

# Aberdeen Israel Fund, Inc.



## May 2013 Performance Data and Portfolio Composition

### Investment Objective and Policies

The Fund seeks long-term capital appreciation by investing primarily in Israeli securities. It is the policy of the Fund to invest its assets in Israeli equity securities. For these purposes, "Israeli securities" includes common and preferred stock, warrants, options and debt securities organized under the laws of Israel.

### Performance

The latest available performance figures have been calculated net-of-fees in U.S. dollars for the period to May 31, 2013.

### Total Returns\* (%)

	Cumulative as of May 31, 2013			Annualized as of May 31, 2013				
	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
NAV	0.8	3.7	9.2	24.0	6.8	1.7	9.7	7.2
Market Price	4.1	5.1	13.7	25.3	5.9	0.4	10.2	6.4
TA-100	-0.7	2.1	6.7	19.3	4.9	-1.4	11.7	7.0

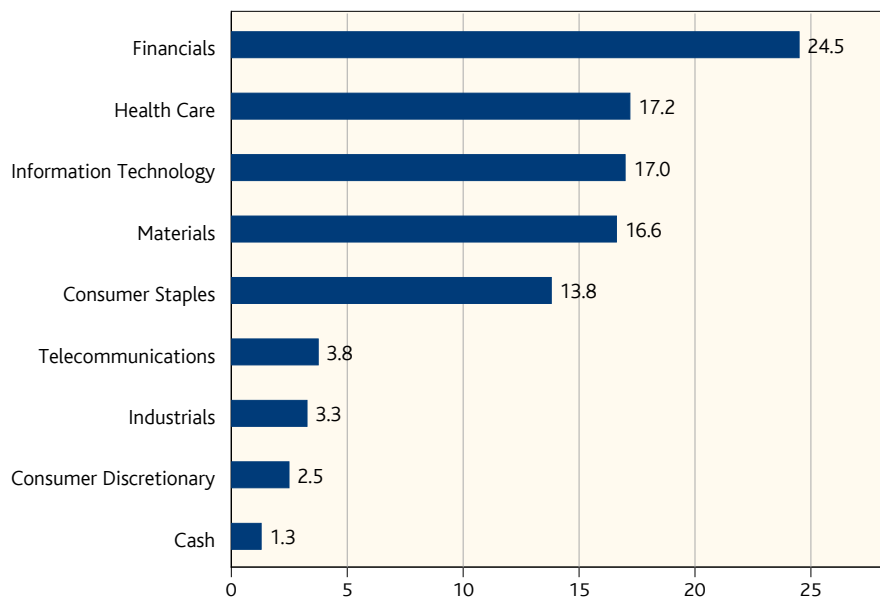
\*Past performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. All return data includes investment management fees, administrative and custodial charges, bank loan expenses and assumes the reinvestment of all distributions. Returns for periods less than one year are not annualized.

### Top Ten Equity Holdings\*

Holdings	%
Check Point Software Technologies	9.9
Perrigo	8.7
Teva Pharmaceutical Industries	8.6
Israel Chemicals	8.2
United Mizrahi Bank	6.6
OSEM Investment	5.9
Frutarom Industries	5.5
Azrieli Group	4.4
Rami Levi Chain Stores	4.4
Bank Leumi Le-Israel	3.9
<b>Total</b>	<b>65.8</b>

\*Holdings are subject to change and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities shown. The top ten holdings are reported by share class. Certain companies listed may be held in additional share classes not listed above.

### Sector Allocation\* (%)



\*Compositions are subject to change. Figures may not appear to sum due to rounding.

### As of May 31, 2013

#### NAV (unaudited) and market price

Net Asset Value per Share	\$16.92
Market Price	\$14.89
<b>Discount to Net Asset Value</b>	<b>12.00%</b>

#### 12 Months Range of Prices

##### NAV

High on 05/08/13	\$17.10
Low on 07/24/12	\$13.30

#### Market Price (based on closing price)

High on 05/31/13	\$14.89
Low on 07/24/12	\$11.59

Market price data source: Fund's accounting agent

### Portfolio Management

#### Managed By:

- Global Emerging Markets Equity Team

#### Investment Management Philosophy:

- Bottom-up stock selection
- Proprietary research driven
- Based on fundamental analysis

### Comparative Data\* (%)

	ISL	TA-100
Price/Earnings Ratio	<b>14.86</b>	<b>16.07</b>

\*P/E ratio (price-to-earnings ratio) of a stock is a measure of the price paid for a share relative to the annual earnings per share.

### Key Facts (unaudited)

Ticker Symbol	<b>ISL (NYSE MKT)</b>
Net Assets	<b>\$71.5 Million</b>
Shares Outstanding	<b>4,227,125</b>
Inception Date	<b>October 29, 1992</b>
Fiscal Year Ended	<b>December 31</b>
Expense Ratio	<b>1.62%</b>

#### Distributions

For Distribution information on the Fund please visit [www.aberdeensl.com](http://www.aberdeensl.com). The amount of distributions may vary due to market conditions and other factors.

For further information on this Fund please call Aberdeen Asset Management Inc. Investor Relations  
**(866)839-5205**

Unless otherwise noted, all information is as of May 31, 2013

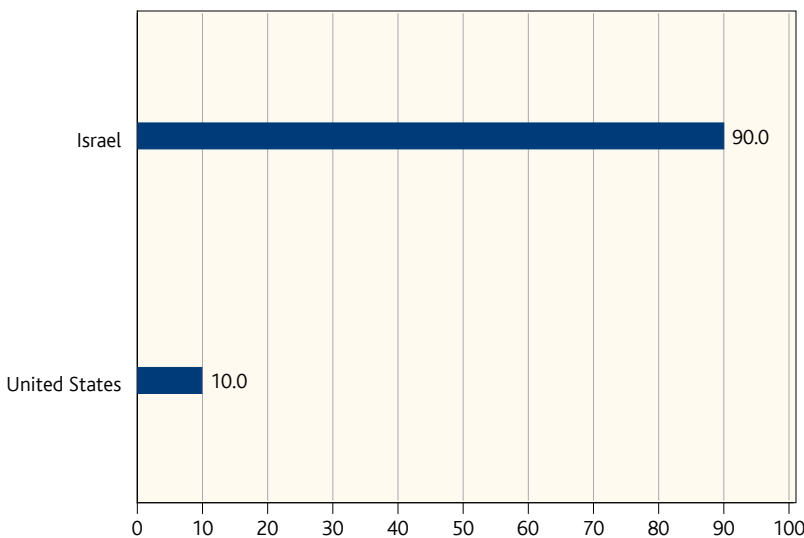
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### Fund Manager's Report

- Israeli equities ended May with virtually flat returns as gains on the back of the central bank's interest rate cuts were offset by concerns that the U.S. Federal Reserve would soon scale back its quantitative easing program.
- The Bank of Israel loosened monetary policy twice in the same month, each time by 25 basis points, bringing the key lending rate down to 1.25%. The rate cuts were aimed at tempering the shekel's appreciation, which was driven partly by new gas finds at the Tamar offshore field.
- First-quarter gross domestic product (GDP) rose 2.8% from a year ago, helped by exports and private consumption, which mitigated a decline in asset investments.\*
- In Fund-related first-quarter earnings news, Israel Chemicals' results were better than expected on robust growth in potash production. Teva Pharmaceutical's net income fell sharply from a year earlier due largely to weakness in U.S. generic sales stemming from the expiration of exclusivity on one of the company's key products and a higher tax incidence. Food manufacturer Osem Investments' results were mixed: revenues were affected by the later Passover holiday, but margins improved on good cost controls. Telecom Bezeq grew its Internet subscriber base, while fixed-line subscribers shrank by less than expected, generating healthy revenue growth.
- There were no major changes to the Fund in May.

\* Source: Israel Central Bureau of Statistics, May 2013

### Geographic Exposure\* (%)



\*Compositions are subject to change. Figures may not appear to sum due to rounding.

### Important Risk Disclosure

All performance shown is historical, assumes reinvestment of all dividends and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so when sold, shares may be worth more or less than that of the original cost. Total return based on market price reflects changes in market value. Total return based on net asset value reflects changes in the Fund's net asset value during each period. Current performance may be lower or higher than the performance data quoted. This commentary is for informational purposes only, and is not intended as an offer or recommendation with respect to the purchase or sale of any security, option, future or other derivatives in such securities.

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the Fund's portfolio. The net asset value (NAV) is the value of an entity's assets less the value of its liabilities. The market price is the current price at which an asset can be bought or sold. There is no assurance that the Fund will achieve its investment objective. Past performance does not guarantee future results.

The information presented was prepared and issued by the Fund based on publicly available information, internally developed data and other sources believed to be reliable. All reasonable care has been taken to ensure accuracy.

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging market investments. There are also risks associated with investing in Israel, including the risk of investing in a single-country fund. Concentrating investments in the Israel region subjects the Fund to more volatility and greater risk of loss than geographically diverse funds. Equity stocks of small and mid-cap companies carry greater risk, and more volatility than equity stocks of larger, more established companies.

### Important Information

Under U.S. tax rules applicable to the Fund, the amount and character of distributable income for each fiscal year can be finally determined only as of the end of the Fund's fiscal year. The Fund anticipates that sources of distributions to shareholders may include net investment income, net realized short-term capital gains, net realized long-term capital gains and return of capital. The estimated composition of the distributions may vary from time to time because the estimated composition may be impacted by future income, expenses and realized gains and losses on securities. For more detailed information related to the composition of the Fund's distributions, see [www.aberdeenISL.com](http://www.aberdeenISL.com).

Aberdeen Asset Management Inc. has prepared this report based on information sources believed to be accurate and reliable. However, the figures are unaudited and neither the Fund, Aberdeen Asset Managers Limited (effective March 1, 2012, the Investment Adviser), nor any other person guarantees their accuracy. Investors should seek their own professional advice and should consider the investment objectives, risks, charges and expenses before acting on this information.

TA-100 Index (Tel Aviv 100) is a stock market index of the 100 most highly capitalised companies listed on the Tel Aviv Stock Exchange. Indexes are unmanaged and are provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

**Past performance does not guarantee future results.**

**Aberdeen is a U.S. registered service mark of Aberdeen Asset Management PLC.**

To participate in the Dividend and Cash Purchase Plan please contact Computershare  
(800)647-0584

[www.aberdeenISL.com](http://www.aberdeenISL.com)