

Period:

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

Investment Objective

The Lifestyle Defensive risk profile matching portfolio will invest in UK equities and corporate bonds with some exposure to property and 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	£109.8m
	at 31 March 2013	£115.0m
Minimum Investments	£1,000 lump sum	
Share type	Accumulation/Income	
Number of stocks	36	
	1.40% (A Acc),	
	2.40% (A Inc)	
	1.00% (B Acc),	
	2.50% (B Inc),	
Historic Yield	1.30% (D Acc)	
Initial charge (A Acc)	5.00%	
Annual charge (A Acc)	1.50%	
	2.16% (A Acc),	
	2.39% (A Inc)	
	1.23% (B Acc),	
	1.23% (B Inc),	
Ongoing charge	1.41% (D Acc)	
Account dates	(Interim)	30 September
	(annual)	31 March
Distribution dates	28 Feb, 31 May, 31 Aug, 30 Nov	

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 UK equity allocation of 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 equity holdings. Jupiter Growth and Income was another new addition within UK equities with its inclusion enhancing performance potential and diversification. The portfolio's position in Artemis Income was trimmed.

In the US we established a new position 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 on the view that it was more exposed to financials than we wished to be at the time.

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 position in iShares FTSE Gilts UK 0-5 as Distribution Technology reduced its recommended allocation to UK gilts. We remain negative on the outlook for UK government bonds and the sale reflects this view.

In terms of overall positioning we are positive on equities relative to other asset classes. From a geographic perspective we ended the period overweight in 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	100.2	93.63	1.3984
2013	A Income	110.5	103.3	0.4978
2013	B Accumulation	55.10	51.42	0.5437
2013	B Income	134.4	125.4	1.5637
2013	D Accumulation	56.78	53.01	0.7120

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	89.87	99.29
A	Income	101.6	109.0
B	Accumulation	-	54.58
B	Income	121.4	131.6
D	Accumulation	-	56.23

Distributions for the period

Share Class (Income/Accumulation)	Distribution paid / payable	Distribution period	Distribution Date
A Accumulation	1.3984	Final	31/05/2013
A Income	0.4978	Final	31/05/2013
B Accumulation	0.5437	Final	31/05/2013
B Income	1.5637	Final	31/05/2013
D Accumulation	0.7120	Final	31/05/2013
A Income	0.7186	Interim	28/02/2013
A Income	0.5642	Interim	30/11/2012
B Income	1.7868	Interim	30/11/2012
A Income	0.8117	Interim	31/08/2012

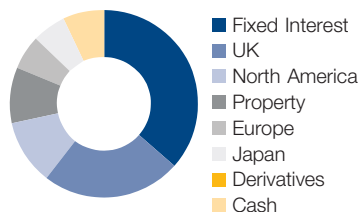
Top Ten Holdings

As at 31 March 2012	%
Fidelity Strategic Bond Fund Inc	7.84
Invesco Sterling Bond Fund A QD Inc	6.59
Brown Advisory American Fund B USD Inc	6.53
Artemis Income Fund Inc	6.33
F&C FTSE All-Share Tracker Fund 4 Inc	5.93
GLG Japan CoreAlpha Fund P Inc	4.84
Baillie Gifford Corporate Bond Fund B Acc	4.49
Schroder UK Alpha Plus Fund A Inc	4.28
Blackrock UK Focus Fund FF Acc	4.24
BlackRock European Dynamic Fund D Acc	4.20
Total	55.27

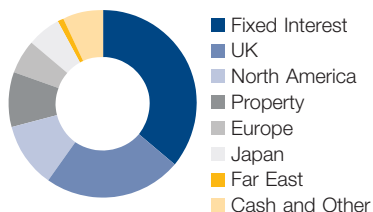
As at 31 March 2013	%
F&C FTSE All-Share Tracker Fund 4 Inc	7.51
Royal London Sterling Credit Fund Z Inc	5.91
SPDR S&P 500 USD	5.37
iShares GBP Corporate Bond 1-5	5.30
Old Mutual Global Strategic Bond Fund P Inc	4.42
Baillie Gifford Corporate Bond Fund B Acc	3.90
Henderson Strategic Bond Fund I Inc	3.83
Fidelity Strategic Bond Fund Inc	3.80
F&C UK Property Fund 2 Inc	3.69
Jupiter Growth & Income Fund Inc	3.68
Total	47.41

Asset Allocation Breakdown

As at 31 March 2012

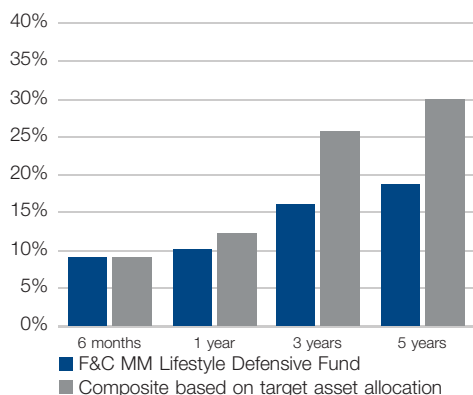


As at 31 March 2013

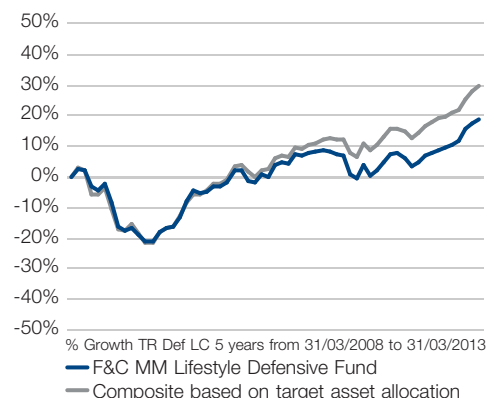


Fund Performance

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
-20.90%	29.29%	5.76%	-0.40%	10.23%

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

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

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Fund Accounting and Unit Pricing

State Street Bank and Trust Company, 525 Ferry Road, Edinburgh, EH5 2AW

Legal Advisers

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The MM Lifestyle Defensive Fund is a sub-fund of the F&C MM Lifestyle Investments 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 Defensive 07/13

