

## Period:

For the 12 months ended 31 May 2013  
[www.fandc.com](http://www.fandc.com)



**Fund manager:**  
Catherine Stanley

## Investment Objective

The Fund provides an investment medium for people who do not regard financial gain as the sole criterion for investment but look to wider issues. Investment is concentrated in UK companies whose products and operations are considered to be of long-term benefit to the community both at home and abroad, with the aim of achieving long-term capital growth and increasing income, with the emphasis on capital growth.

The Fund may invest indirectly through other permitted investment vehicles in accordance with its investment powers as set out in the Prospectus.

## Fund Facts

Lead Fund Manager	Catherine Stanley
Deputy Fund Manager	Peter Ewins
Sector	UK All Companies
Benchmark	FTSE All-Share Index
Launch date	1 June 1984
Fund size	at 31 May 2012 £473.65m
	at 31 May 2013 £616.13m
	£1,000 lump sum, £50 per month
Minimum Investments	1.40% (1 Acc), 1.50% (1 Inc), 2.10% (2 Acc), 0.00% (2 Inc), 0.30% (3 Acc), 0.00% (4 Acc), 2.80% (4 Inc), 0.20% (B Acc)
Historic Yield	2.80% (4 Inc), 0.20% (B Acc)
Share type	Income/Accumulation
Number of stocks	75
Initial charge	5.00%
Annual charge	1.50%
	1.71% (1 Acc), 1.61% (1 Inc), 0.79% (2 Acc), 0.75% (2 Inc), 0.29% (3 Acc), 0.00% (4 Acc), 0.29% (3 Acc), 0.00% (4 Acc), 0.03% (4 Inc), 0.56% (B Acc)
Ongoing charge	0.03% (4 Inc), 0.56% (B Acc)
Account dates	(Interim) 30 November (annual) 31 May
Distribution dates	Income 31 July, 31 Jan

## Market review

The FTSE All-Share Index rose by more than 30% in sterling terms over the year, despite the fact that the economy was constantly either in or on the brink of recession. In an effort to support economic activity, the Bank of England announced further tranches of stimulus funds through its quantitative easing programme and kept interest rates anchored at 0.5%. However, consumer lending remained tight. A successful Olympic games provided a surprise but short-lived boost to growth and, with government finances continuing to deteriorate, the UK lost its coveted AAA credit rating in February 2013. A recovery of the service sector and a return to economic growth in the first quarter, as well as signs of increasing consumer confidence, gave some cause for optimism as the year drew to a close.

## Fund activity

The largest purchase in the first half of the year was pharmaceutical company GlaxoSmithKline which was made acceptable under the Fund's ethical criteria in May 2012. This company makes up a significant position in the benchmark index and was attractively valued. AstraZeneca was also made acceptable and we purchased this stock to diversify the portfolio's pharmaceutical exposure. BHP Billiton, another stock which became acceptable, was a large purchase as we felt that the company has some of the best quality assets in the UK mining sector. Notable sells included Pearson. Utility company SSE and Vodafone were reduced and we used the proceeds from these defensive companies to fund the purchase of GlaxoSmithKline which offers similar defensive positioning but had a more attractive valuation. In the second half of the year activity was fairly quiet. Most of the trading was focused on larger companies. After the disappointing statements and dividend cuts from Aviva and RSA Insurance, we reduced the weightings as we took the view that their recoveries would take a long time. The proceeds were reinvested in Legal & General and Prudential. On a similar theme, we sold Kingfisher as we were disappointed with the pace of the recovery of its business. Signet Jewelers was purchased as the prospects for this well-managed business were becoming more attractive as the US economy recovers.

## Outlook

With the US Federal Reserve outlining the planned unwinding of its asset purchase programme, global equity markets have experienced their first significant correction for almost a year, with only the US stock market remaining relatively resilient. Although the biggest negative reactions have been in emerging market and Japanese equities, these in themselves have unnerved investors. While the UK equity market generates much of its returns overseas and thus the return of volatility to world markets gives less room for optimism, there are signs of an improving domestic outlook. New share issues returned to the market which is a sign of health and governmental support of the housing market is positive for the construction industry and consumer sentiment. The removal of quantitative easing is a threat to the market but on fundamentals we are cautiously optimistic.

## Summary Fund Performance

Year	Share Class	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2013	1 Accumulation	950.8	816.3	5.0678
2013	1 Income	806.9	692.5	4.6254
2013	2 Accumulation	222.7	190.6	2.0980
2013	2 Income	61.68	52.80	0.8857
2013	3 Accumulation	122.5	104.6	1.4343
2013	4 Accumulation	122.6	104.6	0.0000
2013	4 Income	814.3	694.7	10.4922
2013	B Accumulation	163.3	139.6	1.7148

## Net Asset Value Record

Share Class	Share Type	Net Asset Value as at 31 May 2012 (pence)	Net Asset Value as at 31 May 2013 (pence)
1	Accumulation	705.0	922.2
1	Income	602.8	778.0
2	Accumulation	163.7	216.1
2	Income	-	58.95
3	Accumulation	-	118.8
4	Accumulation	-	119.0
4	Income	603.6	779.6
B	Accumulation	-	158.4

## Distributions for the period

Share Class (Income/Accumulation)	Distribution paid / payable	Distribution period	Distribution Date
1 Accumulation	5.0678	Final	31/07/2013
1 Income	4.6254	Final	31/07/2013
2 Accumulation	2.0980	Final	31/07/2013
2 Income	0.8857	Final	31/07/2013
3 Accumulation	1.4343	Final	31/07/2013
4 Accumulation	-	Final	31/07/2013
4 Income	10.4922	Final	31/07/2013
B Accumulation	1.7148	Final	31/07/2013
1 Accumulation	6.2817	Interim	31/01/2013
1 Income	5.7500	Interim	31/01/2013
2 Accumulation	2.2882	Interim	31/01/2013
2 Income	-	Interim	31/01/2013
3 Accumulation	0.3275	Interim	31/01/2013
4 Accumulation	-	Interim	31/01/2013
4 Income	10.9522	Interim	31/01/2013
B Accumulation	0.3146	Interim	31/01/2013

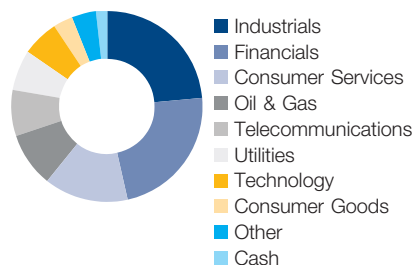
## Top Ten Holdings

As at 31 May 2012	%
Vodafone	7.79
HSBC	6.03
BG	5.75
Standard Chartered	3.02
SSE	2.40
Bunzl	2.24
Pearson	2.06
InterContinental Hotels	2.01
Tullow Oil	2.01
National Grid	1.85
<b>Total</b>	<b>35.16</b>

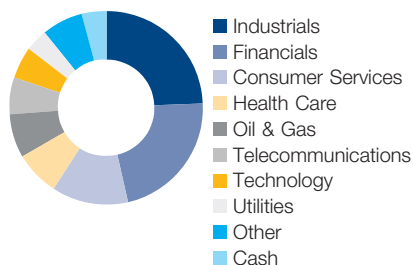
As at 31 May 2013	%
HSBC	7.38
Vodafone	6.21
BG	4.70
GlaxoSmithKline	3.96
Legal & General	2.47
Standard Chartered	2.18
Prudential	2.10
BHP Billiton	2.06
Ashtead	1.97
InterContinental Hotels	1.94
<b>Total</b>	<b>34.97</b>

## Portfolio Breakdown

As at 31 May 2012

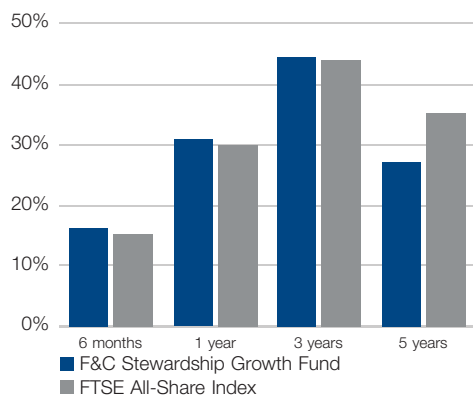


As at 31 May 2013

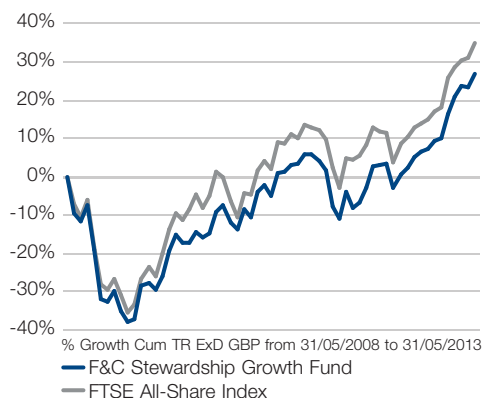


## Fund Performance

As at 31 May 2013



As at 31 May 2013



## Standardised Performance

31 May 2008 to 31 May 2009	31 May 2009 to 31 May 2010	31 May 2010 to 31 May 2011	31 May 2011 to 31 May 2012	31 May 2012 to 31 May 2013
-27.59%	21.42%	20.48%	-8.34%	30.93%

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 income shares. For past performance data for the full range of F&C Funds visit [www.fandc.com](http://www.fandc.com).

## Risk Profiles

**Ethical Screening Risk:** the screening out of sectors or companies on ethical grounds may mean the Fund is more sensitive to price swings than an equivalent unscreened fund.

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

**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.

## Report and Accounts

Copies of the annual and half yearly Reports and Accounts for the Stewardship 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

### Depositary

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 Stewardship Growth Fund is a sub-fund of the Stewardship Investment Funds ICVC (IC118). 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).

Stewardship Growth 09/13

