

Aberdeen Ethical World Equity Fund

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

Investment objective and policy

The investment objective is to achieve long-term capital growth. The objective will be achieved through investment in a portfolio of international quality investments chosen on the basis of ethical ("socially responsible") criteria. These criteria include the environment, employee relations, product quality and international operations. The Fund may also invest in fixed interest securities.

Cumulative performance (%)

	Period of report 31/07/2013 to 31/01/2014	5 Years 31/01/2009 to 31/01/2014	Since launch 21/05/1999 to 31/01/2014
Fund - A Income	(8.16)	60.22	67.31
Benchmark ^A	(1.70)	90.94	90.68

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	(2.03)	11.66	(5.82)	19.83	29.79

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

^A FTSE World 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

Global equities declined during the interim period; losses were particularly acute towards the end of the period. Dominating investor sentiment was the Federal Reserve's about-turns with regards to its views on tapering. Initially, the US Federal Reserve maintained that it will not taper its bond purchase programme until there is sustained economic improvement, although that statement was subsequently reversed, albeit temporarily. Developed markets applauded the Federal Reserve's long-awaited decision to reduce its asset purchases gradually from January 2014, which ended months of uncertainty. Sentiment also strengthened following loose monetary policy in the developed world, such as the European Central Bank's unexpected rate cut by 25 basis points to 0.25%. Japanese equities responded positively to the yen's weakness as well, driven in part by the Bank of Japan's continued efforts to expand the monetary base. However, mixed US and Chinese data and the start of the Federal Reserve's tapering of assets led to renewed turmoil in emerging economies, which fuelled risk aversion. In particular, emerging markets' currencies suffered a sharp sell-off, which forced several central banks to raise interest rates.

Portfolio review

Top stock contributors to relative performance included UK Telco Vodafone, US real estate services company Jones Lang LaSalle and Korea's Samsung Electronics. Vodafone's shares climbed after partner Verizon agreed to buy out its stake in their wireless joint venture. Speculation of a possible takeover by US network company AT&T also boosted its shares. Jones Lang LaSalle benefited from solid full-year profits, particularly in the fourth quarter. Samsung Electronics' shares did well as third-quarter operating profits rose to a record 10.1 trillion won.

Conversely, the main stock detractors were UK utility Centrica and UK oil services provider Wood Group. Centrica cut its full-year margin outlook, owing to a political debate over rising bills, while Wood Group was hurt by weaker-than-expected results in Oman.

Australia's QBE Insurance was another key detractor. QBE's shares fell on the back of the company's warning of a reported net loss of US\$250 million this financial year. This followed a strategic review of its North American operations which resulted in additional provisions, restructuring charges and a goodwill write-down totalling US\$1.93 billion. The chairperson, in acknowledgement, announced that she will bring forward her retirement from the board. However, the core underwriting business remains profitable and, barring any catastrophe, the capital base remains robust. We have also stepped up our engagement with management.

In portfolio activity, we introduced South African-listed telecoms company MTN Group given its attractive growth profile, cash flow generation and progressive dividend policy. Against this, we sold UK-listed HSBC as it failed to meet the fund's ethical criteria, and divested Japan's Canon in view of better opportunities elsewhere. We also disposed of US food producer Kellogg because of its deteriorating fundamentals.

Outlook

Risk assets could come under further pressure, as the preference for safe havens may remain for some time. In particular, emerging markets are likely to witness further volatility, although objectively speaking, the sell-off appears to be overdone. Amid recent market gyrations, selective valuations have fallen to decent levels, which could present long-term buying opportunities. We remain comfortable with our emerging markets exposure in the portfolio, as we believe their long-term fundamentals remain intact.

Looking at the global economy, the risks are primarily political and policy-related, given that several countries such as the US, Brazil, India and South Africa will be holding elections this year. With regards to China, excessive credit growth still presents systemic risks to the economy. As well, slower growth in China will weigh on exporters globally. In view of the increased uncertainty, we remain cautious in our outlook.

Portfolio breakdown

Portfolio of investments	As at 31 January 2014	As at 31 July 2013
United Kingdom	19.38	21.12
Europe (ex United Kingdom)	24.36	22.14
Latin America	3.60	3.33
North America	27.04	26.86
Japan	4.55	5.94
Asia Pacific	18.37	19.33
Investment assets	97.30	98.72
Net other assets	2.70	1.28
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	1.63	1.63
Share class I	1.13	1.13

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 - Income	0.1400	0.3300
Share class I - Income	0.5400	0.7000
Share class A - Accumulation	0.1800	0.4177
Share class I - Accumulation	0.7149	0.9079

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	130.18	141.59	(8.07)
Share class I - Income	141.40	153.83	(8.07)
Share class A - Accumulation	167.57	182.06	(7.96)
Share class I - Accumulation	187.92	203.66	(7.73)

Net of tax and expenses.

Performance record

Calendar year	Highest share price (p)	Lowest share price (p)
2009 Income A	120.49	74.21
2009 Income I	131.13	80.63
2009 Accumulation A	145.70	88.38
2009 Accumulation I	160.08	96.86
2010 Income A	134.51	111.79
2010 Income I	146.39	121.44
2010 Accumulation A	164.72	135.52
2010 Accumulation I	181.90	148.98
2011 Income A	135.02	108.87
2011 Income I	146.96	118.33
2011 Accumulation A	165.35	135.20
2011 Accumulation I	182.61	149.84

Calendar year		Highest share price (p)	Lowest share price (p)
2012	Income A	128.91	114.80
2012	Income I	140.12	124.89
2012	Accumulation A	162.65	143.56
2012	Accumulation I	181.41	159.64
2013	Income A	150.36	128.60
2013	Income I	163.60	140.00
2013	Accumulation A	190.79	162.79
2013	Accumulation I	213.21	181.58
2014 ^A	Income A	136.22	130.20
2014 ^A	Income I	148.33	141.82
2014 ^A	Accumulation A	175.15	167.42
2014 ^A	Accumulation I	196.38	187.75

^A 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 risk 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.
- 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 Ethical World Fund to Aberdeen Ethical World Equity Fund.

Initial Charge

On 17 February 2014 the initial charge was removed from Aberdeen Ethical World Equity 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 Ethical World 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.

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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