

Period:

For the six months ended 28 February 2013
www.fandc.com



Fund Manager:
Catherine Stanley

Investment Objective

The Fund aims to achieve medium to long-term capital growth through investment primarily in UK smaller companies.

Fund Facts

Lead Fund Manager	Catherine Stanley	
Deputy Fund Manager	Peter Ewins	
Sector	UK Smaller Companies	
Benchmark	Numis Smaller Companies (ex Inv. Cos) TR	
Launch date	4 Feb 1988	
Fund size	at 31 Aug 2012	£74.79m
	at 28 Feb 2013	£90.02m
Minimum Investments	£1,000 lump sum, £50 per month	
Historic Yield	0.50%	
Share type	Accumulation	
Number of stocks	91	
Initial charge	5.00%	
Annual charge	1.50%	
Ongoing charge	1.94%	
Account dates (interim)	28 February	
	(annual)	31 August
Distribution date	31 October	

Market review

The six months to the end of February 2013 saw a continuation of the trends of earlier in 2012 with small cap companies outperforming the FTSE 100 Index, though all parts of the market recorded meaningful rises. Value and recovery stocks outperformed. The annualised economic growth of 1% in the third quarter was the strongest in five years and supported the improvement in risk appetite. However, in the first part of the period, overall positive market sentiment was not fully supported by individual company newsflow, which was mixed. There were a number of profit warnings, reflecting the challenging trading conditions facing many industries. After a very positive first month of the year for equities in general, February saw more muted returns, and in the UK small cap stocks once again took the lead over their large cap counterparts.

Fund activity

During the period we bought building materials supplier Grafton Group as the new management team has a strong track record and is likely to deliver improved trading performance. We also bought Max Property as this was attractively priced and the company has good exposure to the London property market. Enterprise Inns was another purchase; the trading environment is improving for the company. Sells over the period included Kier Group. The outlook for the UK construction market is deteriorating and we felt there was limited scope for performance to improve. We made a number of adjustments late in 2012 to reflect the annual rebasing of the benchmark, starting a new holding in Carphone Warehouse and selling Barratt Developments, Telecty, UBM, Hochschild Mining and Ophir Energy.

Outlook

With the overall small cap market enjoying a very good 2012, value is becoming a little harder to find and part of the activity in the period were switches for better value between different stocks in a sector, notably within the pub companies. We are encouraged by the apparent reopening of the UK IPO market in recent months. This is a sign of broader investor confidence in UK equities.

Summary Fund Performance

Year	Share Class	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2013	1 Accumulation	491.00	458.50	-
2013	2 Accumulation	557.00	519.30	-
2013	3 Accumulation	645.50	565.90	-
2013	4 Accumulation	362.00	337.20	-

Net Asset Value Record

Share Class	Share Type	Net Asset Value as at 31 August 2012 (pence)	Net Asset Value as at 28 February 2013 (pence)
1	Accumulation	404.3	489.1
2	Accumulation	456.4	554.8
3	Accumulation	476.6	641.7
4	Accumulation	295.5	360.6

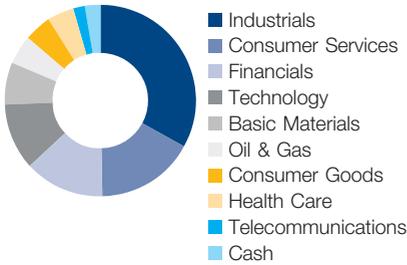
Top Ten Holdings

As at 31 August 2012	%
CLS	3.16
RPC	2.94
Ashtead	2.44
Elementis	2.25
SDL	2.11
Beazley	1.88
Galliford Try	1.84
Brewin Dolphin	1.80
Hill & Smith	1.77
Laird	1.74
Total	21.93

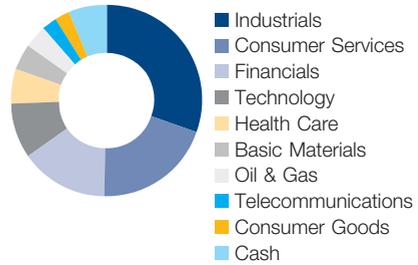
As at 28 February 2013	%
CLS	2.95
Galliford Try	2.04
RPC	2.01
Tyman	1.80
Hill & Smith	1.79
Beazley	1.73
Senior	1.71
Novae	1.70
Laird	1.62
Workspace	1.57
Total	18.92

Portfolio Breakdown

As at 31 August 2012

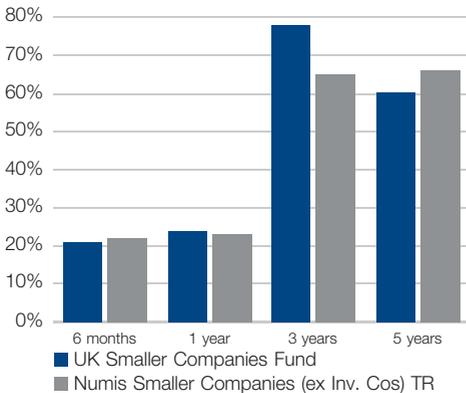


As at 28 February 2013

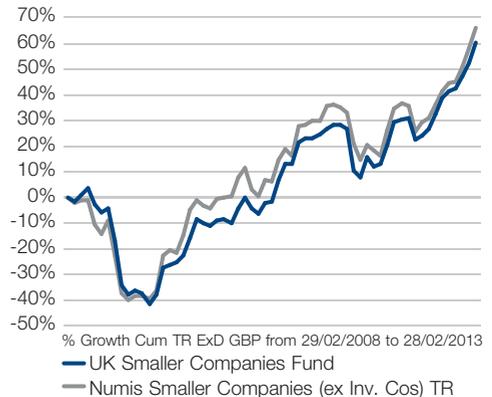


Fund Performance

As at 28 February 2013



As at 28 February 2013



Standardised Performance

29 Feb 2008 to 28 Feb 2009	28 Feb 2009 to 28 Feb 2010	28 Feb 2010 to 28 Feb 2011	28 Feb 2011 to 29 Feb 2012	29 Feb 2012 to 28 Feb 2013
-41.54%	54.02%	37.03%	4.79%	24.02%

Past Performance is not a guide to future performance.

Source: Lipper. Share Class 1 accumulation shares. For past performance data for the full range of F&C Funds visit www.fandc.com

Risk Profile

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 F&C Investment Funds ICVC II, 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

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 UK Smaller Companies Fund is a sub-fund of the F&C Investment Funds ICVC II (IC66). 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 Document is available from www.fandc.com

