

**Period:**

For the 12 months ended 30 April 2013  
[www.fandc.com](http://www.fandc.com)



**Fund manager:**  
Chris Brils

**Maximum Income Bond Fund**

The Fund aims to maximise returns through investment primarily in high-yielding global fixed interest securities.

The Fund will invest predominantly in US dollar, sterling and euro denominated high-yielding fixed interest securities, including non-investment grade bonds. To manage risk, the Fund will aim to achieve a wide degree of diversification and the managers will adopt a rigorous credit management process.

**Fund Facts**

|                         |                                  |         |
|-------------------------|----------------------------------|---------|
| Lead Fund Manager       | Chris Brils                      |         |
| Deputy Fund Manager     | Rebecca Seabrook                 |         |
| Sector                  | £ High Yield                     |         |
| Benchmark               | IMA £ High Yield                 |         |
| Launch date             | 20 November 2000                 |         |
| Fund size               | at 30 April 12                   | £54.17m |
|                         | at 30 April 13                   | £53.17m |
|                         | £1,000 lump sum,                 |         |
| Minimum Investments     | £50 per month                    |         |
| Distribution            | 5.20% (1 Inc), 6.20% (3 Inc)     |         |
| Yield                   | 6.10% (C Inc)                    |         |
| Share type              | Income                           |         |
| Number of stocks        | 163                              |         |
| Initial charge SC1      | 5.00%                            |         |
| Annual charge SC1       | 1.25%                            |         |
|                         | 1.47% (1 Inc), 0.52% (3 Inc)     |         |
| Ongoing charge          | 0.67% (C Inc)                    |         |
| Account dates (interim) | 31 October                       |         |
| (annual)                | 30 April                         |         |
| Distribution dates      | 31 March, 30 Jun, 30 Sep, 31 Dec |         |

**Market Review**

High yield bonds posted strong gains over the twelve months to the end of April 2013. The period started off with risk-averse sentiment as the technical squeeze from the Long-Term Refinancing Operation at the start of 2012 eased and economic data continued to come in below expectations. Credit downgrades continued as agencies lowered their rating for Spain. Concerns about Europe, and in particular the elections within Greece, also negatively impacted markets. This aversion to risk saw UK government bonds acting as a safe haven and they had a strong run, keeping total returns for credit in positive territory. Going into the end of 2012 high yield assets rallied driven by European high yield bonds in reaction to the proactive European policy makers stance, whereas US high yield lagged as investors remained wary of the outcome of the November presidential elections as well as the impact of the 'fiscal cliff' in 2013. The year started particularly strongly for the asset class with improved investor confidence as worries over the fiscal cliff were partially resolved, however, this quickly tailed off and returns were flat for January and February. The final two months of the year under review saw high yield bond performance hold up surprisingly well, buoyed by continued inflows due to the low interest rate environment.

**Fund Strategy**

Over the first six months, the largest purchase was the French industrial cement company Lafarge. Other notable purchases included Nevada-based Boyd Gaming, German cable television operator Kabel Deutschland and US oil and natural gas company Linn Energy. There were limited sales over the period. The exposure to the gaming sector was downsized on our revised outlook for the US economy and we completely sold out of Caesars Entertainment and Peermont. The main positive credit event was the acquisition of eAccess and Sprint by Japanese company Softbank: the Fund held both eAccess and Sprint bonds which rallied significantly as a result.

The latter half of the review period saw an active new issue market and the Fund participated in, amongst others, new issues for Softbank, Elior, Schaeffler, Belden, Cegedim, Fiat, Kion Group, Virgin Media, Banco Espirito Santo, Atalian, Cerved, Unity Media and HCA Healthcare. At the start of 2013 we sold out of our position in Franz Haniel as the yield had fallen. Towards the end of the period KPN issued a high yield rated hybrid at an attractive level for the sterling tranche and we participated.

**Market Outlook**

Higher risk markets will remain sensitive to fluctuations in sentiment, most notably relating to the eurozone crisis. Nevertheless, from a technical perspective, high yield bonds continue to look attractively priced with the appeal to be found mainly in the income they generate and their relatively low interest rate sensitivity. We believe austerity policies will continue to dampen economic growth and central banks, including the ECB, will be obliged to provide ongoing support to markets. This suggests that interest rates will remain low for longer than investors originally anticipated, thus supporting the demand for high yield bonds.

## Summary Fund Performance

| Year | Share Class | Highest Share Price (pence) | Lowest Share Price (pence) | Distribution per Share (pence) |
|------|-------------|-----------------------------|----------------------------|--------------------------------|
| 2013 | 1 Income    | 48.55                       | 47.07                      | 1.0922                         |
| 2013 | 3 Income    | 48.65                       | 47.08                      | 1.2735                         |
| 2013 | C Income    | 53.56                       | 51.82                      | 1.7890                         |

## Net Asset Value Record

| Share Class | Share Type | Net Asset Value as at 30 April 2012 (pence) | Net Asset Value as at 30 April 2013 (pence) |
|-------------|------------|---|---|
| 1           | Income     | 43.69                                       | 47.79                                       |
| 3           | Income     | 43.70                                       | 47.81                                       |
| C           | Income     | -   | 52.63                                       |

## Distributions for the period

| Share Class<br>(Income/Accumulation) | Distribution paid / payable | Distribution period | Distribution Date |
|--------------------------------------|-----------------------------|---------------------|-------------------|
| 1 Income                             | 0.4969                      | Final               | 30/06/2013        |
| 3 Income                             | 0.5869                      | Final               | 30/06/2013        |
| C Income                             | 0.6364                      | Final               | 30/06/2013        |
| 1 Income                             | 0.5953                      | Interim             | 31/03/2013        |
| 3 Income                             | 0.6866                      | Interim             | 31/03/2013        |
| C Income                             | 1.1526                      | Interim             | 31/03/2013        |
| 1 Income                             | 0.5116                      | Interim             | 31/12/2012        |
| 3 Income                             | 0.5998                      | Interim             | 31/12/2012        |
| C Income                             | 0.0000                      | Interim             | 31/12/2012        |
| 1 Income                             | 0.5500                      | Interim             | 30/09/2012        |
| 3 Income                             | 0.6350                      | Interim             | 30/09/2012        |
| C Income                             | -                           | Interim             | 30/09/2012        |

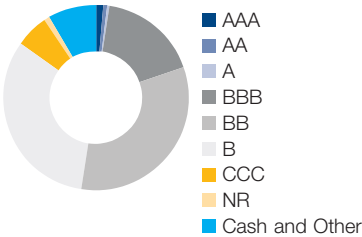
## Top Ten Holdings

| As at 30 April 2012                                  | %            |
|--|--------------|
| Rexam 6.75% 2067                                     | 1.88         |
| Edcon (FRN) 6.376% 2015                              | 1.70         |
| InterXion 9.5% 2017                                  | 1.64         |
| Prologis International Funding 5.875% 2014           | 1.57         |
| Channel Link Enterprises Finance (FRN) 2.61306% 2050 | 1.55         |
| Bord Gais Eireann 5.75% 2014                         | 1.54         |
| Columbus 11.5% 2014                                  | 1.53         |
| Investec Bank 9.625% 2022                            | 1.40         |
| LBG Capital No.1 7.5884% 2020                        | 1.30         |
| Central European Media Enterprises (FRN) 3.313% 2014 | 1.29         |
| <b>Total</b>   | <b>15.40</b> |

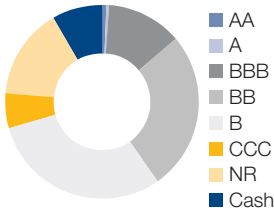
| As at 30 April 2013                                  | %            |
|--|--------------|
| Fiat Finance & Trade 7.75% 2016                      | 2.08         |
| InterXion 9.5% 2017                                  | 1.73         |
| Channel Link Enterprises Finance (FRN) 3.91938% 2050 | 1.73         |
| LBG Capital No.1 7.5884% 2020                        | 1.68         |
| Investec Bank 9.625% 2022                            | 1.65         |
| Lottomatica 8.25% 2066                               | 1.56         |
| Paragon 3.729% 2017                                  | 1.48         |
| Santos Finance 8.25% 2070                            | 1.46         |
| Corsair Jersey (FRN) 5.091% 2017                     | 1.41         |
| Rexam 6.75% 2067                                     | 1.37         |
| <b>Total</b>   | <b>16.15</b> |

Portfolio Breakdown

As at 30 April 2012

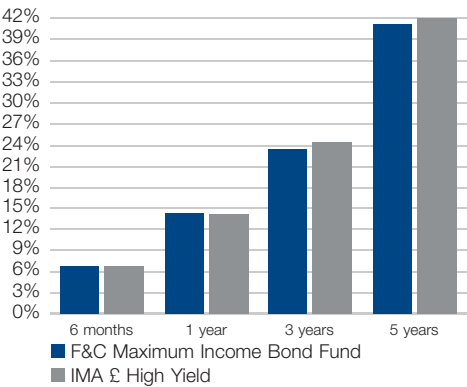


As at 30 April 2013

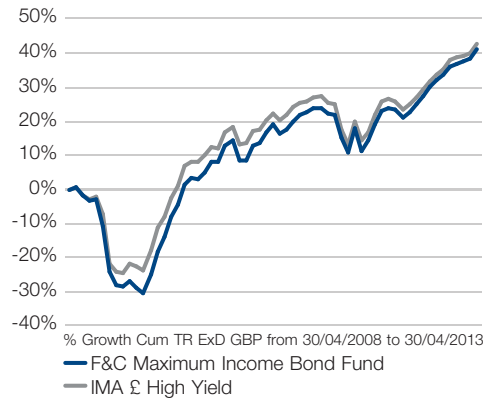


Fund Performance

As at 30 April 2013



As at 30 April 2013



Standardised Performance

| 30 April 2008 to 30 April 2009 | 30 April 2009 to 30 April 2010 | 30 April 2010 to 30 April 2011 | 30 April 2011 to 30 April 2012 | 30 April 2012 to 30 April 2013 |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| -25.03%                        | 52.52%                         | 8.41%                          | -0.45%                         | 14.41%                         |

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, for the full range of F&C Funds visit [www.fandc.com](http://www.fandc.com)

Risk Profile

**Fixed Interest Securities Risk:** changes in interest rates can affect the value of fixed interest holdings.

**Credit Risk:** receiving income due from debt instruments is dependant upon the provider's ability to pay.

**Derivative Risk:** derivative values rise and fall at a greater rate than equities and debt instruments. Losses can be greater than the initial investment.

## Report and Accounts

Copies of the annual and half yearly Reports and Accounts for the F&C Investment Funds 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](http://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: 0800 0852 752

Regulated by the Financial Conduct Authority.

### Investment Advisor

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

### Depository

State Street Trustees Limited, 20 Churchill Place, London E14 5HJ

### Administrator and Registrar

International Financial Data Services (UK) Limited, IFDS House, St Nicholas Lane, Basildon, Essex, SS15 5FS

### Independent Auditor

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

### Fund Accounting and Unit Pricing

State Street Bank and Trust Company, 525 Ferry Road, Edinburgh, EH5 2AW

### Legal Advisers

Eversheds LLP, One Wood Street, London EC2V 7WS

The F&C Maximum Income Bond Fund is a sub-fund of the F&C Investment Funds ICVC (IC36). 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 Conduct Authority (FCA). Registered Office; Exchange House, London EC2A 2NY. Registered in England No. 2170242. A registered company, limited by shares. A copy of the Key Investor Information Document is available from [www.fandc.com](http://www.fandc.com).

Max Inc 08/13

