

Period:

For the 12 months ended 31 March 2013
www.fandc.com

Investment Objective

The Lifestyle Balanced risk profile matching portfolio will invest in UK equities with the balance of the Fund allocated across the principal non-UK equity markets including some exposure to emerging markets and UK corporate bonds with an allocation to property primarily through collective investment schemes. The Fund may also hold transferable securities, money market instruments, and may use derivatives to increase, maintain, and reduce its investment exposures.

Fund Facts

Fund Manager		Rob Burdett & Gary Potter
Sector		Unclassified
Benchmark		Composite based on target asset allocation
Launch date		30 March 2007
Fund size	at 31 March 2012	£108.5m
	at 31 March 2013	£122.2m
Minimum investments		£1,000 lump sum
Share type		Accumulation/Income
Number of stocks		36
Historic Yield		1.10% (A Acc),
		0.90% (B Acc),
		2.50% (B Inc),
		1.20% (D Acc)
Initial charge (A Acc)		5.00%
Annual charge (A Acc)		1.50%
Ongoing Charge		2.22% (A Acc),
		1.34% (B Acc),
		1.22% (B Inc),
Account dates	(Interim)	30 September
	(annual)	31 March
Distribution dates		31 May, 30 November

Market review

Equities made impressive gains over the year under review. This performance contrasted sharply with the lacklustre economic backdrop in the UK and Europe where growth prospects were revised steadily downwards. Fears over the extent of the slowdown in China's economy eased however and there were some positive signs in the US with consumer spending and the housing market picking up. Investment grade bonds made modest progress and high yield bonds made reasonable gains. Returns from core government bonds were subdued by comparison.

Fund activity

We added Cazenove UK Equity Income to the portfolio. Managed with a proven business cycle approach the fund has been a strong performer and in our view is an ideal complement to our other UK holdings. River and Mercantile UK Equity Income and Fidelity UK Smaller companies were new additions to the portfolio and we also added to the holding in the F&C FTSE All-Share Tracker Fund. We sold the fund's position in Schroder UK Core and trimmed Artemis Income.

Within the US equities allocation we bought Melchior North American Opportunities. This fund contains companies of all sizes and is split roughly equally between large, mid and small caps. The addition was funded by the sale of Legg Mason Capital Opportunity.

Within fixed income we added Royal London Sterling Credit to the portfolio. It is a well diversified portfolio of predominantly investment grade bonds with an emphasis on those issues whose potential appears to be mispriced by the wider investment community. We sold our small remaining position in Baillie Gifford UK Corporate Bond.

In terms of overall positioning we are positive on equities relative to other asset classes. From a geographic perspective we ended the year overweight North America and Japan, whilst being underweight in the UK and Europe. These views are reflected in modest tilts away from the neutral asset allocations recommended by Distribution Technology.

Outlook

Although the eurozone debt crisis is far from over the authorities have made more concerted and meaningful efforts to deal with the situation and many of the associated risks have eased. We do, however, remain mindful of ongoing political issues (such as tension in Korea) and continue to monitor the economic backdrop closely. From a regional perspective the outlook is mixed with the US and Asia providing grounds for encouragement, whilst the UK and Europe struggle in an environment of austerity. Markets have performed well over the last six months and we may well see a period of consolidation until further signs of economic improvement emerge or company earnings pick-up. Over the medium to long-term we remain positive on the outlook and maintain our belief in the importance of a broadly diversified portfolio of investments.

Summary Fund Performance

Year	Share Class	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2013	A Accumulation	118.2	107.1	1.2742
2013	B Accumulation	57.55	52.08	0.5357
2013	B Income	147.1	133.1	1.6708
2013	D Accumulation	59.62	53.90	0.6807

Net Asset Value Record

Share Class	Share Type	Net Asset Value as at 31 March 2012 (pence)	Net Asset Value as at 31 March 2013 (pence)
A	Accumulation	102.8	116.2
B	Accumulation	-	56.65
B	Income	128.8	143.2
D	Accumulation	-	58.68

Distributions for the period

Share Class (Income/Accumulation)	Distribution paid / payable	Distribution period	Distribution Date
A Accumulation	1.2742	Final	31/05/2013
B Accumulation	0.5357	Final	31/05/2013
B Income	1.6708	Final	31/05/2013
D Accumulation	0.6807	Final	31/05/2013
B Income	1.9266	Interim	30/11/2012

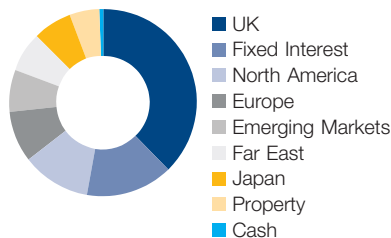
Top Ten Holdings

As at 31 March 2012	%
Artemis Income Fund Inc	7.08
Brown Advisory American Fund B USD Inc	6.93
Jupiter Growth & Income Fund Inc	6.32
BlackRock European Dynamic Fund D Acc	6.20
F&C FTSE All-Share Tracker Fund 4 Inc	5.37
Schroder UK Core Fund A Inc	5.28
Fidelity Strategic Bond Fund Inc	5.05
Schroder UK Alpha Plus Fund A Acc	4.92
Aberdeen Emerging Markets Fund A Acc	4.66
Standard Life UK Equity Income Unconstrained Fund Inc	4.54
Total	56.35

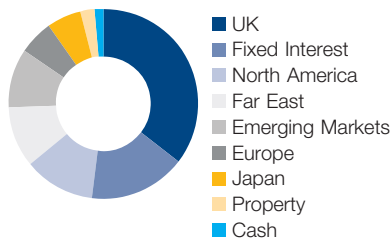
As at 31 March 2013	%
F&C FTSE All-Share Tracker Fund 4 Inc	12.45
BlackRock Pacific ex Japan Equity Tracker Fund L Acc	5.66
SPDR S&P 500 USD	5.54
BlackRock Emerging Markets Equity Tracker Fund L Acc	4.79
Jupiter Growth & Income Fund Inc	4.72
iShares GBP Corporate Bond 1-5	4.51
Royal London Sterling Credit Fund Z Inc	4.35
River and Mercantile UK Equity Fund B Inc	3.65
BlackRock European Dynamic Fund D Acc	3.48
Brown Advisory American Fund B USD Inc	2.95
Total	52.10

Asset Allocation Breakdown

As at 31 March 2012

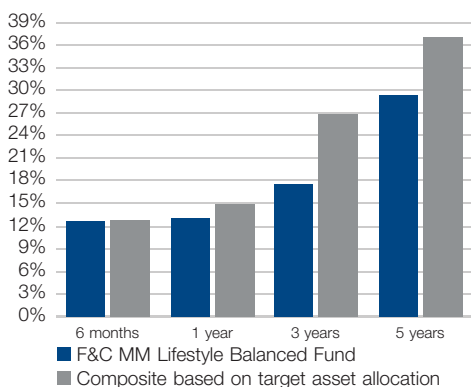


As at 31 March 2013

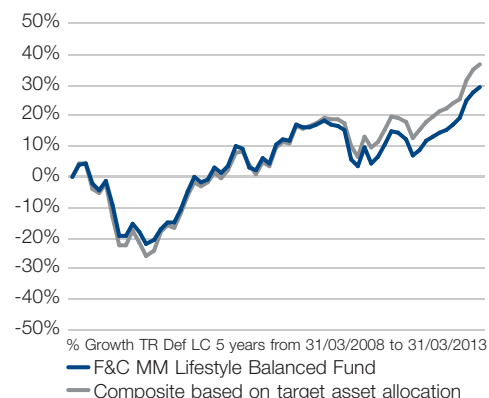


Fund Performance

As at 31 March 2013



As at 31 March 2013



Standardised Performance

31 March 2008 to 31 March 2009	31 March 2009 to 31 March 2010	31 March 2010 to 31 March 2011	31 March 2011 to 31 March 2012	31 March 2012 to 31 March 2013
-20.83%	38.96%	6.45%	-2.28%	12.91%

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 A accumulation shares. For past performance data for the full range of F&C Funds visit 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.

Emerging Markets Risk: this Fund invests in emerging markets which are less developed and have additional legal and political risks.

Smaller Companies Risk: smaller companies carry a higher degree of risk and their value can be more sensitive to market movement.

Currency Risk: your investment may be adversely affected by changes in currency exchange rates.

Liquidity Risk: the ability to buy and sell assets at a favourable price may be affected by a low level of counterparties willing to enter into a transaction with the Fund.

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

Property Risk: the value of such securities is likely to reflect valuations of property assets as determined by professional valuers. Such valuations are the opinion of the valuer at a particular time, may not be supported by recent transactions and are liable to revision, up or down.

Specified Asset Allocation: the ability of the Manager to alter the composition of portfolio is restricted by the need to remain within the specified asset allocation.

Report and Accounts

Copies of the annual and half yearly Reports and Accounts for the F&C MM Lifestyle 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

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 085 2752

Regulated by the Financial Services Authority.

Investment Advisor

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Depository

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Administrator and Registrar

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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 MM Lifestyle Balanced Fund is a sub-fund of the F&C MM Lifestyle Investment Funds ICVC (IC527). 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 Key Investor Information Document is available from www.fandc.com.

MM Lifestyle Balanced 07/13

