

Aberdeen Emerging Markets Bond Fund

I Acc

Performance Data and Analytics to 31 August 2018

Objectives and investment policy

Objective: To generate income and increase the value of the shareholder's investment over the long term (income and capital growth).

Investment policy: The Fund invests 70% or more of its total net assets in corporate bonds or government bonds based in emerging market countries.

Performance (%)

	1 month	3 months	6 months	1 year	Annualised		Launch
					3 years	5 years	
Fund	-3.56	-3.45	-7.16	-7.81	3.99	2.96	1.73
Benchmark	-1.89	-0.86	-3.43	-4.91	4.13	5.13	3.10
Difference	-1.67	-2.58	-3.73	-2.90	-0.15	-2.17	-1.37
Sector average	-3.76	-3.22	-5.70	-8.41	7.34	3.67	2.28
Sector ranking	15/33	15/32	17/32	14/32	23/30	14/27	10/21
Quartile	2	2	3	2	3	2	2

Discrete annual returns (%) - year ended 31/08

	2018	2017	2016	2015	2014
Fund	-7.81	5.85	15.25	-7.41	11.14

Calendar year performance (%)

	Year to date	2017	2016	2015	2014
Fund	-8.07	9.84	13.18	-4.40	3.08
Benchmark	-5.64	9.11	9.86	1.25	7.60
Difference	-2.43	0.74	3.32	-5.66	-4.52
Sector average	-6.28	4.81	24.42	-3.80	4.88
Sector ranking	24/32	2/31	24/33	15/32	13/28
Quartile	3	1	3	2	2

Performance Data: Share Class I Acc

Source: Lipper. Basis: Total return, NAV to NAV, net of annual charges, UK Net Income Reinvested.

These figures are gross of an initial charge: to the extent that this is paid, it will reduce performance from that shown.

The comparator shown may be used for risk monitoring and portfolio construction purposes, as well as to provide a performance comparator; it is not an integral part of the Objective and Investment Policy for the fund and should not be considered as such.

Past performance is not a guide to future results.

Fund manager's report

Market Review

Although August is typically a stable month, in August 2018 we experienced the second worst monthly decline in emerging markets hard currency assets in the year to date. This was driven by idiosyncratic risk events in several high yielding countries. Confidence in Argentina's stabilisation plan eroded, driving the central bank to further hike the policy interest rate, while in Brazil the central bank is intervening in the currency market to stem depreciation pressures in the run-up to October's presidential election. The bilateral trade deal agreed in principle between the US and Mexico has temporarily reduced concerns over NAFTA; however it is not a complete deal. Despite the US 10 year Treasury yield declining by 10 basis points (bps) during the month to mid-July levels of 2.86%, emerging market spreads spiked higher again and currencies on aggregate finished the month on a weaker footing across Eastern Europe and Latin America (and to a lesser extent, Asia). Oil prices on the other hand rallied by nearly 4.3% on the month with Brent crude at US\$77.42 per barrel at the end of the period, as Iranian and Venezuelan oil output has been disrupted by US sanctions.

On the month, the JP Morgan EMBI Global Diversified index (hedged into GBP) returned -1.89%, while the benchmark spread widened by 43bps to +370bps over US Treasuries, after peaking at +374bps in mid-June 2018. The negative returns were driven by specific high-yielding countries as the market continues to assess the economic policy uncertainty in these credits. The worst-performing hard currency markets were Zambia, Argentina, Venezuela and Turkey, where bonds have dropped between 9% and 18% in value. Investment grade credits continued to provide positive returns, albeit lower than in the previous month. Mexico was one of these countries, due to a positive market response to the US-Mexico trade agreement, while Peru and China had the strongest high-grade returns.

Fund Comment

During the period, we sold our positions in Belarus and Guatemala, and reduced our overweight positions in Ghana, Honduras and Morocco. In Lebanon, we initiated a switch into lower duration bonds, while increasing our positions in Bahamas and within Sub-Saharan Africa via Gabon and Ivory Coast. In terms of local currency, we reduced our holdings in Malaysia and Uruguay.

The risks outlined overleaf relating to derivatives, bonds and emerging markets are particularly relevant to the fund but should be read in conjunction with all warnings and comments given in the prospectus for the fund. Please visit the attached link to our Jargon Buster which contains a glossary of terms used in this document > <http://glossary.aberdeen-asset.com/jargonbuster/>



Top ten holdings	%
Brazil (Fed Rep Of) 10% 01/01/23 NTNFBRL	3.7
Argentina (Rep Of) 7.5% 22/04/26 W1 USD	2.7
Russian Federation 5.25% 23/06/47	2.5
El Salvador (Rep Of) 5.875% 30/01/25	1.7
Lebanese (Rep of) 6.1% 04/10/22	1.7
Indonesia (Rep Of) 5.875% 15/01/24	1.6
Turkey (Rep Of) 5.75% 22/03/24 USD	1.5
Petroleos Mexicanos 6.5% 02/06/41 USD	1.4
Ukraine (Rep Of) 7.75% 01/09/24	1.3
Dominican (Rep Of) 7.45% 30/04/44	1.3
Total	19.4
Total number of holdings	146

Credit rating of holdings (%)			
	Fund	Benchmark	Difference
AA	1.3	0.1	1.2
A	3.8	9.8	-6.0
BBB	22.4	38.2	-15.8
BB	25.6	22.7	2.9
B	33.2	24.4	8.8
CCC	6.1	4.2	1.9
D	1.2	0.5	0.7
Cash	4.4	-	4.4
Unrated	1.9	0.1	1.9
Total	100.0	100.0	

Average long term rating	BB-	BB
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Figures may not always sum to 100 due to rounding.

Market Exposure (%)			
	Fund	Benchmark	Difference
Russia	6.8	3.6	3.3
Brazil	6.2	3.1	3.1
Indonesia	5.8	4.4	1.4
Argentina	5.7	2.7	3.0
Ukraine	4.9	2.6	2.4
Mexico	4.6	5.2	-0.6
United Kingdom	4.4	-	4.4
Dominican Republic	4.2	2.7	1.5
Turkey	3.9	3.2	0.7
Egypt	3.6	2.5	1.1
Other	49.9	70.0	-20.1
Total	100.0	100.0	

Key information	
Benchmark	JPM EMBI Global Diversified (Hedged GBP 100%)
Sector	IA Global Emerging Markets Bond
Fund size	£ 108.2 m
Date of launch	1 October 2012
Investment team	Emerging Market Debt Team
Fund advisory company	Aberdeen Asset Managers Limited

www.aberdeen-asset.co.uk

Aberdeen Emerging Markets Bond Fund

Currency Exposure (%)	
	Fund
United Kingdom Pounds	91.4
Russian Ruble	2.0
United States Dollar	1.7
Argentine Peso	1.3
Peruvian Nuevo Sol	1.3
South African Rand	1.0
Indonesian Rupiah	1.0
Brazilian Real	0.4
Total	100.0

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Fund Statistics	
Modified duration vs benchmark	5.9 vs 6.6
Weighted average life vs benchmark	10.1 vs 10.9
Yield to Maturity	7.6 vs 5.9
Yields ^c	5.87% underlying 6.62% distribution

Yields are net of charges and gross of tax and are not guaranteed.

Codes (I Acc)	
SEDOL	B5L9HN2
ISIN	GB00B5L9HN22
BLOOMBERG	ABEEB12 LN
REUTERS	LP68179428
VALOREN	12678061

Additional information	
Fund type	OEIC
Domicile	United Kingdom
Currency	GBP
Registered for sale	Please refer to www.aberdeen-asset.com
Minimum investment	£500,000
Charges	Current initial 0.00%
Ongoing Charges Figure (OCF) ^b	0.90%
Price as at 31/08/18	110.67p
Deal closing time	12.00 noon (UK)
Daily valuation point	12.00 noon (UK)

Source: Ex-post Ongoing charges Aberdeen Asset Managers Limited as at 31 July 2017.

^bThe Ongoing Charge Figure (OCF), is the overall cost shown as a percentage of the value of the assets of the Funds. It is made up of the Annual Management Charge (AMC) of 0.75% and other charges. It does not include any initial charges or the cost of buying and selling stocks for the Funds. The Ongoing Charges figure can help you compare the annual operating expenses of different Funds.

^cThe Distribution Yield reflects the amounts that may be expected to be distributed over the next twelve months as a percentage of the mid-market share price of the fund as at the date shown. The Underlying Yield reflects the annualised income net of expenses and known irrecoverable withholding tax of the fund (calculated in accordance with relevant accounting standards) as a percentage of the mid-market share price of the fund as at the date shown. Both yields are based on a snapshot of the portfolio on the month-end date and are not guaranteed and actual distributions received (where a share class pays distribution) may be higher or lower than the amount stated. They do not include any initial charges and Investors may be subject to tax on distributions. The Distribution Yield is higher than the Underlying Yield because a portion of the fund's expenses are charged to capital. This has the effect of increasing distributions and constraining the fund's capital performance. Analytics provided by The Yield Book® Software

Important information

Risk factors you should consider before investing:

- The value of investments and the income from them can go down as well as up and investors may get back less than the amount invested.
- Exchange Rates: The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of the Fund's investments and the income from them may rise or fall in line with exchange rates.
- Emerging Markets: Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries and this may mean your money is at greater risk.
- Bonds: Bond valuations are affected by changes in interest rates, inflation and the creditworthiness of the bond issuer. There is a risk that a bond issuer may not be able to repay the money they borrowed nor make their required interest payments. This risk increases for bonds with lower credit ratings. Where a bond market has a low number of buyers and/or a high number of sellers, it may be harder to sell particular bonds at an anticipated price and/or in a timely manner.
- Derivatives: This Fund can use derivatives in order to meet its investment objective. The use of derivatives may result in greater fluctuations in the value of the Fund, and may increase the magnitude of any losses.
- A full list of risks applicable to this Fund can be found in the Prospectus.

Other important information:

The Fund is a sub-fund of Aberdeen Investment Funds ICVC, an authorised open-ended investment company (OEIC). The Authorised Corporate Director is Aberdeen Fund Managers Limited. Nothing herein constitutes investment, legal, tax or other advice and is not to be relied upon in making an investment or other decision. No recommendation is made, positive or otherwise, regarding individual securities mentioned. This is not an invitation to subscribe for shares in the Fund and is by way of information only. Subscriptions will only be received and shares issued on the basis of the current Prospectus, relevant Key Investor Information Document (KIID) and Supplementary Information Document (SID) for the Fund. These can be obtained free of charge from Aberdeen Fund Managers Limited, PO Box 9029, Chelmsford, CM99 2WJ.

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