

## Period:

For the six months ended 28 February 2013  
[www.fandc.com](http://www.fandc.com)



**Fund Manager:**  
Malika Gulabani

## Investment Objective

The Fund focuses on investing in an international portfolio of interest-bearing securities including those issued or backed by the UK government.

## Fund Facts

Lead Fund Manager	Malika Gulabani
Deputy Fund Manager	Robert Gates
Sector	Global Bonds
Benchmark	JP Morgan Global GBI (ex Japan)
Launch date	27 December 1981
Fund size	at 31 Aug 2012 £717.0m
	at 28 Feb 2013 £701.1m
	£1,000 lump sum,
Minimum Investments	£50 per month
Historic Yield	0.00% (Inc) 0.90% (Acc)
Share type	Accumulation/Income
Number of stocks	86
Initial charge	5.00%
Annual charge	1.00%
Ongoing charge Acc/Dist	0.97% (Acc) 1.68% (Inc)
Account dates (interim)	28 February
(annual)	31 August
Distribution dates Income	30 April, 31 Oct

## Market review

Gilts were out of favour for much of the period as investors focused on riskier assets. Sentiment was eroded by the possibility that rising inflation would lead the Bank of England to rein in its quantitative easing programme. US Treasury yields moved higher into the end of 2012 as uncertainty regarding the looming fiscal cliff hung over the market. Structurally, there were signs that investors were moving assets out of the Treasury market in response to unattractive yields. AAA-rated markets such as Germany struggled to make progress as European finance ministers eased the terms for emergency aid for Greece, thus dampening the demand for safe haven assets. Low yields and fears about a 'bond bubble' also damaged sentiment towards core markets. However, in the final month of the period yields fell for UK, US, German and Japanese benchmark ten-year bonds, caused in part by a drop in market confidence after the inconclusive Italian election result. Conversely, the yield on Italian government debt subsequently rose sharply on the news, as a more decisive result had been expected.

## Fund activity

The Fund started to trade aggressively from the short side, i.e. shortening the Fund's maturity profile. This trade worked into the year end and at the start of 2013. We also began to implement a significant underweight in sterling, favouring US dollars and Australian dollars. These trades were particularly helpful for performance in 2013. In February, we began to become a little concerned about the significant rise that we have seen in risk assets, specifically in credit markets. From the end of February onwards the Fund is trading on a long duration in German government bonds. This means that we have increased our sensitivity to moves in German interest rates. This is quite a large position using the Fund's maximum duration exposure. We also sold US 10-year futures in favour of 10-year German Government bond futures, this trade worked well going into the Italian auction result, and we booked profits on this position.

## Outlook

Global bond markets offer little upside potential given the ultra-low yields that are on offer. However, AAA-rated bonds will continue to find support from the quantitative easing that is currently in place in the US, UK, Japan and the eurozone. Their status as a safe haven from geopolitical uncertainties and recession in the developed economies offers further support. However, their rich valuations leave them vulnerable to a sell-off if there is a rebound in economic growth or inflation accelerates more quickly than expected. Any inking that monetary policy will be tightened earlier than had been anticipated will also damage sentiment towards government bonds.

## Summary Fund Performance

Year	Share Class	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2013	1 Accumulation (Net)	101.5	100.5	0.3603
2013	1 Income (Net)	83.35	82.50	-
2013	2 Accumulation (Gross)	116.4	115.3	1.0345
2013	4 Income (Gross)	84.22	83.42	0.8600

## 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 (Net)	99.95	101.4
1	Income (Net)	82.44	83.14
2	Accumulation (Gross)	114.1	116.4
4	Income (Gross)	82.47	83.33

## Distributions for the period

Share Class (Income/Accumulation)	Distribution paid / payable	Distribution period	Distribution Date
1 Accumulation (Net)	0.3603	Interim	30/04/2012
1 Income (Net)	-	Interim	30/04/2012
2 Accumulation (Gross)	1.0345	Interim	30/04/2012
4 Income (Gross)	0.8600	Interim	30/04/2012

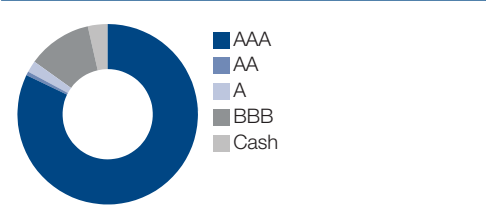
## Top Ten Holdings

As at 31 August 2012	%
US Treasury 2% 2022	9.59
Bundesrepublik Deutschland 4.25% 2014	7.70
US Treasury 5% 2037	7.00
France Government Bond 4.25% 2019	6.66
US Treasury 8% 2021	6.47
US Treasury 4.625% 2016	5.96
Italy Buoni Poliennali Del Tesoro 4.5% 2018	5.89
US Treasury 4.75% 2014	4.53
Bundesrepublik Deutschland 4% 2037	4.35
US Treasury 4.625% 2040	3.77
<b>Total</b>	<b>61.92</b>

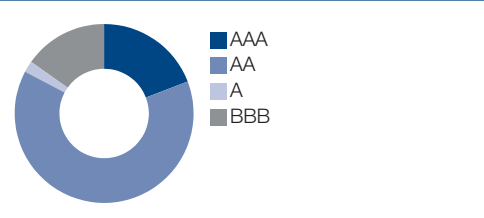
As at 28 February 2013	%
US Treasury 2% 2022	10.11
US Treasury 4.625% 2016	10.04
US Treasury 4.75% 2014	8.90
France Government Bond 4.25% 2019	7.44
Italy Buoni Poliennali Del Tesoro 4.5% 2018	6.93
US Treasury 8% 2021	6.72
UK Treasury 3.75% 2020	5.46
Bundesrepublik Deutschland 4.25% 2014	4.69
UK Treasury 4.75% 2038	4.00
Spain Government Bond 4.85% 2020	3.50
<b>Total</b>	<b>67.79</b>

Portfolio Breakdown

As at 31 August 2012

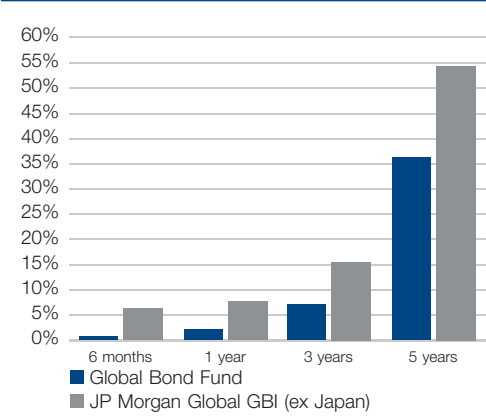


As at 28 February 2013

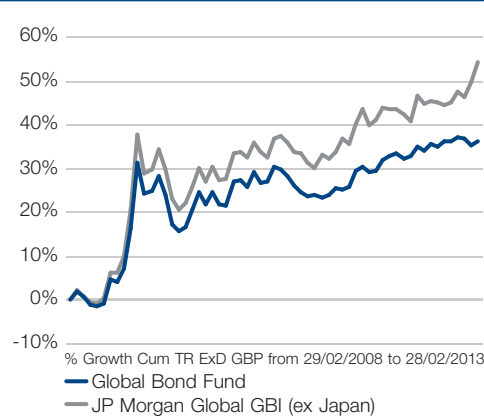


Fund Performance

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
24.86%	1.84%	-2.54%	7.69%	2.15%

Past Performance is not a guide to future performance.  
Source: Lipper. Share Class 1 income shares. For past performance data for the full range of F&C Funds visit [www.fandc.com](http://www.fandc.com)

Risk Profile

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

**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.

## 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](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

F&C Managers Limited, Exchange House, Primrose Street, London EC2A 2NY

### Depository

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

Global Bond 4/13

