

Sterling Enhanced Cash Fund

Period:

Since launch to 31 March 2009

www.fandc.com



Fund manager:

Jeff Grow

Investment Objective

The Fund aims to provide investors with enhanced cash returns while aiming to preserve capital and maintain a high average credit quality for the Fund's underlying securities. The Fund will invest primarily in fixed income assets. Exposure to such assets may also be achieved indirectly through investment in warrants and units in collective investment schemes. The Fund may also invest in deposits, money market instruments, derivatives and forward transactions.

Fund Facts

Lead Fund Manager	Jeff Grow	
Deputy Fund Manager	Arnal Patel	
Sector	Libor Global Class - Bond GBP Short Term	
Benchmark	3M Libor	
Launch date	19 June 2007	
Fund size	at 31 March	
	2008	£83.4m
	at 31 March	
	2009	£46.0m
Minimum Investments	£250,000 lump sum	
Share type	Distribution	
Number of stocks	43	
Initial charge	0	
Historic Yield	2.3%	
Annual charge	0.30%	
Total Expense Ratio (net)	0.30%	
Account dates (interim)	30 Sep	
	(annual)	31 March
Distribution dates	31 May	

Market Review

It has been an extremely challenging period for markets with the credit crunch and economic slowdown both making themselves keenly felt. The government and Bank of England have taken significant steps to counter the crisis, the latter cutting interest rates several times to an all time low of 0.5%. As a result of huge uncertainty, especially within the financials sector, liquidity largely vanished. This environment served to push LIBOR rates to elevated levels – providing yet another headwind. The value of many financial instruments fell sharply, sometimes with little differentiation between the performance of assets by quality, as a result of a reduction in willing market makers.

Fund Strategy

Returns have been disappointing with the Fund considerably underperforming its benchmark index. There are a number of reasons for this material underperformance, including the market impact of the financial crisis on the valuation of credit assets, the default of Lehman Brothers, and the elevated LIBOR levels experienced over the period. It is fair to say that, over the past year, markets ceased to operate in a normal manner, with investors placing concerns over the solvency of institutions and their own financial position above other considerations.

In addition, a change in the pricing of the portfolio's assets triggered a sharp downward correction in the share price as we moved from pricing holdings on an amortised cost basis to the asset price currently being quoted in the market. This shift reflected the exceptional market conditions experienced during the period and was, in our view, a prudent move in order to ensure fair treatment of shareholders and mitigate the impact of redemptions on long-term shareholders.

The portfolio contained a short-dated bond issued by Lehman Brothers, which was negative for performance. More broadly, the portfolio's exposure to Asset Backed Securities (ABS) detracted as they endured material underperformance. This area has come under extreme pressure over the duration of the financial crisis with liquidity all but drying up. This situation also impacted on our Floating Rate Note (FRN) holdings. Our exposure to ABS remained focused on AAA rated instruments and in response to 'quality' issues within the market we looked wherever possible to increase the defensive nature of the portfolio by reinvesting proceeds of maturing ABS and FRN instruments into AAA-rated government guaranteed assets, such as gilts and supranational Eurobonds.

Market Outlook

With UK interest rates now likely to have been cut as far as the Bank of England intends and the macro economic outlook still poor, we continue to favour high quality shorter dated assets. We are unlikely to increase exposure to credit and will continue to shun ABS given the lack of liquidity and associated volatility. Conversely, we will continue to favour the safety of high quality and liquid assets such as gilts.

Summary Fund Performance

Year	Share Class	Highest Share Price (pounds)	Lowest Share Price (pounds)	Distribution per Share (pence)
2009	1 Income (Net)	91.60	90.46	3.5344
2009	2 Income (Gross)	92.13	90.98	4.2176
2009	4 Accumulation (Gross)	97.76	96.53	5.4664

Net Asset Value Record

Share Class	Share Type	Net Asset Value as at 31 March 2008 (pounds)	Net Asset Value as at 31 March 2009 (pounds)
1	Income (Net)	97.06	86.67
2	Income (Gross)	97.06	86.47
4	Accumulation (Gross)	101.8	96.42

Distributions for the period

Share Class (Income/Accumulation)	Distribution paid payable (pence per share)	Distribution period	Distribution Date
1 Income (Net)	3.5344	Final	31/05/2009
2 Income (Gross)	4.2176	Final	31/05/2009
4 Accumulation (Gross)	5.4664	Final	31/05/2009

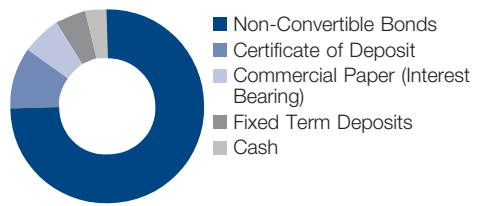
Top Ten Holdings

As at 31 March 2008	%
Bradford & Bingley 5.6% 2008	4.19
HSBC 6.80% 2010	3.60
First Flexible 'A' FRN 2033	2.39
Prudential 0% 2008	2.36
BBVA Senior Finance Unipersonal FRN 2010	2.27
Holmes Financing FRN 2040	2.16
Banca Intesa FRN 2009	2.15
Bank of America FRN 2011	2.15
Pohjola Bank FRN 2011	2.15
GE Capital UK Funding FRN 2011	2.14
Total	25.56

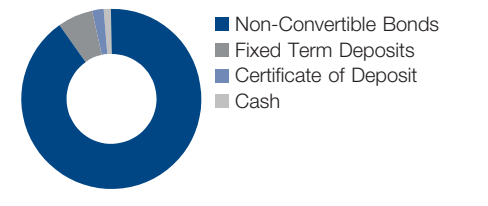
As at 31 March 2009	%
Santander 0% Perpetual	4.91
Equity Release Funding 4'A2' FRN 2039	3.93
Trafford Centre Finance 'A3' FRN 2038	3.91
Bruntwood Alpha Mortgage Bonds 'a-A' FRN 2017	3.77
Deco Mortgage Backed FRN 2020	3.74
Pohjola Bank FRN 2011	3.68
Epic(Industrious) Mortgage Backed FRN 2014	3.63
Wells Fargo & Co FRN 2011	3.58
GE Capital UK Funding FRN 2011	3.54
Lambda Finance 'A1' FRN 2031	3.53
Total	38.22

Portfolio Breakdown

As at 31 March 2008

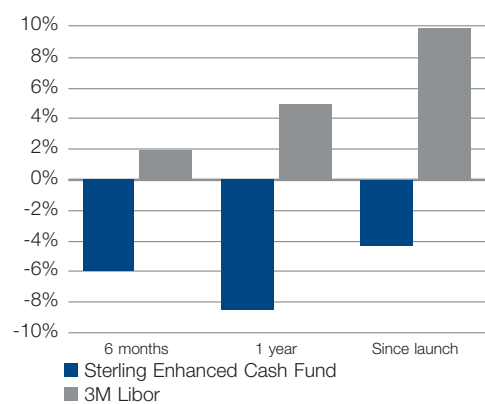


As at 31 March 2009

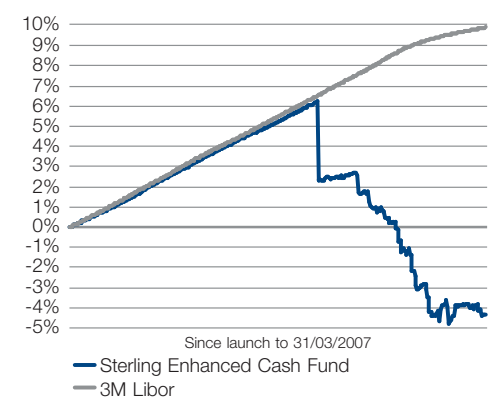


Fund Performance

As at 31 March 2009



As at 31 March 2009



Standardised Performance

31 March 2004 to 31 March 2005	31 March 2005 to 31 March 2006	31 March 2006 to 31 March 2007	31 March 2007 to 31 March 2008	31 March 2008 to 31 March 2009
N/A	N/A	N/A	N/A	-8.54%

Past Performance is not a guide to future performance.

Source: Lipper, percentage growth total return (UK net tax), mid to mid, with no initial charges. Share Class 1 accumulation shares. For past performance data, updated quarterly, for the full range of F&C Funds visit www.fandc.com

Report and Accounts

Copies of the annual and half yearly Reports and Accounts for the F&C Liquidity Plus ICVC, which include this fund are available free of charge on request to the ACD or can be downloaded from our website www.fandc.com

Other information

The information in this report is designed to enable shareholders to make an informed judgement on the activities of the Fund during the period it covers and the results of those activities at the end of the period. For more information about the activities and performance of the Fund during this and previous periods, please contact the Authorised Corporate Director.

Authorised Corporate Director

F&C Fund Management Limited, Exchange House, Primrose Street, London EC2A 2NY

Telephone: (0207) 628 8000

Regulated by the Financial Services Authority.

Investment Advisor

F&C Managers Limited, Exchange House, Primrose Street, London EC2A 2NY

Depository

J.P. Morgan Trustee & Depository Company Limited, Chaseside, Bournemouth, Dorset BH7 7DA

Administrator and Registrar

F&C Fund Management Limited, PO Box 9040, Chelmsford, Essex CM99 2XH

Independent Auditor

PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH

Fund Accounting and Unit Pricing

J.P. Morgan Europe Limited, 3 Lochside View, Edinburgh Park, Edinburgh EH12 9DH

Legal Advisers

Eversheds LLP, One Wood Street, London EC2V 7WS

The Sterling Enhanced Cash Fund is a sub-fund of the F&C Liquidity Plus ICVC (IC538). Applications may only be made on the basis of the current Prospectus. Calls may be recorded. Past performance is not a guide to future performance. The Authorised Corporate Director (ACD) of the ICVC is F&C Fund Management Limited, a subsidiary of F&C Asset Management plc, Authorised (no 121940) and regulated by the Financial Services Authority (FSA). Registered Office; Exchange House, London EC2A 2NY. Registered in England No. 2170242. A registered company, limited by shares. A copy of the simplified prospectus is available from the ACD.

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