Aberdeen Diversified Income and Growth Trust plc

The diversified multi-asset investment trust

Half Yearly Report
for the six months ended 31 March 2018

Contents

Investment Objective and Investment Policy

Investment Objective

The Company's investment objective is to target a total portfolio return of LIBOR (London Interbank Offered Rate) plus 5.5 per cent. per annum (net of fees) over rolling five-year periods.

Investment Policy

The Company invests globally using a flexible multi-asset approach via quoted and unquoted investments. The Company has not set maximum or minimum exposures for any geographical regions or sectors and will achieve an appropriate spread of risk by investing in a diversified portfolio of securities and other assets.

Highlights and Financial Calendar

Financial Highlights

	31 March 2018	30 September 2017	% change
Total assets[A] (£'000)	486,823	496,399	–1.9
Total equity shareholders' funds (£'000)	427,178	436,767	–2.2
Net asset value per Ordinary share – debt at fair value (capital basis)[B]	121.86p	124.30p	–2.0
Share price (mid)	119.00p	120.50p	–1.2
Discount to net asset value on Ordinary shares – debt at fair value (capital basis)	2.34%	3.06%	
Ongoing charges ratio[C]	0.87%	0.58%	

[A] Total assets as per the Statement of Financial Position less current liabilities.

[B] See note 10 on page 22 for calculation methodology and supplementary information for NAVs calculated on the following basis, (i) cum-income with debt at par, (ii) cum-income with debt at fair value, and (iii) capital with debt at par.

[C] Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses (annualised) divided by the average cum income net asset value throughout the year. The ratio for 31 March 2018 is based on forecast ongoing charges for the year ending 30 September 2018. The 2017 ongoing charges figure reflects in part the saving from Standard Life Aberdeen's agreement to waive its entitlement to a management fee during the period.

	Six months ended 31 March 2018	Six months ended 31 March 2017	% change
Net revenue return after taxation (£'000)	9,725	8,458	+15.0
Revenue return per share	2.96p	3.17p	–6.6
Dividends			
First quarterly dividend	1.31p	1.635p	–19.9
Second quarterly dividend	1.31p	1.635p	–19.9
Total dividends declared in respect of the period	**2.62p**	**3.27p**	**–19.9**

Performance (total return)[A]

	Six months ended 31 March 2018	Year ended 30 September 2017
Net asset value – debt at par	–0.3%	+5.7%
Net asset value – debt at fair value	–0.1%	+7.6%
Share price	+0.9%	+14.6%

[A] Total return represents the capital return plus dividends reinvested.

Financial Calendar

29 March 2018	First interim dividend (1.31p per Ordinary share) for year to 30 September 2018 paid to shareholders on register on 16 March 2018
June 2018	Half-Yearly Report posted to shareholders
27 July 2018	Second interim dividend (1.31p per Ordinary share) for year to 30 September 2018 payable to shareholders on register on 29 June 2018
December 2018	Annual Report posted to shareholders

Chairman's Statement

Performance

Over the six months ended 31 March 2018, the Company's net asset value ("NAV") per share, with debt at fair value, fell by 0.1% on a total return basis. The Company's share price ended the period at 119.0p, resulting in a total return to shareholders over the period of 0.9%. By way of comparison, global equities (represented by the MSCI All Country World Index in sterling terms), returned -0.2%, UK equities (FTSE All-Share Index) returned -2.3% and UK government bonds (FTA UK Conventional Gilts All Stocks Index) returned +2.3% over the same period.

The main positive contribution to shareholder returns over the period came from our exposure to listed equities. As noted in the Investment Manager's Report, from page 5, the low volatility fund outperformed its benchmark index. In addition, the portfolio's equity exposure was reduced at what turned out to be favourable levels. Global stock markets made a strong start to the review period with many indices hitting record highs. The generally optimistic mood was shaped by the passing of tax reform legislation in the US, progress in the Brexit negotiations between the UK and the European Union, and some positive economic data from China. However, a sharp rise in volatility in the second half of the period reversed all of the gains. Speculation that the US Federal Reserve might accelerate monetary policy tightening, coupled with fears of a trade war between the US and China, hampered sentiment.

Elsewhere in the portfolio, our private equity performance benefited from profitable realisations and valuation uplifts in several investments. Similarly, investments in global loans and asset backed securities, which are mostly related to corporate borrowing, also enjoyed buoyant market conditions throughout the period.

The main negative contribution was from insurance linked securities which suffered losses as a result of several, unusually severe, natural catastrophes in 2017. Infrastructure also contributed negatively; falling share prices in the social infrastructure sector reflected negative political headlines and the collapse of Carillion, a service provider to a number of UK social infrastructure projects. Emerging market local currency bonds contributed negatively following a poor final quarter of 2017, but were largely unscathed by the return of volatility in other markets in the first quarter of 2018.

The end of this reporting period marks the first anniversary of the Company's move to a new investment approach. Over the year ended 31 March 2018, the Company's NAV per share, with debt at fair value, rose by 4.5% on a total return basis. Overall, when the benefit of the shares trading at a narrower discount to NAV is taken into account, the total return to shareholders was +8.0%. This compared favourably to returns of +1.8% on global equities, +1.3% on UK equities and +0.5% on UK government bonds (using the indices noted above) over the same period. It should also be compared to our overall investment objective, namely that of delivering a return of LIBOR plus 5.5%, net of fees, over a rolling 5 year period; over the last 12 months, LIBOR plus 5.5% was equivalent to a return of 6.0%. Led by equities, most asset classes contributed positively over the year, with insurance linked securities being the notable exception. As envisaged in its Investment Policy, the Company's wide and diverse range of assets, with often very different return drivers and risk characteristics, ensured that the portfolio delivered much lower volatility than a portfolio with one or very few asset classes. As a tangible example of this, the maximum fall in the Company's NAV was 2.7% during the period of equity market weakness from January to March 2018, as compared to a 9.9% decline in the MSCI All Country World Index.

Earnings and Dividends

The Company's revenue return for the six months ended 31 March 2018 was 2.96 pence per share, compared to 3.17 pence per share in the comparable period ended 31 March 2017. This small decline in earnings is in line with expectations following the change in Investment Policy that was approved by shareholders in March 2017.

In relation to the year to 30 September 2018, a first interim dividend of 1.31 pence per share was paid to shareholders on 29 March 2018. The Board has declared a second interim dividend of 1.31 pence per share to be paid on 27 July 2018 to shareholders on the register on 29 June 2018. The ex-dividend date is 28 June 2018. These dividends, paid and declared, have been fully covered by earnings in the period, reflective of the Company's move to a more sustainable dividend policy. Revenue reserves at 31 March 2018 are equal to around two years' dividend payout at the current annual rate.

Discount Management Policy

The discount, calculated with debt at fair value and excluding income, narrowed from 3.1% to 2.3% over the six months ended 31 March 2018. During the period 515,000 shares were repurchased in line with the Board's discount management policy which is, subject to normal market conditions, the prevailing gearing level and the composition of the Company's portfolio, to attempt to maintain the Company's share price discount to net asset value (ex income, with debt at fair value) at no wider than 5%. The Board continues to monitor closely the Company's discount or premium and will undertake share buybacks or consider a sale of shares from treasury, respectively, if it is in shareholders' interests to do so.

Gearing

The Company's gearing was 11.9% at 31 March 2018 (30 September 2017 – 12.8%).

Aberdeen Standard Investments

The Directors have received regular updates from the Manager on the progress of integration following the merger between Aberdeen Asset Management PLC and Standard Life plc that became effective in August 2017. The Board is reassured to note that the existing management and client servicing teams are unaffected by the merger and the Board will remain vigilant to ensure that the level of service received from the Manager hitherto is at least maintained in future. Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments.

Regulatory Changes

Investors should be aware that the Packaged Retail and Insurance-based Investment Products (PRIIPS) Regulation requires the Manager, as the Company's PRIIP "manufacturer," to prepare a key information document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by regulation. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

The Criminal Finances Act 2017 has introduced a new corporate criminal offence of "failing to take reasonable steps to prevent the facilitation of tax evasion". The Board has confirmed that it is the Company's policy to conduct all of its business in an honest and ethical manner. The Board takes a zero tolerance approach to facilitation of tax evasion, whether under UK law or under the law of any foreign country.

Data protection rights were harmonised across the European Union when the General Data Protection Regulation ("GDPR") – first adopted by the UK Parliament in April 2016 – applied in full from 25 May 2018. The Board has sought the appropriate assurances from its third party service providers to ensure compliance with the new regulations.

Savings plan holders

Since April 2017 it has been possible to acquire shares in the Company via Aberdeen's Investment Plan for Children, Investment Trust Share Plan or Investment Trust ISA. Further information may be found under Investor Information on pages 28 to 30.

Outlook

As noted previously, this reporting period marks the end of the Company's first year following its new investment approach. Initially, activity focused on portfolio reorganisation, which largely took place over the spring and summer of 2017. Then also began the exercise of identifying and acquiring longer term investments which are central to the Company's investment proposition, namely to deliver attractive returns to shareholders, with low volatility, from a diverse range of asset classes. The table of commitments on page 7 of this Report highlights the progress that has been made in this regard and, in addition, further investments remain under consideration by the Board, which has recently approved an investment in a new economic infrastructure fund launched by Aberdeen Standard Investments.

The Company's Investment Manager continues to recycle capital out of investment areas that it considers to be expensive towards those that offer better value. This is also done to fund investment into longer term opportunities identified by the Investment Manager. In the current period, exposure to listed equities was thus reduced in favour of physical assets, mostly in infrastructure and property.

Although valuation levels tend to drive equity market returns over the medium to long term (3 to 10 years), in the short term (less than 12 months) macroeconomic conditions can be the more important driver. High equity market valuations, which have prevailed for some time, will eventually lead to low (and possibly negative) equity returns for a protracted period. For much of 2017, the favourable global economic backdrop benefited equities, but the first quarter of 2018 saw a return to pessimism, reflecting concerns over trade wars and the normalisation of monetary policy in the United States and elsewhere.

The Company's investment approach benefits from a broad opportunity set which requires fewer stark choices between high risk and low return asset classes. Hence it is easier for the Company's Investment Manager to reduce the portfolio's equity exposure, in the knowledge that the portfolio contains a range of other asset classes with the potential to generate attractive returns for shareholders over the medium term.

For and on behalf of the Board

James M Long
Chairman

12 June 2018

Interim Management Report and Directors' Responsibility Statement

The Chairman's Statement on pages 2 and 3 and the Investment Manager's Report on pages 5 to 9 provide details of the important events which have occurred during the period and their impact on the financial statements.

Principal Risks and Uncertainties

The principal risks faced by the Company can be divided into various areas as follows:

- Performance;
- Portfolio;
- Gearing;
- Income/dividend;
- Regulatory;
- Operational;
- Market; and
- Financial.

The Board reported on the principal risks and uncertainties faced by the Company in the Annual Report and Financial Statements (the "Annual Report") for the year ended 30 September 2017; a detailed explanation can be found in the Strategic Report on pages 9 to 11 of the Annual Report which is available on the Company's website: aberdeendiversified.co.uk.

In the view of the Board, there have not been any changes to the fundamental nature of these risks since the previous Annual Report and these principal risks and uncertainties are equally applicable to the remaining six months of the financial year ending 30 September 2018 as they were to the six months under review.

Going Concern

The Directors, having considered the nature and liquidity of the portfolio, the Company's investment objective and the Company's projected income and expenditure, are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of approval of this report and is financially sound. The Company has a portfolio of investments which are considered to be mostly readily realisable and is able to meet all of its liabilities from its assets and income generated from these assets. For these reasons, the Directors continue to adopt the going concern basis in preparing the financial statements.

Related Party Disclosures and Transactions with the AIFM and Investment Manager

Aberdeen Fund Managers Limited ("AFML") was appointed as the Company's AIFM on 11 February 2017.

AFML has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to Aberdeen Asset Managers Limited and Aberdeen Asset Management PLC which are regarded as related parties under the UKLA's Listing Rules. Details of the fees payable to AFML are set out in note 3 to the condensed financial statements.

Directors' Responsibility Statement

The Disclosure and Transparency Rules (DTR) of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm to the best of their knowledge that:

- the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with applicable UK Accounting Standard FRS 104 'Interim Financial Reporting'; and
- the Interim Management Report, together with the Chairman's Statement and Investment Manager's Report, include a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure and Transparency Rules.

This half yearly financial report has been reviewed by the Company's auditor and their report is set out on page 27.

The half yearly financial report was approved by the Board on 12 June 2018 and the above responsibility statement was signed on its behalf by the Chairman.

For and on behalf of the Board

James M Long
Chairman

12 June 2018

Investment Manager's Report

The Investment Manager's Report is divided into four sections: equity, physical assets, fixed income & credit and other asset classes. For the portfolio as a whole, the Chairman has noted that much of the activity over the six months ended 31 March 2018 relates to longer term investments. During the period, we made new commitments in infrastructure, insurance-linked investments and private equity. These were funded predominantly by a reduction in our equity exposure as well as by sales of other individual assets that we viewed as fully valued. The table on page 7 summarises the longer term investment funds, which, in total, currently account for 14% of the Company's net assets. Over time, this percentage will grow as the managers of each of fund identify new projects and request capital from the Company in line with the commitment that has been made to them. These longer term investments – which give shareholders access to funds and asset classes which are not normally available to private investors – are a key part of our investment approach.

Equity (listed equities and private equity)

% of Net Assets reduced from 28.8% to 22.9%

During the six month period to 31 March 2018, we reduced the portfolio's exposure to global equities, primarily on valuation concerns. The outlook for the global economy remains generally favourable but profit margins are close to cyclical peaks. This means that global equities may struggle to perform as monetary policy is tightened further and policy stimulus is withdrawn across major economies. For example, at the end of January, the MSCI World index fell by close to 10%, ostensibly in reaction to stronger than expected US jobs data. Aberdeen Smart Beta Low Volatility Global Equity Income Fund delivered a return of +1.7% in sterling terms over the period, outperforming its benchmark index which fell by 0.3%. The fund's investment approach focusses on companies which score highly in quantitative factors such as valuation and financial strength. The portfolio is well diversified by country, sector and position size (see below).

In private equity, our small reduction in exposure (from 2.8% to 2.7%) takes into account profitable realisations and / or valuation uplifts from three investments: the venture capital fund, Forward Partners; the Danish small / medium-sized company fund, Maj Invest 4; and the aircraft leasing co-investment, TrueNoord. Maj Invest 4 completed two realisations during the period – selling businesses at substantial increases to carrying value – returning over 80% of our initial investment to us. The Forward Partners' valuation uplift reflected positive funding rounds from four of its larger investments. At the end of the period we sold the holding at a premium to the 30 September 2017 carrying value in a secondary transaction. The proceeds were used to acquire a portfolio of six funds managed by Harbourvest, who are highly rated by the Aberdeen Standard Investments ("ASI") Private Equity team.

Aberdeen Smart Beta Low Volatility Global Equity Income Fund

Top 5 positions	Country	Industry	% of total investments as at 31 March 2018
Itochu Corporation	Japan	Industrials	0.31
Valero Energy Corporation	United States	Energy	0.31
Mitsui & Co	Japan	Industrials	0.29
Humana Inc	United States	Healthcare	0.29
P G & E Corporation	United States	Energy	0.28

Top 5 industries	% of total investments as at 31 March 2018	Top 5 countries	% of total investments as at 31 March 2018
Information Technology	3.2%	USA	7.6
Industrials	2.8%	Japan	3.2
Consumer Discretionary	2.4%	UK	1.2
Financial	1.9%	Hong Kong	0.9
Utilities	1.7%	Taiwan	0.6

Physical Assets

% of Net Assets increased from 11.9% to 17.2%

This section of the portfolio encompasses investments in specialist property funds, infrastructure and real assets. We made several new investments in infrastructure holdings during the period. **Aberdeen Global Infrastructure Partners II** (AGIP II) has a portfolio of development projects in Australia, including the new 60,000 seat sports stadium in Perth which opened at the end of 2017, and the United States. We acquired the stake in AGIP II for £3.0m in a related party transaction from Aberdeen Asset Management PLC. The due diligence process included an independent third party review of the fund valuation. The acquisition includes a commitment of £11.4m to projects under development (and future projects) managed by ASI's experienced Concession Infrastructure team. Historically, these projects have earned an attractive risk premium over UK-listed infrastructure funds which mainly focus on completed projects.

Investor perceptions of the political and operational risks associated with social infrastructure investments worsened markedly during the period. Comments at the 2017 Labour Party Conference and the collapse of the outsourcing company, Carillion, caused a sharp de-rating of shares in providers such as **John Laing Infrastructure** and **HICL**. This gave us the opportunity to acquire stakes in these funds at what we believe will prove to be very attractive valuations. We also acquired a stake in ***3i* Infrastructure** which has an excellent track-record of creating value in economic infrastructure (areas such as utilities, transportation, logistics, natural resources and communications). These new holdings were, in part, funded by reductions in two of our renewable infrastructure investments, **Greencoat Renewables** and **Renewables Infrastructure Group**, which were trading on premium valuations.

After the end of the period, we made a commitment of €28.5m to SL Capital Infrastructure II, a new fund launched by the ASI Economic Infrastructure team, which will invest in a portfolio of projects predominantly in the utilities, transportation and energy sectors in Europe. The fund, which is targeting a net return of 8%-10% per annum, with an attractive dividend yield, has a strong pipeline of deals lined up. We will invest capital into the fund as it acquires assets over the next three years. It then has a subsequent operating life-span of 9-12 years.

In property, we made further investments in three funds, **Aberdeen European Residential Opportunities** (AEROF), **Aberdeen Property Secondary Partners II** (APSPII) and **Cheyne Social Property Impact**, in order to finance the acquisition of new opportunities identified by their managers. Similarly, in real assets, **ACM II** added farms focusing on edible grapes and tree nuts to its portfolio of citrus and blueberry farms.

The four funds mentioned above are not usually available to individual investors (or, indeed, open-ended funds which require their investments to have daily liquidity). They are structured to enable their managers to put capital to work in opportunities that are likely to take several years to develop. Our commitments to such funds, which target attractive, double digit annual percentage returns net of fees, are a key feature of our investment approach. Approval from the Company's Board is required before we make commitments to new long term investments. As the managers of each fund identify new opportunities, they request capital from us which we fund from cash or via the sale of other investments. Each long term investment is valued by its manager on a regular basis using industry standard valuation techniques. These valuations are reviewed annually by the independent auditor to each investment. We review these updated valuations and include them in the Company's Net Asset Value which is published daily. The Board receives a report on each investment at every Board meeting.

Our aim is to have a mix of new investments alongside more mature, cash-generative fund investments (where our stake has been purchased from an existing investor via a secondary transaction). The table on page 7 lists all of the commitments to longer term investments which were outstanding at 31 March 2018.

Longer term investments

Investment asset class	Strategy	Expected term	Remaining capital Commitment	Activity over period to 31 March 2018 Investments/ (distributions):	Total investment up until 31 March 2018	Latest value
Harbourvest / Mesirow[A] *Private equity*	Portfolio of pre-2008 buyout, venture and direct fund interests	Up to 6 years	£3.1m	£3.9m	£3.9m	£3.9m
Maj Investment 4 *Private equity*	2012 fund: small / medium sized Danish growth businesses	3+ years	£1.0m	(£3.9m)	£4.8m	£2.6m
Maj Investment 5 *Private equity*	2016 fund: small / medium sized Danish growth businesses	8+ years	£2.1m	£0.2m	£0.8m	£0.7m
TrueNoord *Private equity*	Regional aircraft leasing company (equity co-investment)	Up to 5 years	£3.5m	£1.4m	£3.5m	£4.2m
ACM II *Real assets*	Permanent cropland investments (blueberry, citrus, etc)	8+ years	£2.4m	£1.9m	£2.6m	£2.5m
APSP II[B] *Property*	Realisation of value from property funds which are in run-off	3+ years	£4.7m	£1.8m	£4.9m	£5.8m
AEROF[B] *Property*	Conversion of commercial property into residential	5+ years	£5.3m	£1.8m	£5.3m	£5.0m
Cheyne Social Property *Property*	Development of socially responsible residential property	3 years	£7.8m	£0.8m	£0.8m	£0.8m
AGIP II[B] *Infrastructure*	Development of social infrastructure projects (US/ Australia)	26 years	£11.4m	£3m	£3m	£2.3m
Blackrock UK Renewable *Infrastructure*	Diversified portfolio of UK renewable power projects	3+ years	–	(£0.3m)	£8.5m	£8.6m
Markel CATCo 2018 *Insurance Linked*	High level insurance cover for catastrophe risk events	3+ years	–	£23.5m	£23.5m	£23.8m

[A] Transaction approved by the Board but not completed at 31 March 2018.
[B] Managed by Aberdeen Standard Investments.

Fixed Income & Credit

% of Net Assets unchanged at 52.5%

We made no material change to our investments in emerging market (EM) bonds, asset backed securities or global loans during the period. Recent economic data suggest that a healthy pace of global growth has continued through the first quarter of 2018. Our economists have nudged up their global growth forecasts to 3.9% in 2018, followed by 3.7% in 2019 and 3.5% in 2020. We expect US interest rates to increase steadily to 2.25% by the end of this year before peaking at 3.25% in 2019. This has been a favourable background for our fixed income and credit-related investments.

Emerging bond markets were generally buoyant over the period. South Africa was a stand-out performer around the turn of the year when Cyril Ramaphosa replaced Jacob Zuma as president. The rand rallied by over 10% and bond yields also fell. By contrast, Turkey was a poor performer as inflation remained firmly above 10%. India was also initially disappointing (before recovering at the end of the period) as investors continued to worry that President Modi's reform agenda would be overwhelmed by familiar budget difficulties. China, an important bellwether for EM investments, finished 2017 with growth improving slightly to 6.9% year-on-year and we look for 6.4% in 2018. Overall, our EM bonds, which are well diversified by country as the table below shows, contributed strongly to the Company's revenue account, with an average yield to maturity of around 7.5%.

The EM bond contribution to portfolio performance was broadly flat over the period when measured in terms of the currency basket we use to fund our investments. At the end of the period, we widened our basket to include currencies, such as the Canadian dollar and the Swedish krona, which tend to weaken if global growth slows or commodity prices fall. As we have noted in previous reports, our policy is to hedge major currency positions using currency forward contracts in order to minimise the impact of currency volatility on net asset value. Details of our portfolio currency exposures at the end of period (after currency hedging) are shown in the chart below.

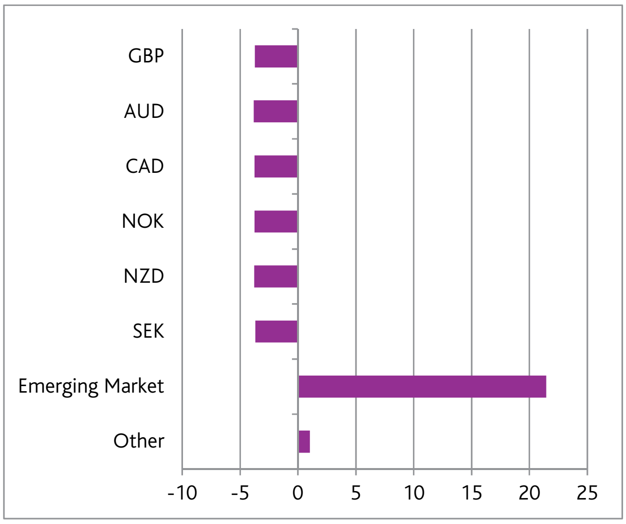
Asset-backed securities ("ABS"), where we added to our exposure via the IPO of **Marble Point Loan Financing**, contributed positively to portfolio performance over the period. **TwentyFour Asset Backed Opportunities Fund** (TFABO) continued to benefit from buoyant market conditions: 2017 saw the highest level of CLO issuance in Europe (€84bn) since the global financial crisis. TFABO returned +4.9% over the period under review. Around half of its portfolio is invested in mortgage backed securities, with investments in loan-backed securities accounting for just under 40%. 65% of the portfolio is rated BB or B with most of the remainder being BBB or above. The gross purchase yield of the portfolio is 5.4%.

Global loans also made a positive contribution to portfolio performance on the back of the same market conditions which buoyed ABS. We prefer this asset class in favour of high yield corporate bonds where, during the period, we sold the position in **NB Distressed Debt Fund.**

Emerging market debt exposure

Country	% of Net Assets
India	4.3
Mexico	2.5
Brazil	2.3
Indonesia	2.3
Frontier Markets	2.2
Russia	1.7
South Africa	1.7
Poland	1.7
Colombia	1.2
Malaysia	1.1
Turkey	0.9
Peru	0.8
Other (5 countries)	1.7

Currency exposure (% of investments)



Other asset classes

% of Net Assets increased from 16.0% to 16.8%

This category includes a mix of different asset classes, most of which have return drivers that are not directly connected to financial market conditions.

Our *insurance-linked investments* had a torrid 2017 as the industry suffered record insured losses (of $135bn) caused by three hurricanes and two earthquakes in the Gulf of Mexico region and, at the end of the year, California suffered a second bout of extensive wild fires. Losses on our investments in **CATCo Reinsurance Opportunities** and two **Blue Capital** funds impacted the Company's NAV by just under 1% over the period to 31 March 2018. However, with premium rates for specialist catastrophe cover written by CATCo and others rising very sharply, we anticipate high double digit percentage returns from these investments in 2018 if losses return to more normal levels. We therefore added to our insurance linked exposure, via the **Markel CATCo 2018 sub-fund** (noted in the table of longer term investments) and ended the period with 7.9% of portfolio net assets invested in this diversifying asset class.

We reduced our *absolute return* investments over the period, selling out of the "trend following" **AQR Managed Futures Fund** in Q4 in order to fund other purchases. Similarly, we reduced our large holding in **Funding Circle SME Income Fund**, which continues to generate an attractive yield from its portfolio of direct loans to smaller companies. In *trade finance*, our commitment to a longer term fund, **MRTCP I**, was withdrawn after the manager was unable to secure suitable investments within the agreed time period.

Mike Brooks
Tony Foster
Aberdeen Asset Managers Limited
Investment Manager

12 June 2018

Ten Largest Equity and Alternative Investments

As at 31 March 2018

	At 31 March 2018 %	At 30 September 2017 %
Aberdeen Global Smart Beta Low Volatility Global Equity Income Fund[A] Diversified equity fund	18.4	23.8
TwentyFour Asset Backed Opportunities Fund Investments in mortgages, SME loans etc originated in Europe	13.0	13.0
Aberdeen Alpha Global Loans Fund[A] Portfolio of senior secured loans and corporate bonds	9.0	9.1
Markel CATCo Reinsurance Fund Ltd – LDAF Investments linked to catastrophe reinsurance risks	5.1	–
Alternative Risk Premia Fund investing in risk factor indices for a variety of asset classes	2.8	2.9
Blackstone GSO Loan Financing Diversified exposure to senior secured loans via CLO securities	2.3	2.5
BlackRock Infrastructure Renewable Income Fund Renewable infrastructure fund – UK wind and solar	1.8	1.8
P2P Global Investments Range of investments sourced via market-place lending platforms	1.5	1.5
Funding Circle SME Income Fund Smaller company lending fund	1.4	2.0
CATCo Reinsurance Opportunities Fund Investments linked to catastrophe reinsurance risks	1.3	2.0

[A] Denotes Standard Life Aberdeen managed products.

Largest Fixed Income Investments

As at 31 March 2018

	At 31 March 2018 %	At 30 September 2017 %
Aberdeen Global – Indian Bond Fund[A] Diverse portfolio of Indian bonds	3.9	4.1
Aberdeen Global – Frontier Markets Bond Fund[A] Diverse portfolio of bonds issued by companies, governments or other bodies in frontier market countries	2.0	2.1

All percentages reflect the value of the holding as a percentage of total investments at 31 March 2018 and 30 September 2017. Together, the ten largest equity investments represent 56.6% of the Company's portfolio (30 September 2017 – 60.7%).

[A] Denotes Standard Life Aberdeen managed products.

Investment Portfolio - Equities and Alternatives

As at 31 March 2018

Company	Valuation 2018 £'000	Net assets 2018 %
Low Volatility Income Strategy Equities		
Aberdeen Global Smart Beta Low Volatility Global Equity Income Fund[A]	86,138	20.2
Total Low Volatility Income Strategy Equities	**86,138**	**20.2**
Alternatives		
Private Equity		
TrueNoord Co-Investment II LP	4,194	1.0
Maj Equity Fund 4	2,586	0.6
HarbourVest International Private Equity VI	2,452	0.6
Maj Equity Fund V	732	0.2
HarbourVest VIII Buyout Fund	656	0.2
Dover Street VII LP	550	0.1
HarbourVest VIII Venture Fund	169	–
HarbourVest International Private Equity V	80	–
HarbourVest International Private Equity IV	7	–
Total Private Equity	**11,426**	**2.7**
Property		
Aberdeen Property Secondaries Partners II[A]	5,760	1.3
Aberdeen European Residential Opportunities Fund[A]	5,026	1.2
PRS REIT	4,349	1.0
Triple Point Social Housing	4,128	1.0
Residential Secure Income	3,238	0.8
Cheyne Social Property	782	0.2
Total Property	**23,283**	**5.5**
Infrastructure		
BlackRock Infrastructure Renewable Income Fund	8,564	2.0
HICL Infrastructure	5,767	1.4
John Laing Infrastructure Fund	5,698	1.3
Foresight Solar Fund	5,632	1.3
Renewables Infrastructure	5,310	1.3
John Laing Group	5,147	1.2
International Public Partnerships	4,476	1.0
3I Infrastructure	2,943	0.7
Aberdeen Global Infrastructure Partners II (AUD)[A]	2,277	0.5
Greencoat Renewables	1,679	0.4
Aberdeen Global Infrastructure Partners II (USD)[A]	65	–
Total Infrastructure	**47,558**	**11.1**
Loans		
Aberdeen Alpha Global Loans Fund[A]	42,201	9.9
Total Loans	**42,201**	**9.9**

Investment Portfolio - Equities and Alternatives continued

As at 31 March 2018

Company	Valuation 2018 £'000	Net assets 2018 %
Asset Backed Securities		
TwentyFour Asset Backed Opportunities Fund	60,829	14.2
Blackstone/GSO Loan Financing	10,948	2.6
Marble Point Loan Financing	3,603	0.9
Fair Oaks Income Fund	2,756	0.6
Total Asset Backed Securities	**78,136**	**18.3**
Insurance-Linked Securities		
Markel Catco Reinsurance Fund Ltd – LDAF	23,774	5.5
CATCo Reinsurance Opportunities Fund	5,880	1.4
Blue Capital Alternative Income	3,334	0.8
Blue Capital Global Reinsurance Fund	846	0.2
Total Insurance-Linked Securities	**33,834**	**7.9**
Special Opportunities		
P2P Global Investments	6,844	1.6
Funding Circle SME Income Fund	6,384	1.5
Doric Nimrod Air Two	4,876	1.1
BioPharma Credit	4,244	1.0
Total Special Opportunities	**22,348**	**5.2**
Absolute Return		
Alternative Risk Premia	13,008	3.0
36 South Funds Kohinoor Core Fund	2,901	0.7
Total Absolute Return	**15,909**	**3.7**
Real Assets		
Agriculture Capital ACM Fund II	2,450	0.6
Total Real Assets	**2,450**	**0.6**
Total Alternatives	**277,145**	**64.9**

[A] Denotes Standard Life Aberdeen managed products.

Investment Portfolio - Bonds

As at 31 March 2018

Company	Valuation 2018 £'000	Net assets 2018 %
Emerging Market Bonds		
Aberdeen Global Indian Bond Fund[A]	18,422	4.3
Aberdeen Global Frontier Markets Bond Fund[A]	9,537	2.2
Poland (Rep of) 1.5% 25/04/20	6,617	1.6
Russian Federation 7.05% 19/01/28	6,037	1.4
Indonesia (Rep of) 9% 15/03/29	5,180	1.2
South Africa (Rep of) 10.5% 21/12/26	4,967	1.2
Brazil (Fed Rep of) 10% 01/01/25	4,036	0.9
Mexico (United Mexican States) 6.5% 09/06/22	3,642	0.9
Brazil (Fed Rep of) 10% 01/01/21	3,484	0.8
Colombia (Rep of) 7% 30/06/32	3,364	0.8
Top ten investments	**65,286**	**15.3**
Malaysia (Govt of) 4.048% 30/09/21	3,138	0.7
Mexico Bonos Desarr Fix Rt 8% 11/06/20	2,564	0.6
Mexico Bonos Desarr Fix Rt 10% 05/12/24	2,494	0.6
Turkey (Rep of) 10.7% 17/02/21	2,396	0.6
South Africa (Rep of) 8.75% 31/01/44	2,317	0.5
Argentina (Rep of) FRN 21/06/20	2,025	0.5
Peru (Rep of) 6.95% 12/08/31	1,958	0.5
Brazil (Fed Rep of) 10% 01/01/27	1,914	0.4
Chile (Rep of) 4.5% 01/03/26	1,893	0.4
Indonesia (Rep of) 8.375% 15/03/34	1,758	0.4
Top twenty investments	**87,743**	**20.5**
Indonesia (Rep of) 7.875% 15/04/19	1,611	0.4
Colombia (Rep of) 7% 04/05/22	1,583	0.4
Mexico (United Mexican States) 7.75% 13/11/42	1,485	0.3
Peru (Rep of) 6.15% 12/08/32	1,445	0.3
Turkey (Rep of) 10.6% 11/02/26	1,435	0.3
Russian Federation 7.5% 27/02/19	1,350	0.3
Malaysia (Govt of) 4.498% 15/04/30	1,140	0.3
Thailand (King of) 3.625% 16/06/23	1,092	0.3
Uruguay (Rep of) 9.875% 20/06/22	716	0.2
Ghana (Rep of) 24.75% 19/07/21	683	0.2
Top thirty investments	**100,283**	**23.5**
Uruguay (Rep of) 4.375% 15/12/28	644	0.2
Indonesia (Rep of) 9% 15/09/18	587	0.1
Malaysia (Govt of) 4.378% 29/11/19	581	0.1
Indonesia (Rep of) 7% 15/05/22	504	0.1
Brazil (Fed Rep of) 10% 01/01/29	441	0.1
Petroleos Mexicanos 7.19% 12/09/24	402	0.1
Poland (Rep of) 5.75% 25/04/29	336	0.1
Total Emerging Market Bonds	**103,778**	**24.3**
High Yield Bonds		
Banco Espirito Santo 4.75% 15/01/18	103	–
Banco Espirito Santo 4% 21/01/19	79	–
Total High Yield Bonds	**182**	**–**
Total Fixed Income	**103,960**	**24.3**

[A] Denotes Standard Life Aberdeen managed products.

Investment Portfolio - Net Assets Summary

As at 31 March 2018

	Valuation 2018 £'000	Net assets 2018 %
Total investments	**467,243**	**109.4**
Cash and cash equivalents	8,647	2.0
Forward contracts	3,569	0.9
6.25% Bonds 2031	(59,645)	(14.0)
Other net assets	7,364	1.7
Net assets	**427,178**	**100.0**

Condensed Statement of Comprehensive Income

		Six months ended 31 March 2018			Six months ended 31 March 2017		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
(Losses)/gains on investments		–	(12,683)	(12,683)	–	18,746	18,746
Foreign exchange gains/(losses)		–	8,696	8,696	–	(13,183)	(13,183)
Income	2	11,226	–	11,226	9,563	–	9,563
Investment management fee	3	(301)	(560)	(861)	56	104	160
Administrative expenses		(496)	–	(496)	(388)	(267)	(655)
Net return/(loss) before finance costs and taxation		10,429	(4,547)	5,882	9,231	5,400	14,631
Finance costs		(666)	(1,238)	(1,904)	(671)	(1,257)	(1,928)
Net return/(loss) before taxation		9,763	(5,785)	3,978	8,560	4,143	12,703
Taxation	4	(38)	–	(38)	(102)	–	(102)
Return/(loss) attributable to equity shareholders		**9,725**	**(5,785)**	**3,940**	**8,458**	**4,143**	**12,601**
Return/(loss) per share (pence)	5	**2.96**	**(1.76)**	**1.20**	**3.17**	**1.55**	**4.72**

The total column of the Condensed Statement of Comprehensive Income is the profit and loss account of the Company. There has been no other comprehensive income during the period, accordingly, the return attributable to equity shareholders is equivalent to the total comprehensive income for the period.

All revenue and capital items in the above statement derive from continuing operations.

Condensed Statement of Financial Position

	Notes	As at 31 March 2018 (unaudited) £'000	As at 30 September 2017 (audited) £'000
Non-current assets			
Investments at fair value through profit or loss		467,243	477,150
Current assets			
Debtors and prepayments		8,085	2,613
Derivative financial instruments		5,043	13,449
Cash and cash equivalents		8,647	3,627
		21,775	19,689
Creditors: amounts falling due within one year			
Derivative financial instruments		(1,474)	(18)
Other creditors		(721)	(422)
		(2,195)	(440)
Net current assets		19,580	19,249
Total assets less current liabilities		486,823	496,399
Non-current liabilities			
6.25% Bonds 2031	7	(59,645)	(59,632)
Net assets		**427,178**	**436,767**
Capital and reserves			
Called-up share capital	8	91,352	91,352
Share premium account		116,556	116,556
Capital redemption reserve		26,629	26,629
Capital reserve		158,417	164,806
Revenue reserve		34,224	37,424
Equity shareholders' funds		**427,178**	**436,767**
Net asset value per share (pence)	10		
Bonds at par value		**130.02**	**132.73**
Bonds at fair value		**123.51**	**126.44**

Condensed Statement of Changes in Equity

Six months ended 31 March 2018

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 September 2017		91,352	116,556	26,629	164,806	37,424	436,767
Purchase of own shares to treasury	8	–	–	–	(604)	–	(604)
(Loss)/return after taxation		–	–	–	(5,785)	9,725	3,940
Dividends paid	6	–	–	–	–	(12,925)	(12,925)
At 31 March 2018		**91,352**	**116,556**	**26,629**	**158,417**	**34,224**	**427,178**

Six months ended 31 March 2017

		Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 September 2016		72,778	–	15,563	224,071	39,109	351,521
Return after taxation		–	–	–	4,143	8,458	12,601
Dividends paid	6	–	–	–	–	(13,098)	(13,098)
At 31 March 2017		**72,778**	**–**	**15,563**	**228,214**	**34,469**	**351,024**

Condensed Statement of Cash Flows

	Six months ended 31 March 2018 £'000	Six months ended 31 March 2017 £'000
Operating activities		
Net return before finance costs and taxation	5,882	14,631
Adjustments for:		
Dividend income	(6,735)	(4,696)
Fixed interest income	(4,487)	(2,416)
Interest income	(4)	(2)
Dividends received	6,348	4,165
Fixed interest income received	3,699	2,192
Interest received	4	2
Losses/(gains) on investments	12,683	(18,746)
Decrease in other debtors	6	11
Increase/(decrease) in accruals	176	(1,412)
Amortisation of fixed income book cost	80	1,586
Derivatives	7,365	763
Net movement in collateral balances	–	10,727
Taxation withheld	29	9
Net cash flow from operating activities	**25,046**	**6,814**
Investing activities		
Purchases of investments	(105,934)	(280,480)
Sales of investments and return of capital	101,313	349,950
Net cash flow (used in)/from investing activities	(4,621)	69,470
Financing activities		
Purchase of own shares to treasury	(604)	–
Interest paid	(1,876)	(1,925)
Equity dividends paid (note 6)	(12,925)	(13,098)
Net cash flow used in financing activities	(15,405)	(15,023)
Increase in cash and cash equivalents	**5,020**	**61,261**
Analysis of changes in cash and cash equivalents during the period		
Opening balance	3,627	(15,881)
Increase in cash and cash equivalents as above	5,020	61,261
Closing balance	**8,647**	**45,380**

Notes to the Financial Statements

1. **Accounting policies – Basis of accounting**

The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) and with the Statement of Recommended Practice for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in February 2018 with consequential updates (applicable for accounting periods beginning on or after 1 January 2019 but adopted early). They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The interim financial statements have been prepared using the same accounting policies as the preceding annual financial statements.

2. **Income**	**Six months ended 31 March 2018 £'000**	**Six months ended 31 March 2017 £'000**
Income from investments		
UK listed dividends	689	1,869
Overseas listed dividends	4,910	2,693
Stock dividends	1,136	67
Fixed interest income	4,487	2,416
	11,222	7,045
Other income		
Interest	4	2
Derivative income	–	2,506
Other income	–	10
	4	2,518
Total income	**11,226**	**9,563**

3. **Investment management fee**	**Six months ended 31 March 2018 Revenue £'000**	**Capital £'000**	**Total £'000**	**Six months ended 31 March 2017 Revenue £'000**	**Capital £'000**	**Total £'000**
BlackRock Fund Managers Limited	–	–	–	241	448	689
Aberdeen Fund Managers Limited	301	560	861	(297)	(552)	(849)
Total	**301**	**560**	**861**	**(56)**	**(104)**	**(160)**

With effect from 11 February 2017, Aberdeen Fund Managers Limited ("AFML") was appointed as the Company's Alternative Investment Fund Manager in place of BlackRock Fund Managers Limited.

For the period to 10 February 2017 the investment management fee was levied at a rate of 0.4% per annum of the Company's total assets less current liabilities (excluding loans) and was allocated 35% to the revenue column and 65% to the capital column of the Statement of Comprehensive Income.

Following their appointment on 11 February 2017 until 5 October 2017, AFML agreed to waive any entitlement to management fees. The sums shown in the comparative section above for AFML reflect sums paid by AFML to the Company, being the amount equal to six months management fees payable to BlackRock (in line with the notice period clause) calculated at the rate of 0.4 per cent. per annum of the gross assets of the Company as at 10 February 2017 (being the date of termination of the BlackRock Investment Management Agreement).

Following completion of the waiver period on 5 October 2017, the investment management fee is levied by AFML at the following tiered levels:

- 0.50% per annum in respect of the first £300 million of the net asset value (with debt at fair value);
- 0.45% per annum in respect of the balance of the net asset value (with debt at fair value).

The Company also receives rebates with regards to underlying investments in other funds managed by the Manager (where an investment management fee is charged by the Manager on that fund) in the normal course of business to ensure that no double counting occurs. Any investments made in funds managed by the Manager which themselves invest directly into alternative investments including, but not limited to, infrastructure and property are charged at the Manager's lowest institutional fee rate. To avoid double charging, such investments are excluded from the overall management fee calculation.

4. Taxation

The taxation charge for the period represents withholding tax suffered on overseas dividend income and fixed interest income.

The Company does not apply the marginal method of allocation of tax relief.

5. **Return per Ordinary share**	Six months ended 31 March 2018 p	Six months ended 31 March 2017 p
Revenue return	2.96	3.17
Capital return	(1.76)	1.55
Total return	**1.20**	**4.72**

The figures above are based on the following:

	Six months ended 31 March 2018 £'000	Six months ended 31 March 2017 £'000
Revenue return	9,725	8,458
Capital return	(5,785)	4,143
Total return	**3,940**	**12,601**
Weighted average number of shares in issue[A]	**328,675,194**	**267,037,282**

[A] Calculated excluding shares held in treasury.

6. Dividends	Six months ended 31 March 2018 £'000	Six months ended 31 March 2017 £'000
Third interim dividend for 2017 – 1.31p (2016 – 1.635p)	4,317	4,366
Fourth interim dividend for 2017 – 1.31p (2016 – 1.635p)	4,304	4,366
First interim dividend for 2018 – 1.31p (2017 -1.635p)	4,304	4,366
	12,925	**13,098**

On 4 August 2017, the Board declared a third interim dividend of 1.31 pence per share which was paid to shareholders on the register on 6 October 2017. On 19 December 2017, the Board declared a fourth interim dividend of 1.31 pence per share which was paid to shareholders on the register on 29 December 2017.

Subsequent to the period end, the Board declared a second interim dividend of 1.31p per share (2017 – 1.635p), which will be paid on 27 July 2018 to shareholders on the register as at 29 June 2018. The total cost of this dividend, based on 328,551,705 as the number of shares in issue as at the date of this Report, will be £4,304,000 (2017 – £4,366,000).

7. Non–current liabilities – 6.25% Bonds 2031

	Six months ended 31 March 2018 £'000	Year ended 30 September 2017 £'000
Balance at beginning of period	59,632	59,606
Amortisation of discount and issue expenses	13	26
Balance at end of period	**59,645**	**59,632**

The Company has in issue £60 million Bonds 2031 which was issued at 99.343%. The Bonds have been accounted for in accordance with accounting standards, which require any discount or issue costs to be amortised over the life of the bonds. The Bonds are secured by a floating charge over all of the assets of the Company.

Under the covenants relating to the Bonds, the Company is to ensure that, at all times, the aggregate principal amount outstanding in respect of monies borrowed by the Company does not exceed an amount equal to its share capital and reserves.

The fair value of the 6.25% Bonds using the last available quoted offer price from the London Stock Exchange as at 31 March 2018 of 135.0638p (30 September 2017 – 133.876p) per Bond was £81,038,000 (30 September 2017 – £80,326,000).

8. Called-up share capital

During the period the Company purchased 515,000 Ordinary shares for treasury (year ended 30 September 2017 – 12,269,169 Ordinary shares) at a cost of £604,000 (year ended 30 September 2017 – £3,998,000) including expenses.

During the period the Company purchased no Ordinary shares for cancellation (year ended 30 September 2017 – 44,263,287) at a cost of £nil (year ended 30 September 2017 – £62,038,000) including expenses.

During the period the Company issued no Ordinary shares (year ended 30 September 2017 – 118,561,879) for £nil proceeds (30 September 2017 – £146,196,000).

At the end of the period there were 328,551,705 (30 September 2017 – 329,066,705) Ordinary shares in issue and 36,859,169 (30 September 2017 – 36,344,169) shares held in treasury.

9. Capital reserve

The capital reserve reflected in the Condensed Statement of Financial Position at 31 March 2018 includes losses of £21,296,000 (30 September 2017 – losses of £5,069,000), which relate to the revaluation of investments held at the reporting date.

10. Net asset value per share	As at 31 March 2018	As at 30 September 2017
Debt at par		
Net asset value attributable (£'000)	**427,178**	**436,767**
Number of Ordinary shares in issue excluding treasury	**328,551,705**	**329,066,705**
Net asset value per share (p)	**130.02**	**132.73**
Debt at fair value	**£'000**	**£'000**
Net asset value attributable	427,178	436,767
Add: Amortised cost of 6.25% Bonds 2031	59,645	59,632
Less: Market value of 6.25% Bonds 2031	(81,038)	(80,326)
	405,785	**416,073**
Number of Ordinary shares in issue excluding treasury	**328,551,705**	**329,066,705**
Net asset value per share (p)	**123.51**	**126.44**
Debt at par (capital basis)	**£'000**	**£'000**
Net asset value attributable	427,178	436,767
Less: revenue return for the period	(9,725)	(15,779)
Add: interim dividends paid	4,304	8,732
	421,757	**429,720**
Number of Ordinary shares in issue excluding treasury	**328,551,705**	**329,066,705**
Net asset value per share (p)	**128.37**	**130.59**
Debt at fair value (capital basis)	**£'000**	**£'000**
Net asset value attributable	427,178	436,767
Add: Amortised cost of 6.25% Bonds 2031	59,645	59,632
Less: Market value of 6.25% Bonds 2031	(81,038)	(80,326)
Less: revenue return for the period	(9,725)	(15,779)
Add: interim dividends paid	4,304	8,732
	400,364	**409,026**
Number of Ordinary shares in issue excluding treasury	**328,551,705**	**329,066,705**
Net asset value per share (p)	**121.86**	**124.30**

11. Transaction costs

During the period expenses were incurred in acquiring or disposing of investments classified as fair value though profit or loss. These have been expensed through capital and are included within gains on investments in the Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 31 March 2018 £'000	Six months ended 31 March 2017 £'000
Purchases	37	122
Sales	11	63
	48	**185**

12. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following classifications:

Level 1 – Quoted prices in active markets for identical instruments

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company does not adjust the quoted price for these instruments.

Level 2 – Valuation techniques using observable inputs

This category includes instruments valued using quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Valuation techniques used for non-standardised financial instruments such as over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

Level 3 – Valuation techniques using significant unobservable inputs

This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant impact on the instrument's valuation.

This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. The investment manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The financial assets and liabilities measured at fair value in the Condensed Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

As at 31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets/(liabilities) at fair value through profit or loss				
Equity investments	98,082	183,008	39,992	321,082
Fixed interest instruments	–	103,778	182	103,960
Loan investments	–	42,201	–	42,201
Forward currency contracts – financial assets	–	5,043	–	5,043
Forward currency contracts – financial liabilities	–	(1,474)	–	(1,474)
Net fair value	**98,082**	**332,556**	**40,174**	**470,812**

As at 30 September 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets/(liabilities) at fair value through profit or loss				
Equity investments	94,441	216,967	13,480	324,888
Fixed interest instruments	–	108,783	186	108,969
Loan investments	–	43,293	–	43,293
Forward currency contracts – financial assets	–	13,449	–	13,449
Forward currency contracts – financial liabilities	–	(18)	–	(18)
Net fair value	**94,441**	**382,474**	**13,666**	**490,581**

Level 3 Financial assets at fair value through profit or loss	As at 31 March 2018 £'000	As at 30 September 2017 £'000
Opening fair value	13,666	13,031
Purchases including calls (at cost)	35,479	9,340
Disposals and return of capital	(7,680)	(9,202)
Total gains or losses included in gains/(losses) on investments in the Statement of Comprehensive Income:		
– assets disposed of during the year	235	571
– assets held at the end of the year	(1,526)	(74)
Closing balance	**40,174**	**13,666**

The Company's holdings in unlisted investments are classified as Level 3. Unquoted investments, including those in Limited Partnerships ("LPs") are valued by the Directors at fair value using International Private Equity and Venture Capital Valuation Guidelines.

The Company's investments in LPs are subject to the terms and conditions of the respective investee's offering documentation. The investments in LPs are valued based on the reported Net Asset Value ("NAV") of such assets as determined by the administrator or General Partner of the LPs and adjusted by the Directors in consultation with the

Manager to take account of concerns such as liquidity so as to ensure that investments held at fair value through profit or loss are carried at fair value. The reported NAV is net of applicable fees and expenses including carried interest amounts of the investees and the underlying investments held by each LP are accounted for, as defined in the respective investee's offering documentation. While the underlying fund managers may utilise various model-based approaches to value their investment portfolios, on which the Company's valuations are based, no such models are used directly in the preparation of fair values of the investments. The NAV of LPs reported by the administrators may subsequently be adjusted when such results are subject to audit and audit adjustments may be material to the Company.

13. Related party disclosures

During the period, the Company acquired an investment in Aberdeen Global Infrastructure Partners II LP from Aberdeen Asset Management PLC which is part of the same group as the Company's investment manager, AFML, and is therefore deemed a related party under the Listing Rules. The acquisition amounted to a smaller related party transaction under Listing Rule 11.1.10R.

Transactions with the Manager

Following the end of the waiver period on 5 October 2017 the investment management fee is levied by AFML at the following tiered levels, payable monthly in arrears:

- 0.50% per annum in respect of the first £300 million of the net asset value (with debt at fair value);
- 0.45% per annum in respect of the balance of the net asset value (with debt at fair value).

The Company also receives rebates with regards to underlying investments in other funds managed by Standard Life Aberdeen Group (the "Group") (where an investment management fee is charged by the Group on that fund) in the normal course of business to ensure that no double counting occurs. Any investments made in funds managed by the Group which themselves invest directly into alternative investments including, but not limited to, infrastructure and property are charged at the Group's lowest institutional fee rate. To avoid double charging, such investments are excluded from the overall management fee calculation.

The table below details all investments held at 31 March 2018 that were managed by the Group.

	31 March 2018 £'000
Aberdeen Global Smart Beta Low Volatility Global Equity Income Fund[A]	86,138
Aberdeen Alpha Global Loans Fund[B]	42,201
Aberdeen Global Indian Bond Fund[B]	18,422
Aberdeen Global Frontier Markets Bond Fund[A]	9,537
Aberdeen Property Secondaries Partners II[C]	5,760
Aberdeen European Residential Opportunities Fund[D]	5,026
Aberdeen Global Infrastructure Partners II (AUD)[C]	2,277
Aberdeen Global Infrastructure Partners II (USD)[C]	65
	169,426

[A] The Company receives a monthly rebate based on the value of the holding to ensure that no double counting occurs.

[B] The Company is invested in a share class which is not subject to a management charge from the Group.

[C] The value of this holding is removed from the management fee calculation to ensure that no double counting occurs.

[D] The Company receives a monthly rebate based on the total commitment to this fund to ensure that no double counting occurs.

Notes to the Financial Statements continued

14. Segmental information

The Directors are of the opinion that the Company is engaged in a single segment of business being investment business.

15. Subsequent events

Subsequent to the period end, the Company acquired interests in:

– Mesirow Financial Private Equity Partnership III, L.P. – cash payment for fund interest – $739,000; remaining undrawn commitment – $126,000.

–Mesirow Financial Private Equity Partnership IV, L.P. – cash payment for interest – $2,191,000; remaining undrawn commitment – $275,000.

In addition, the Company made the following commitment:

– €28.5 million to SL Capital Infrastructure II SCSp.

16. Half-Yearly Report

The financial information in this Report does not comprise statutory accounts within the meaning of Section 434 – 436 of the Companies Act 2006. The financial information for the year ended 30 September 2017 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified and contained no statement under Section 498 (2), (3) or (4) of the Companies Act 2006. The interim accounts have been prepared using the same accounting policies as the preceding annual accounts.

Ernst & Young LLP has reviewed the financial information for the six months ended 31 March 2018 pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

17. This Half-Yearly Report was approved by the Board and authorised for issue on 12 June 2018.

Independent Auditor's Review

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2018 which comprises a Condensed Statement of Comprehensive Income, Condensed Statement of Financial Position, Condensed Statement of Changes in Equity, Condensed Statement of Cash Flows and the related notes 1 to 17. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with Financial Reporting Standard ("FRS") 104 "Interim Financial Reporting".

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 31 March 2018 is not prepared, in all material respects, in accordance with FRS 104 "Interim Financial Reporting" and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London

12 June 2018

Investor Information

AIFMD and Pre-Investment Disclosure Report

Aberdeen Diversified Income and Growth Trust plc (the "Company") has appointed Aberdeen Fund Managers Limited as its alternative investment fund manager ("AIFM") and BNY Mellon as its depositary under the Alternative Investment Fund Managers Directive ("AIFMD").

The AIFMD requires Aberdeen Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company, including details of the leverage and risk policies. The Company's Pre-Investment Disclosure Document is available for viewing on the Company's website at: aberdeendiversified.co.uk

Keeping You Informed

Information may be found on the Company's website, including the Company's share price, net asset value and performance data as well as London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports and the latest monthly factsheet issued by the Manager.

Shareholder Enquiries

In the event of queries regarding shareholdings, lost certificates dividend payments, registered details, etc shareholders holding their shares directly in the Company should contact the registrars, Computershare Investor Services (see Corporate Information on page 31 for details). Changes of address must be notified to the registrars in writing.

If you have any general questions about your Company, the Manager or performance, please telephone the Customer Services Department of Standard Life Aberdeen plc (the "Group") (see Corporate Information on page 31 for details).

Dividend Tax Allowance

With effect from 6 April 2018 the annual tax-free allowance on dividend income for UK investors was lowered to £2,000, from £5,000 previously. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

Investor Warning: Be alert to share fraud and boiler room scams

The Group has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for the Group or for third party firms. The Group has also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for the Group and any third party making such offers/claims has no link with the Group.

The Group does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact the Customer Services Department using the details on page 31.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams: fca.org.uk/consumers/scams

How to buy shares in the Company

Direct

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through the Group's Investment Plan for Children, Investment Trust Share Plan or Investment Trust ISA.

Aberdeen's Investment Plan for Children

The Group operates an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Aberdeen Diversified Income and Growth Trust plc. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing the Group in writing at any time.

Aberdeen Investment Trust Share Plan

The Group operates a Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing the Group in writing at any time.

Aberdeen Investment Trust ISA

The Group offers an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the tax year 2018/2019.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the ISA prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the ISA, from the sale of investments held under the ISA. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

You can choose to transfer previous tax year investments to us which can be invested in the Company while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per investment trust of £250.

Nominee Accounts and Voting Rights

In common with other schemes of this type, all investments in the Group's Children's Plan, Investment Trust Share Plan and Investment Trust ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

Literature Request Service

For literature and application forms for the Group's Investment Plan for Children, Share Plan, ISA or ISA Transfer please email aam@lit-request.com or contact:

Aberdeen Investment Trust Administration
PO Box 11020
Chelmsford
Essex CM99 2DB
Telephone: 0500 00 00 40
(free when dialling from a UK landline)

Terms and conditions for the Group's managed savings products can also be found under at:
invtrusts.co.uk/en/investmenttrusts/literature-library

Suitable for Retail/NMPI status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who wish to target a total portfolio return of LIBOR (London Interbank Offered Rate) plus 5.5 per cent. per annum (net of fees) over rolling five-year periods and who understand and are willing to accept the risks of exposure to investing via a flexible multi-asset approach. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs, and intends to continue to do so for the foreseeable future, so that the shares issued by Aberdeen Diversified Income and Growth Trust plc can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to non-mainstream pooled investments ("NMPIs").

The Company's shares are excluded from the Financial Conduct Authority's restrictions which apply to NMPIs because they are shares in an investment trust.

Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Manager's website at:
invtrusts.co.uk/en/investmenttrusts/literature-library.

Online Dealing details

There are a number of other ways in which you can buy and hold shares in this investment company.

Online dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers may be found through internet search engines.

Discretionary private client stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit the Personal Investment Management & Financial Advice Association at: pimfa.co.uk

Financial advisers
To find an adviser who recommends on investment trusts, visit: unbiased.co.uk

Regulation of stockbrokers
Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:
Tel: 0800 111 6768 or search at: register.fca.org.uk
Email: register@fca.org.uk

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs, may be changed by future legislation.

The information on pages 28 to 30 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Corporate Information

Directors

James M Long, TD (Chairman)
Kevin Ingram (Senior Independent Director)
Ian Russell (Audit Committee Chairman)
Tom Challenor
Jim Grover
Julian Sinclair
Paul Yates

Company Secretaries, Registered Office and Company Number

Aberdeen Asset Management PLC
7th Floor, 40 Princes Street
Edinburgh EH2 2BY

Registered in Scotland under Company Number SC3721

Website

aberdeendiversified.co.uk

United States Internal Revenue Service FATCA Registration Number ("GIIN")

E3M4K6.99999.SL.826

Legal Entity Identifier Number ("LEI")

2138003QINEGCHYGW702

Points of Contact

The Chairman or Company Secretaries at the Registered Office of the Company

Customer Services Department and Standard Life Aberdeen Group's Children's Plan/Share Plan/ISA enquiries

Aberdeen Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Freephone: 0808 500 00 40
Brochure Request Line Freephone: 0808 500 4000
(open Monday – Friday, 9am – 5pm)

Email: inv.trusts@aberdeenstandard.com

Alternative Investment Fund Manager

Aberdeen Fund Managers Limited
Authorised and regulated by the Financial Conduct Authority

Investment Manager

Aberdeen Asset Managers Limited
Authorised and regulated by the Financial Conduct Authority

Registrars (for direct shareholders)

Computershare Investor Services PLC operates a secure online website where shareholdings can be managed quickly and easily, including changing address or arranging to pay dividends directly into a bank account or receive electronic communications:

investorcentre.co.uk

Alternatively, please contact the registrars -

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

E-mail is available via the above website

Telephone: 0330 303 1184*
(UK calls cost 10p per minute plus network extras)
Lines are open 9.00am to 5.30pm Monday to Friday, excluding public holidays)

Independent Auditor

Ernst & Young LLP

Depositary

BNY Mellon Trust and Depositary (UK) Limited

Solicitors

Dickson Minto W.S.

Stockbrokers

Cenkos Securities plc
Authorised and regulated by the Financial Conduct Authority

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www.fsc.org