The economic face of the world is changing and Aberdeen believes that emerging markets (EM) have become a major engine of global growth and potential opportunity.

**The Changing Landscape: Emerging Markets And Global Growth**

Over the last twenty years, emerging markets have demonstrated substantial growth in gross domestic product. Looking to the future, this growth is forecast to continue as emerging markets carry on as the engine of global growth. Take a look at the gross domestic product (GDP - current prices, U.S. dollars) of these top emerging market countries, and the percentage of the world GDP that each will consume:

<table>
<thead>
<tr>
<th>Country</th>
<th>1994 GDP (U.S. billion)</th>
<th>2014 GDP (U.S. trillion)</th>
<th>2018 (estimated) GDP (U.S. trillion)</th>
<th>1994 GDP % of World GDP</th>
<th>2014 GDP % of World GDP</th>
<th>2018 (estimated) GDP % of World GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>$559.22 billion</td>
<td>$9.76 trillion</td>
<td>13.76 trillion</td>
<td>13.1%</td>
<td>7.25%</td>
<td>6.96%</td>
</tr>
<tr>
<td>Brazil</td>
<td>$46.89 billion</td>
<td>$2.17 trillion</td>
<td>$2.73 trillion</td>
<td>5.33%</td>
<td>2.50%</td>
<td>3.46%</td>
</tr>
<tr>
<td>Russia</td>
<td>$276.90 billion</td>
<td>$2.22 trillion</td>
<td>$3.01 trillion</td>
<td>-12.20%</td>
<td>3.00%</td>
<td>3.50%</td>
</tr>
<tr>
<td>India</td>
<td>$333.62 billion</td>
<td>$1.75 trillion</td>
<td>$2.48 trillion</td>
<td>6.65%</td>
<td>5.15%</td>
<td>6.72%</td>
</tr>
<tr>
<td>Mexico</td>
<td>$534.13 billion</td>
<td>$1.40 trillion</td>
<td>$1.73 trillion</td>
<td>4.71%</td>
<td>2.99%</td>
<td>3.76%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>$176.88 billion</td>
<td>$863.21 billion</td>
<td>$1.21 trillion</td>
<td>7.54%</td>
<td>5.50%</td>
<td>6.00%</td>
</tr>
</tbody>
</table>

Source: IMF World Economic Outlook Database, October 2013
Forecasts are offered as opinion and are not reflective of potential performance. Forecasts are not guaranteed and actual events or results may differ materially.

aberdeen-asset.us/fixedincome
And this trend of global growth is projected to continue as EMs are set to hold the largest share of global GDP by 2050:

Which means that by 2050, 8 out of 10 of the world’s largest economies will be in emerging markets.

Encouraging demographics for growth

Larger Working Population

Dominant markets are trending towards having fewer children and an older population, while emerging markets boast growing, youthful, working populations.

Global Population & Unemployment

<table>
<thead>
<tr>
<th>Country</th>
<th>Percent Under 15 Yrs</th>
<th>Percent over 65 Yrs</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>13%</td>
<td>25%</td>
<td>3.87%</td>
</tr>
<tr>
<td>China</td>
<td>16%</td>
<td>9%</td>
<td>4.10%</td>
</tr>
<tr>
<td>Mexico</td>
<td>30%</td>
<td>6%</td>
<td>4.58%</td>
</tr>
<tr>
<td>Brazil</td>
<td>25%</td>
<td>7%</td>
<td>4.70%</td>
</tr>
<tr>
<td>Chile</td>
<td>22%</td>
<td>10%</td>
<td>6.97%</td>
</tr>
<tr>
<td>United States</td>
<td>19%</td>
<td>14%</td>
<td>7.23%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>18%</td>
<td>16%</td>
<td>5.73%</td>
</tr>
<tr>
<td>Colombia</td>
<td>28%</td>
<td>6%</td>
<td>11.10%</td>
</tr>
<tr>
<td>Eurozone</td>
<td>16%</td>
<td>18%</td>
<td>12.00%</td>
</tr>
</tbody>
</table>

1 The Eurozone is an economic area of 17 European Union member states that have adopted the euro as their common currency. Source: Bloomberg, December 31, 2013.
### Strong sovereign balance sheets

Some emerging markets have stronger balance sheets, in our view, than so-called “safe haven” markets such as the United States.

#### Comparison: U.S. vs. Mexico

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth</td>
<td>2.58%</td>
<td>2.99%</td>
</tr>
<tr>
<td>Gov’t Debt (%GDP)</td>
<td>-3.00%</td>
<td>-45.83%</td>
</tr>
<tr>
<td>National Deficit (% GDP)</td>
<td>-107.31%</td>
<td>-1.5%</td>
</tr>
</tbody>
</table>


### Expanding Opportunities

The EMD market is bigger than you may think, currently at $7.7 trillion, and we believe there is more room for growth.

Emerging markets have improving credit ratings:

- **Brazil, 2012:** S&P upgrades long-term foreign currency rating to BBB, and its local rating to A-, citing an expanding middle class, diverse economic structure, and potential for more exports.
- **Indonesia, 2012:** Moody’s awards investment-grade rating.
- **Turkey, 2013:** S&P upgrades credit rating to BB+

Standard & Poor’s credit ratings express the agency’s opinion about the ability and willingness of an issuer, such as a corporation or state or city government, to meet its financial obligations in full and on time. Typically, ratings are expressed as letter grades that range, for example, from ‘AAA’ to ‘D’ to communicate the agency’s opinion of relative level of credit risk. Ratings from ‘AA’ to ‘CCC’ may be modified by the addition of a plus (+) or minus (−) sign to show relative standing within the major rating categories.

Moody’s - An independent, unaffiliated research company that rates fixed income securities. Moody’s assigns ratings on the basis of risk and the borrower’s ability to make interest payments. Typically securities are assigned a rating from ‘Aaa’ to ‘C’, with ‘Aaa’ being the highest quality and ‘C’ being the lowest quality.

Source: The Herald, December 2012; Bloomberg, January 2012.
While most developed markets experienced middle class expansion at some point after the Industrial Revolution (and over a longer period), many EMs have expanded at a much faster pace. China, for example, has seen an increase in income per person of 24x since 1950, whereas the U.S. has seen an increase of just 2.7x over the same period.*

*Source: Gapminder, April 2013

Purchasing Power Parity (PPP) - An economic theory that estimates the amount of adjustment needed on the exchange rate between countries in order for the exchange to be equivalent to each currency’s purchasing power.
$312.5 billion in total assets, one-third of which are invested in emerging markets, with over $9 billion invested in EMD.

Over 70 emerging market investment professionals worldwide.

Our investment managers are based in the regions in which they invest, operating out of our 33 offices in 25 countries.

Aberdeen Asset Management’s resources

Aberdeen has a strong global presence in the EMD space:

* Investment grade portion of the JP Morgan EMBI GD

3 The debt securities referenced on the EMD Yield chart share many similarities but also have important differences. The information below provides additional information regarding the characteristics for these securities.

Treasury bonds are debt securities issued by the US government with a maturity of more than 10 years. Treasury Bonds are backed by the full faith and credit of the US government. This ‘guarantee’ does not apply to corporate bonds.

An emerging market corporate bond is a bond issue by a foreign corporation and bonds of this type generally have a maturity date of at least one year after their issue date. Hard currency bonds are foreign debt securities issued in US dollar terms and, thus, US investors do not need to convert to the foreign currencies when these types of bonds are purchased. The result is that there is no impact from currency risk in addition to the typical volatility associated with emerging market bonds. Local currency bonds are foreign debt securities that are denominated in local currencies rather than U.S. dollars. As result, the investor will now see the value of their investment affected by currency fluctuations in addition to the price movement of the underlying bond.

Corporate bonds (local or hard) generally have a higher risk of default when compared to government bonds. This risk depends on the particular corporation issuing the bond, the current market conditions and the governments to which the bond issuer is being compared and the rating of the company. Corporate bond holders are compensated for this risk by receiving a higher yield than government-backed bonds. The difference in yield reflects the higher probability of default, the expected loss in the event of default, and may also reflect liquidity and other risk features.

It should also be noted that some or all of the investment risks listed in the Important Information section below may apply to the debt securities listed on the EMD Yield chart.


Standard & Poor’s credit ratings are expressed as letter grades that range from “AAA” to “D” to communicate the agency’s opinion of relative level of credit risk. Ratings from ‘AA’ to ‘CCC’ may be modified by the addition of a plus (+) or minus (−) sign to show relative standing within the major rating categories. The investment grade category is a rating from AAA to BBB-.
IMPORTANT INFORMATION
PAST PERFORMANCE IS NOT AN INDICATION OF FUTURE RESULTS

Foreign securities are more volatile, harder to price and less liquid than U.S. securities. They are subject to different accounting and regulatory standards, and political and economic risks. These risks may be enhanced in emerging markets countries. Fixed income securities are subject to certain risks including, but not limited to interest rate, futures, credit, prepayment, extension and call risk.

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The JPMorgan GBI-EM Global Diversified Index is a comprehensive global local emerging markets index that consists of regularly traded, liquid fixed-rate, domestic currency government bonds. The JPMorgan EMBI Global Diversified Index is a uniquely-weighted version of the JPMorgan EMBI Global Index. It limits the weights of those index countries with larger debt stocks by only including specified portions of these countries’ eligible current face amounts of debt outstanding. The countries covered in the EMBI Global Diversified Index are identical to those covered by the EMBI Global Index. J P Morgan Corporate Emerging Markets Bond Index (CEMBI) is a market capitalization weighted index consisting of U.S.-denominated emerging markets corporate bonds. It is a liquid global corporate benchmark representing Asia, Latin America, Europe and the Middle East/Africa. Indexes are unmanaged and are provided for comparison purposes only. You cannot invest directly in an index.

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