

## Period:

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



**Fund Manager:**  
Chris Childs

## Investment Objective

The F&C High Income Fund aims to provide a monthly income of 2% over the Base Rate whilst keeping fluctuations in the unit price to a minimum. However, with UK interest rates falling to 0.5% on 5 March 2009, as a temporary measure a gross income target of 5% per annum has been introduced in place of the Base Rate +2% target. It is a measure that will be under regular review to ensure that it does not pose too great a risk to the capital of the Fund. The Fund consists of a balanced core portfolio of large cap equities and government/investment grade bonds supplemented by a derivative based overlay strategy enabling the Fund to target the specified income yield. While this additional emphasis on generating income will mean some additional risk to capital, there are a number of factors that we expect will help mitigate the additional risk. The current prices of both equities and corporate bonds are factoring in a lot of bad news. As such, there is the potential for the additional risk to be offset by capital appreciation. Elsewhere, the Fund holds a number of assets that are specifically designed to deliver a capital growth return rather than income.

## Fund Facts

Lead Fund Manager	Chris Childs
Deputy Fund Manager	Stephen Crewe
Sector	UK Equity & Bond Income
	IMA UK Equity & Bond Income Sector Median
Benchmark	Sector Median
Launch date	26 January 1993
Fund size	at 30 Apr 12 £174.71m
	at 30 Apr 13 £149.46m
Minimum Investments	£1,000 lump sum
Historic Yield	4.9%
Share type	Distribution
Number of stocks	120
Initial charge	5.00%
Annual charge	1.50%
Total Expense Ratio (net)	1.72%
Account dates (interim)	31 October
(annual)	30 April
Distribution dates	28th of each month

## Market Review

Most global equity markets made healthy gains in the twelve months under review. Although growth stuttered in the developed regions as governments implemented austerity measures designed to bring huge fiscal deficits under control, there were signs of recovery as the period developed. The US and UK initiated further fiscal stimulus and interest rates were held at their historic lows which led investors to turn to riskier asset classes in the search for yield. The sovereign debt crisis continued to dominate sentiment and the eurozone slipped into recession as the growth slump in the periphery nations began to filter through to the region's core. However, global stock markets produced a strong rally in the first months of 2013, despite potentially destabilising news from an inconclusive Italian election and a chaotic bailout for Cyprus. Emerging markets suffered a mixed year as slowing growth and rising inflation spooked investors in a number of markets and the region lagged the developed equity markets.

## Fund Activity

The focus of the strategy remained on generating an attractive level of income (currently targeting a gross income yield of 5% per annum) in an environment of low and falling yields. Much of the yield enhancement is generated by using equity derivatives aiming to maximise the yield whilst taking as little risk as possible.

## Outlook

We have a fairly constructive outlook for risky assets as we see the currently accommodative monetary conditions being provided by the world's central banks persisting for some time. There are signs of better economic growth in the US, but Europe continues to be mired by the now familiar problems. Equity markets have enjoyed a period of robust returns, but although they may suffer periodic corrections we believe the search for yield/risk will continue.

## Summary Fund Performance

Year	Share Class	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2013	Unit Trust	18.20	16.87	0.2585

## 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)
Unit Trust	Income	17.35	17.07

## Distributions for the period

Share Class (Income/Accumulation)	Distribution paid / payable	Distribution period	Distribution Date
Income	0.0807	Final	28/05/2013
Income	0.0593	Interim	28/04/2013
Income	0.0593	Interim	28/03/2013
Income	0.0593	Interim	28/02/2013
Income	0.0594	Interim	28/01/2013
Income	0.0594	Interim	28/12/2012
Income	0.0594	Interim	28/11/2012
Income	0.0598	Interim	28/10/2012
Income	0.0598	Interim	28/09/2012
Income	0.0598	Interim	28/08/2012
Income	0.0612	Interim	28/07/2012
Income	0.0612	Interim	28/06/2012

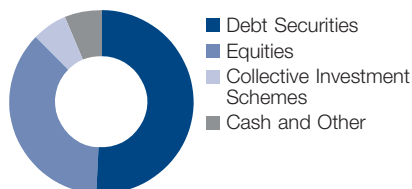
## Top Ten Holdings

As at 30 April 2012	%
UK Treasury 4.5% 2013	7.70
F&C Portfolios Active Return	6.04
Landeskreditbank Baden-Wuerttemberg 2.5% 2012	4.04
Bank Nederlandse Gemeenten 4.375% 2012	2.93
National Australia Bank (FRN) 2.4625% 2015	2.92
European Investment Bank 2.875% 2013	2.91
Nationwide Building Society (FRN) 2.61438% 2015	2.89
Barclays Bank (FRN) 2.51313% 2015	2.88
NRW Bank (FRN) 1.70431% 2016	2.87
Abbey National Treasury Services (FRN) 2.67425% 2015	2.87
<b>Total</b>	<b>38.05</b>

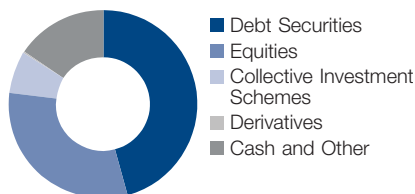
As at 30 April 2013	%
UK Treasury 2.25% 2014	11.57
F&C Portfolios Active Return	7.12
Yorkshire Building Society (FRN) 2.25688% 2016	3.44
Nationwide Building Society (FRN) 2.10438% 2015	3.42
National Australia Bank (FRN) 1.95438% 2015	3.42
Barclays Bank (FRN) 2.00438% 2016	3.42
Abbey National Treasury Services (FRN) 2.11% 2016	3.41
Leeds Building Society (FRN) 2.00688% 2015	3.41
NRW Bank (FRN) 1.17688% 2016	3.39
Rabobank (FRN) 1.00688% 2014	3.36
<b>Total</b>	<b>45.96</b>

## Portfolio Breakdown

As at 30 April 2012

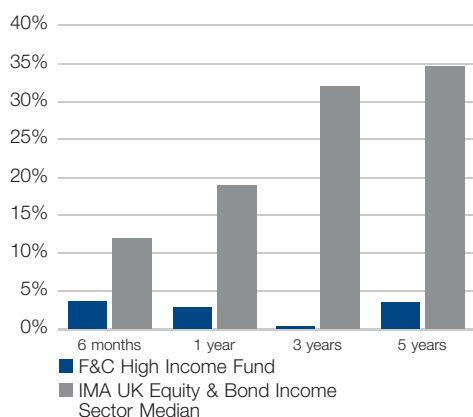


As at 30 April 2013

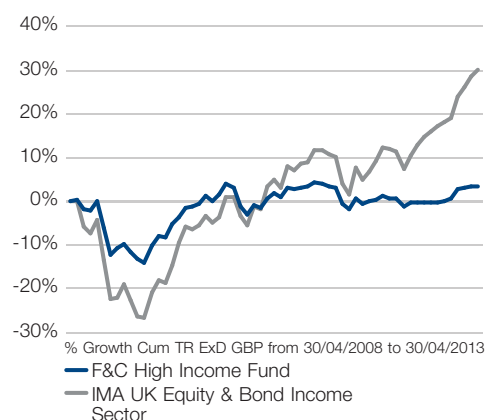


## Fund Performance

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
-10.03%	14.56%	1.16%	-3.43%	2.80%

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.

**Additional Capital Risk:** the high level of income targeted by the Fund involves sacrificing most of the potential for capital growth.

**Counterparty Risk:** to gain greater income the Fund may deposit cash with various approved Counterparties. Return of the cash is dependant upon the continued solvency of the

Counterparty.

**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 High Income Fund are available free of charge on request to the Manager 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 Manager.

### Manager

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

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Regulated by the Financial Services Authority.

### Investment Advisor

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

### Trustee

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 High Income Fund is an Authorised Unit Trust. The Unit Trust Manager is F&C Fund Management Limited. 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. 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](http://www.fandc.com).

High Income 08/13

