

Period:

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



Fund manager:
Catherine Stanley

Investment Objective

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, and will generally exclude those considered to be involved with harmful products and practices or which trade extensively with oppressive regimes. Securities are chosen with the aim of achieving an above average and increasing income with the prospect of 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	Patrick Newsens
Sector	UK Equity Income
Benchmark	FTSE All-Share Index
Launch date	13 October 1987
Fund size	at 31 May 2012 £250.18m
	at 31 May 2013 £306.73m
	£1,000 lump sum.
Minimum Investments	£50 per month
	3.60% (1 Acc), 4.10% (1 Inc), 0.00% (2 Acc), 3.60% (2 Inc), 3.80% (4 Inc)
Historic Yield	3.80% (4 Inc)
Share type	Accumulation/Income
Number of stocks	228
Initial charge	5.00%
Annual charge	1.50%
	1.62% (1 Acc), 1.60% (1 Inc), 0.90% (2 Acc), 0.85% (2 Inc), 0.05% (4 Inc)
Ongoing charge	0.05% (4 Inc)
Account dates	(interim) 30 November
	(annual) 31 May
Distribution dates	Income 31 July, 31 Jan, 30 April, 31 Oct

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

In the first half of the year BHP Billiton was the largest purchase. This stock was made acceptable under the Fund's ethical criteria and we felt that the company has some of the best quality assets in the UK mining sector. Pharmaceutical company AstraZeneca was also made acceptable in the year. We purchased shares but maintained a neutral exposure as we wished to consider the new CEO's strategy before adding further to the position. We purchased Dairy Crest as, in our view, the disposal of the company's French bread business de-risks the balance sheet and provides greater security to dividends. Specialised technical product supplier Diploma and Associated British Foods were both sold as they no longer offered attractive yields. In the latter half of the year, we reduced the weightings of Aviva and RSA Insurance after disappointing statements and dividend cuts, and as we took the view that their respective recoveries would take a long time. The proceeds were reinvested in Legal & General. On a similar theme, we sold Kingfisher as we were disappointed with the pace of the recovery of its business. We added a number of new positions including Interserve, National Express and Premier Farnell. Notably these are all medium-sized businesses as it remained difficult to find attractive ethical large cap companies with the right income and growth profile. To fund these purchases and to maintain the balance between large and smaller companies, profits were taken in Brewin Dolphin, Hilton Foods and Spectris. We participated in one initial public offering, Esure, as we were impressed by the management and the valuation was attractive.

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	194.5	169.0	4.7109
2013	1 Income	128.6	112.6	2.5132
2013	2 Accumulation	60.63	52.56	1.1780
2013	2 Income	161.5	140.9	3.7883
2013	4 Income	150.2	130.9	3.0477

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	145.5	189.2
1	Income	98.76	123.5
2	Accumulation	-	58.99
2	Income	122.5	154.4
4	Income	113.7	144.1

Distributions for the period

Share Class (Income/Accumulation)	Distribution paid / payable	Distribution period	Distribution Date
1 Accumulation	3.7109	Final	31/07/2013
1 Income	1.6132	Final	31/07/2013
2 Accumulation	0.6109	Final	31/07/2013
2 Income	2.7883	Final	31/07/2013
4 Income	2.0477	Final	31/07/2013
1 Accumulation	1.0000	Interim	30/04/2013
1 Income	0.9000	Interim	30/04/2013
2 Accumulation	0.5671	Interim	30/04/2013
2 Income	1.0000	Interim	30/04/2013
4 Income	1.0000	Interim	30/04/2013
1 Accumulation	1.0000	Interim	31/01/2013
1 Income	1.0000	Interim	31/01/2013
2 Accumulation	-	Interim	31/01/2013
2 Income	0.9000	Interim	31/01/2013
4 Income	1.0000	Interim	31/01/2013
1 Accumulation	1.0000	Interim	31/10/2012
1 Income	1.0000	Interim	31/10/2012
2 Income	0.9000	Interim	31/10/2012
4 Income	1.0000	Interim	31/10/2012

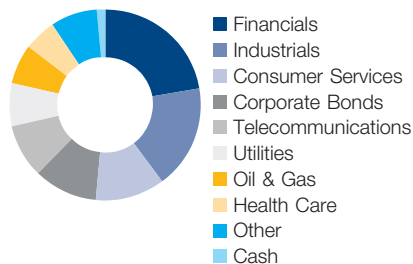
Top Ten Holdings

As at 31 May 2012	%
Vodafone	7.19
HSBC	5.50
BG	4.09
GlaxoSmithKline	3.62
SSE	2.57
National Grid	2.25
United Utilities	1.95
Galliford Try	1.85
Pearson	1.64
Standard Chartered	1.63
Total	32.29

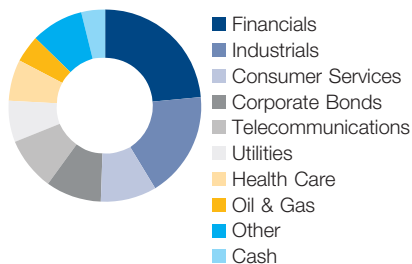
As at 31 May 2013	%
HSBC	7.02
Vodafone	6.27
GlaxoSmithKline	4.16
BG	3.04
SSE	2.45
Legal & General	2.43
Galliford Try	2.26
National Grid	2.21
BHP Billiton	2.20
AstraZeneca	1.96
Total	34.00

Portfolio Breakdown

As at 31 May 2012

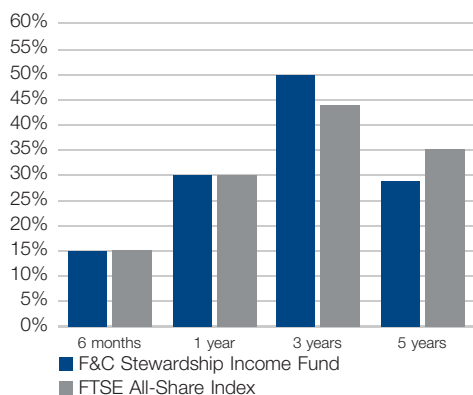


As at 31 May 2013

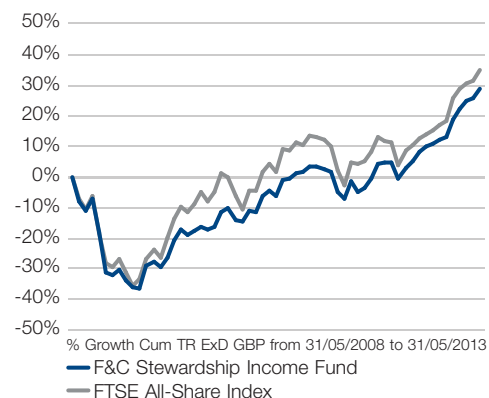


Fund Performance

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
-27.61%	18.83%	20.32%	-4.01%	29.91%

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.

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.

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

Derivative Risk: derivative values rise and fall at a greater rate than equities and debt instruments. Losses can be greater than the initial investment.

Charges from Capital Risk: taking the charges for the capital of the Fund to increase the distributable income may impact on capital returns.

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.

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 Income 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.

Stewardship Income 09/13

