.

Performance record

Calendar year		Highest share price (p)	Lowest share price (p)
2009	Accumulation A	53.08	28.48
2010	Accumulation A	54.49	44.77
2011	Accumulation A	62.28	48.48
2012	Accumulation A	66.78	50.60
2012 ^A	Accumulation I	109.11	99.79
2013	Accumulation A	83.28	67.22
2013	Accumulation I	137.00	109.84
2014 ^B	Accumulation A	86.14	83.16
2014 ^B	Accumulation I	141.76	136.80

^A I Accumulation share class launched on 1 October 2012.

^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 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:
- Specialist: The Fund invests in a specialist sector and it will not perform in line with funds that have a broader investment policy.
- The Fund invests in a relatively small number of investments which can potentially increase volatility relative to funds with larger numbers of investments.
- 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 Property Share 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 Property Share 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 & Depository 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



Recycled
Supporting responsible use
of forest resources
www.fsc.org Cert no. SA-COC-1605
© 1996 Forest Stewardship Council



