Aberdeen Asia Pacific and Japan Equity Fund

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

Investment objective and policy

The objective of the Fund is to achieve capital growth by investing in countries of the Asia Pacific region, including Japan.

Cumulative performance (%)

	Period of report 31/07/2013 to 31/01/2014	5 Years 31/01/2009 to 31/01/2014	Since launch 01/03/1979 to 31/01/2014[B]
Fund - A Accumulation	(11.78)	79.79	5,164.52
Benchmark[A]	(4.93)	62.83	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	(10.92)	15.62	(2.30)	30.63	36.79

Source: Lipper, Total Return, NAV to NAV, UK Net income reinvested, £.
[A] MSCI AC Asia Pacific Index.
[B] Figures for Aberdeen Asia Pacific 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.

Aberdeen

Market review

Uncertainty over US monetary policy and the prospect of tighter liquidity weighed on Asian equity markets during the half year. Southeast Asia took it especially hard, with poor economic data amplifying any misgivings about the region's recovery. Fund outflows also caused a rout in their currencies, which exaggerated stock market declines. North Asia held up better on expectations that exports would be revived by an improving US economy, which prompted the US Federal Reserve's (Fed) decision to start scaling back quantitative easing.

Portfolio review

At the stock level, QBE Insurance, City Developments and Oversea Chinese Banking Corporation detracted from performance. In Australia, QBE fell sharply after it forecast a net loss of US$250 million for the year ended December. This followed a strategic review of its North American operations, which resulted in additional provisions, restructuring charges and a goodwill write-down that totalled US$1.93 billion. However, after our recent meetings with top management, we feel the company is taking the right steps to mend its US problems. Its basic business remains solid and the core underwriting unit profitable. In Singapore, City Developments was weighed down by signs of weakness in the mass market property segment, concerns of a Fed tapering and possibly higher interest rates. Although there will be short-term headwinds in the sector, we believe this is reflected in the stock's valuation. Also, the company is poised to capture the rebound in property prices over the long term. Meanwhile, Singapore lender Oversea Chinese Banking Corporation was pressured by concerns that it would be overpaying for its proposed acquisition of Hong Kong-listed Wing Hang Bank. However, we are supportive as long-term shareholders as the acquisition will enable Oversea Chinese Banking Corporation to expand in greater China. The issues we will raise with management are its funding abilities and whether it has the capability to integrate this sizeable acquisition.

Paring the losses were our holdings in Samsung Electronics, Rio Tinto and Chugai Pharmaceutical. In Korea, Samsung's third-quarter operating profit rose to a record 10.1 trillion won. Rio Tinto also did well. The Australian miner is focused on cutting costs and capital expenditure while boosting volumes, in order to lower debt levels and maintain its progressive dividend policy to shareholders. In Japan, Chugai Pharmaceutical was bolstered by expectations of continued growth in its mainstay drugs and good contributions from new products.

In portfolio activity, we sold Singapore-based electronic manufacturing services provider Venture Corporation on better prospects elsewhere. We attended Samsung Electronics' highly anticipated investor day where the key themes were on innovation and enhancing total shareholder returns. Although the stock remains a core holding, we took partial profit after a strong run in its share price. We also pared Honda Motor on the back of relative strength.

Against this, we participated in Bank of the Philippine Islands' attractively discounted rights issue. This will bring its tier-one capital ratio from 15.5% to 18%. The bank is poised to benefit from healthy loan demand as the domestic economy remains robust. We added to Hong Kong-listed trading company Li & Fung after it posted results that met our expectations. Elsewhere, we topped up Standard Chartered. While short-term weakness across emerging markets could weigh on its stock price, we have taken a long-term view. The bank's business franchise across its geographic operations remains intact, and it will benefit from increased trade flows. This is despite the surprise departure of its chief financial officer and head of consumer banking. Meanwhile, we would not be surprised if management decided to raise more capital, given its belief that a robust capital base is a competitive advantage, even though it already has a high capital ratio.

Outlook

The current anxiety in markets could persist as the prospect of tighter liquidity and higher interest rates continues to influence sentiment. Emerging markets with gaping deficits remain most vulnerable and a further retreat in their currencies could present a policy dilemma in a slow growth environment. India and Indonesia come to mind, although recent policy decisions have helped stabilise both countries. Consumers, meanwhile, appear to be holding back as household debt levels ratchet up, particularly in markets such as Malaysia and Thailand. In Japan, the yen's relative weakness, despite its monthly advance in January, has resulted in imported inflation against a backdrop of zero wage growth. We are less sanguine than policymakers regarding the consumption tax hike in April. Spending will be affected. The downside risk is great for the Japanese equity market, given its stellar performance in 2013. That said, the recent pullback has actually been a good thing as it has taken the froth out of markets. The sooner stimulus is unwound, the better for markets as they can return to fundamentals. We believe fundamentals in Asia remain sound over the long term.

Portfolio breakdown

Portfolio of investments	As at 31 January 2014%	As at 31 July 2013%
Australia	10.10	10.60
China	3.97	4.55
Hong Kong	19.90	20.19
India	7.94	7.53
Indonesia	0.70	0.83
Japan	24.39	22.66
Malaysia	1.69	1.57
Philippines	2.42	2.21
Singapore	14.59	14.74
South Korea	3.57	3.27
Sri Lanka	0.61	0.59
Taiwan	4.39	4.11
Thailand	3.47	3.58
Other	1.74	1.80
Investment assets	**99.48**	**98.23**
Net other assets	**0.52**	**1.77**
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	1.80	1.80
Share class I	1.09	1.09

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.

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	153.42	173.40	(11.52)
Share class I - Accumulation	98.93	110.67	(10.60)

Net of tax and expenses.

Performance record

Calendar year		Highest share price (p)	Lowest share price (p)
2009	Accumulation A	123.65	74.63
2009[A]	Accumulation Z	94.33	75.81
2010	Accumulation A	160.71	116.40
2011	Accumulation A	161.64	133.35
2012	Accumulation A	165.47	140.88
2012[B]	Accumulation I	105.22	98.72
2013	Accumulation A	189.25	158.78
2013	Accumulation I	120.63	102.34
2014[C]	Accumulation A	159.66	152.68
2014[C]	Accumulation I	102.93	98.46

[A] Accumulation Z share class closed on 30 April 2009.
[B] Accumulation I share class launched on 1 October 2012.
[C] 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:
- 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 Asia Pacific and Japan Fund to Aberdeen Asia Pacific and Japan Equity Fund.

Initial Charge
On 17 February 2014 the initial charge was removed from Aberdeen Asia Pacific and Japan 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 Asia Pacific and Japan Equity Fund is a sub-fund of Aberdeen Investment Funds ICVC, an openended 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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