

F&C Extra Income Bond Fund

Period:

12 months ended 30 April 2013

www.fandc.com

Joint Fund managers:

Rebecca Seabrook and
Chris Brils

Extra Income Bond Fund

The Fund aims to maximise income through investment primarily in fixed interest securities while seeking to control excessive credit risk. The Fund will invest predominantly in sterling and euro denominated fixed interest securities which have varying levels of credit risk. While maintaining a high level of income, the aim will be to achieve a wide degree of diversification.

Fund Facts

Joint Fund Managers Rebecca Seabrook and Chris Brils

Sector £ Strategic Bond

Benchmark IMA £ Strategic Bond Sector Median

Launch date 17 January 2000

Fund size at 30 Apr 12 £100.00m

at 30 Apr 13 £86.89m

£1,000 lump sum,

Minimum Investments £50 per month

4.70% (1 Inc), 5.40% (2 Inc),

Distribution Yield 5.60% (3 Inc), 5.30% (C Inc)

Share type Income

Number of stocks 192

Initial charge SC1 5.00%

Annual charge SC1 1.00%

1.27% (1 Inc), 0.60% (2 Inc),

Ongoing charge 0.39% (3 Inc), 0.99% (C Inc)

Account dates (interim) 31 October

(annual) 30 April

Distribution dates 31 Mar, 30 Jun, 30 Sep, 31 Dec

Market Review

Corporate bonds made good gains in the year under review. The market started the period nervously as concerns regarding a possible Greek debt default and even a collapse of the eurozone sapped confidence. Given the extreme stresses in the European financial system, bonds issued by banks and other institutions were particularly volatile. However, the generally solid performance of companies underpinned the market, as did investors' ongoing search for yield. High yield bonds generated strong gains over the period. In the final months of 2012 the sector rallied, driven by strong performance from European issues on the back of proactive moves by the European policy makers to contain the financial crisis. Progress was less strong in the US market, however, as investors remained wary of the outcome of the November presidential election and the impact of the looming 'fiscal cliff' of scheduled tax rises and budget cuts. Performance nevertheless improved at the start of 2013 as the fiscal cliff issue was partially resolved and the US economy began to show further signs of sustainable recovery. The final two months of the review period saw high yield bond performance hold up well thanks to continued high demand from income-hungry investors.

Fund Strategy

In the first half of the review period we increased our exposure to BB-rated bonds as we felt that valuations in this part of the market were the most attractive. We also increased our exposure to companies from the periphery of the eurozone as confidence improved towards the likes of Spain, Greece and Italy. Purchases included Enterprise Inns, Sunrise Communications, Kabel Deutschland, the utility company Intergen and Direct TV holdings. Against this we sold predominately BBB-rated credits such as Great Rolling Stock Company, Lafarge and Old Mutual. In the second half of the period we took profits from investment grade credits Glencore and Standard Life after strong performance. We participated in new issues from Swiss Re and Bupa, selling our original position in the latter ahead of purchasing the new issue. We also added a high yield hybrid security from Dutch telecommunications company KPN.

Market Outlook

We remain cautiously optimistic about the medium-term prospects for corporate bonds. Although the economic backdrop remains challenging, the likely scenario of slow but steady growth is one in which corporate bonds often perform well. While we acknowledge that there has been some deterioration of market fundamentals at the margin, we expect the maintenance of historically low interest rates to keep debt servicing manageable. The overriding positive is the ongoing technical support for the market. As demand continues to outweigh supply, yield spreads are likely to be forced to tighten. In terms of higher risk markets, these 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 their appeal to be found mainly in the income they generate and their relatively low interest rate sensitivity. We believe 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	47.50	45.68	1.0089
2013	2 Income	47.62	45.73	1.1349
2013	3 Income	55.96	41.28	-
2013	C Income	56.99	54.76	0.9996

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	41.52	46.82
2	Income	41.56	46.87
3	Income	41.52	56.96
C	Income	n/a	56.13

Distributions for the period

Share Class (Income/Accumulation)	Distribution paid / payable	Distribution period	Distribution Date
1 Income	0.4396	Final	30/06/2013
2 Income	0.5039	Final	30/06/2013
3 Income	-	Final	30/06/2013
C Income	0.5716	Final	30/06/2013
1 Income	0.5693	Interim	31/03/2013
2 Income	0.6310	Interim	31/03/2013
3 Income	-	Interim	31/03/2013
C Income	0.4280	Interim	31/03/2013
1 Income	0.4621	Interim	31/12/2012
2 Income	0.5224	Interim	31/12/2012
3 Income	0.5412	Interim	31/12/2012
C Income	0.3196	Interim	31/12/2012
1 Income	0.4705	Interim	30/09/2012
2 Income	0.5284	Interim	30/09/2012
3 Income	0.5460	Interim	30/09/2012
C Income	0.0700	Interim	30/09/2012

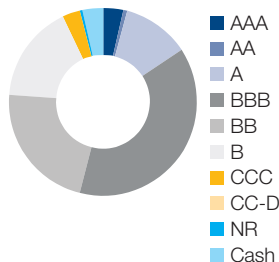
Top Ten Holdings

As at 30 April 2012	%
Annington Finance No 4 8.07% 2023	2.35
Paragon 3.729% 2017	2.28
Southern Gas Networks (FRN) 1.30438% 2015	1.67
Edcon (FRN) 6.376% 2015	1.30
Provident Financial 8% 2019	1.24
Rexam 6.75% 2067	1.19
Bord Gais Eireann 5.75% 2014	1.17
BUPA Finance 6.125% Perpetual	1.13
Jaguar Land Rover 8.25% 2020	1.12
Premiertel 6.175% 2032	1.11
Total	14.56

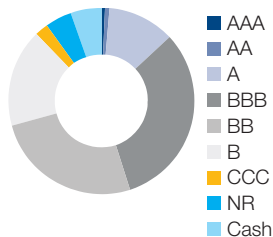
As at 30 April 2013	%
Corsair Jersey (FRN) 5.091% 2017	1.62
Annington Finance 8.07% 2023	1.55
Fiat Finance & Trade 7.75% 2016	1.46
Southern Gas Networks (FRN) 0.79438% 2015	1.42
Rexam 6.75% 2067	1.36
Santos Finance 8.25% 2070	1.21
LBG Capital No.1 7.5884% 2020	1.17
Legal & General 10% 2041	1.12
ESB Finance 6.5% 2020	1.03
RL Finance 6.125% Perpetual	1.02
Total	12.96

Portfolio Breakdown

As at 30 April 2012

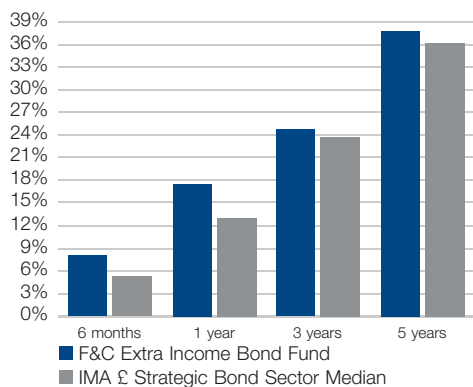


As at 30 April 2013

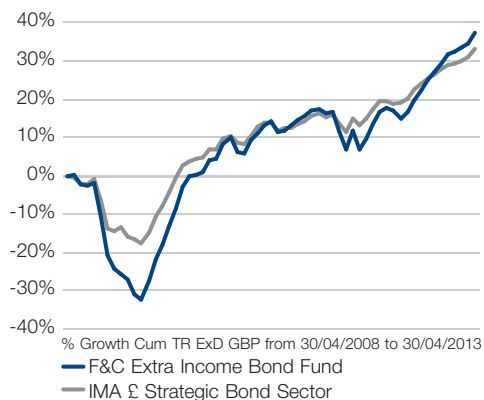


Fund Performance

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
-27.30%	51.78%	6.12%	0.06%	17.49%

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

Risk Profile

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

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

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.

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 F&C Extra 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.

Extra Inc Bond 08/13

