

## Period:

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

## Investment Objective

The Lifestyle Cautious risk profile matching portfolio will invest in UK equities and corporate bonds with a lower exposure to property and a greater exposure to non-UK equities primarily through collective investment schemes. The Fund may also hold transferable securities, money market instruments, and collective investment schemes 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	£130.2m
	at 31 March 2013	£138.3m
Minimum Investments	£1,000 lump sum	
Share type	Accumulation/Income	
Number of stocks	37	
	1.00% (A Acc),	
	0.80% (B Acc),	
	2.40% (B Inc),	
Historic Yield	0.00% (D Acc)	
Initial charge (A Acc)	5.00%	
Annual charge (A Acc)	1.50%	
	2.20% (A Acc),	
	1.32% (B Acc),	
Ongoing charge	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 both Artemis Income and Cazenove UK Equity Income to the portfolio. Both are funds in which we have a high degree of conviction and we view them as ideal complements to our other UK equity holdings. Fidelity UK Smaller Companies and River and Mercantile UK Equity Income were also new additions to the UK equity portion of the portfolio and we added to F&C FTSE All-Share Tracker. We sold the fund's position in Schroder UK Core and trimmed both BlackRock UK Focus and Jupiter Growth & Income.

Within the US equities allocation of the portfolio we established a new holding in Melchior North American Opportunities. This fund contains companies of all sizes and the portfolio is split roughly equally between large, mid and small caps. The addition was funded by the sale of Legg Mason Capital Management 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. This purchase was funded by the sale of iShares GBP Corporate Bond and we later trimmed the portfolio's position in Fidelity Strategic Bond.

In terms of overall positioning we are positive on equities relative to other asset classes. From a geographic perspective we ended the period 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	112.8	103.7	1.0682
2013	B Accumulation	56.34	51.74	0.4728
2013	B Income	141.0	129.4	1.6411
2013	D Accumulation	58.10	53.30	-

## 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	100.0	111.1
B	Accumulation	-	55.58
B	Income	125.7	137.6
D	Accumulation	-	57.40

## Distributions for the period

Share Class (Income/Accumulation)	Distribution paid / payable	Distribution period	Distribution Date
A Accumulation	1.0682	Final	31/05/2013
B Accumulation	0.4728	Final	31/05/2013
B Income	1.6411	Final	31/05/2013
D Accumulation	-	Final	31/05/2013
B Income	1.6330	Interim	30/11/2012

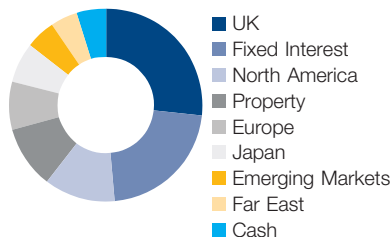
## Top Ten Holdings

As at 31 March 2012	%
Fidelity Strategic Bond Fund Inc	6.94
Brown Advisory American Fund B USD Inc	6.82
Jupiter Growth & Income Fund Inc	6.59
Invesco Sterling Bond Fund A QD Inc	5.66
Blackrock UK Focus Fund FF Acc	5.40
Schroder UK Alpha Plus Fund A Inc	5.40
BlackRock European Dynamic Fund D Acc	5.12
F&C FTSE All-Share Tracker Fund 4 Inc	4.78
Schroder UK Core Fund A Inc	4.64
GLG Japan CoreAlpha Fund P Inc	4.33
<b>Total</b>	<b>55.68</b>

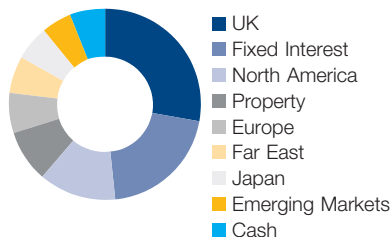
As at 31 March 2013	%
F&C FTSE All-Share Tracker Fund 4 Inc	8.26
SPDR S&P 500 USD	6.32
Royal London Sterling Credit Fund Z Inc	5.13
iShares GBP Corporate Bond 1-5	4.92
Jupiter Growth & Income Fund Inc	4.11
BlackRock European Dynamic Fund D Acc	3.79
Henderson Strategic Bond Fund I Inc	3.52
Fidelity Strategic Bond Fund Inc	3.48
Invesco Sterling Bond Fund A QD Inc	3.44
F&C UK Property Fund 2 Inc	3.42
<b>Total</b>	<b>46.39</b>

## Asset Allocation Breakdown

As at 31 March 2013

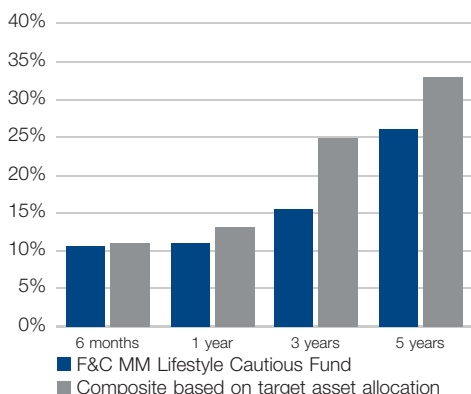


As at 31 March 2012

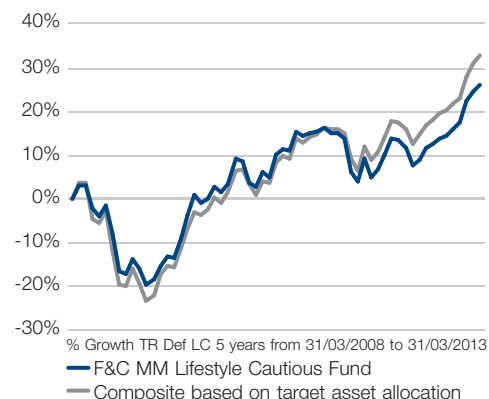


## Fund Performance

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
-18.33%	33.67%	5.79%	-1.57%	10.97%

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](http://www.fandc.com)

## Risk Profile

**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](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 085 2752

Regulated by the Financial Services Authority.

### Investment Advisor

Thames River Multi-Capital LLP, 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 MM Lifestyle Cautious 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](http://www.fandc.com).

MM Lifestyle Cautious 07/13

