

Emerging Markets Fund

Period:

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



Fund Manager:
 Jeff Chowdhry

Investment Objective

The objective of the Fund is to exploit opportunities for capital growth provided by investment in the world's less developed countries. The portfolio will comprise of ordinary shares of companies of those countries and may include investment in funds and schemes which in turn invest in those countries or certificates representing securities in those countries.

Fund Facts

Lead Fund Manager	Jeff Chowdhry	
Deputy Fund Manager	Claire Franklin	
Sector	Global Emerging Markets	
Benchmark	MSCI Emerging Markets Index	
Launch date	22 May 1996	
Fund size	at 31 Aug 2012	£343.8m
	at 28 Feb 2013	£341.6m
Minimum Investments	£1,000 lump sum, £50 per month	
Historic Yield	0.30%	
Share type	Accumulation	
Number of stocks	52	
Initial charge	5.00%	
Annual charge	1.50%	
Ongoing charge	1.82%	
Account dates (interim)	28 Feb	
(annual)	31 Aug	
Distribution date	31 Oct	

Market review

Emerging market equities enjoyed a strong final quarter of 2012, with a confluence of positive news items resulting in positive investor sentiment towards the asset class. Chinese stocks helped drive the market higher as the leadership transition passed smoothly and economic data continued to be supportive. Confidence was also supported by a rebound in bulk commodity markets. However, the start of 2013 saw a weaker performance as emerging market equities lagged the developed markets, led down by Brazil and India. The former continued to face economic challenges as inflation reached an eight-year high during January and the country recorded its biggest ever trade deficit. Although the Indian government unveiled a surprise increase in public spending, this failed to boost markets.

Fund activity

At the start of the reporting period, in response to evidence that growth in the key countries of China, India and Brazil was gradually recovering, we purchased a number of attractively valued economy-sensitive companies including the technology company Mediatek, which produces chips for smart phones and the auto manufacturer Mahindra & Mahindra. Production concerns led us to sell out of our small residual position in the Brazilian oil & gas giant Petrobras. This enabled us to fund the purchase of Petrochina, which benefits from healthy gas reserves. Other sells over the six months included the insurer Ping An, China Mobile, Exxaro, Samsung Engineering and Gazprom. We initiated a new position in the Russian oil company, Lukoil, as well as ICICI bank, and Glenmark in India.

Outlook

We see an improving economic picture in emerging markets over the next year and valuations below their five year average. This makes us positive on the outlook for the asset class in 2013. The main risk relates to fiscal problems and slow growth in the developed world. The portfolio remains positioned in a concentrated list of high conviction, quality companies. Our biggest country positions, as a result of where we are finding the best bottom-up stock ideas currently, are Brazil, China, India and Turkey.

Summary Fund Performance

Year	Share Class	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2013	1 Accumulation	104.0	98.37	-
2013	2 Accumulation	159.9	151.1	-
2013	3 Accumulation	119.6	113.0	-

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	88.29	102.8
2	Accumulation	135.2	158.2
3	Accumulation	100.9	118.3

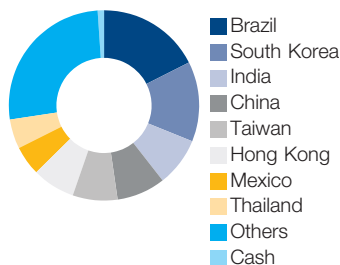
Top Ten Holdings

As at 31 August 2012	%
Samsung Electronics	5.12
Banco Bradesco Preference	4.10
Taiwan Semiconductor Manufacturing	4.09
China Mobile	3.80
Industrial & Commercial Bank of China	3.39
HDFC Bank	2.74
Vale ADR	2.45
Sberbank of Russia ADR	2.40
Hyundai Motor	2.39
Hon Hai Precision Industry	2.38
Total	32.86

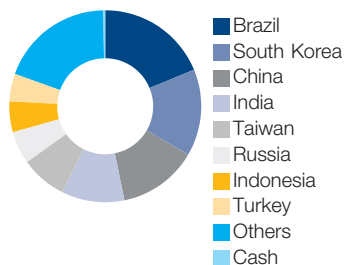
As at 28 February 2013	%
Samsung Electronics	5.86
Industrial & Commercial Bank of China	4.75
Taiwan Semiconductor Manufacturing	4.15
Banco Bradesco Preference	3.92
Vale ADR	2.92
Hyundai Motor	2.90
Ultrapar Participacoes	2.73
PetroChina	2.71
Astra International	2.52
Cia de Bebidas das Americas Preference	2.42
Total	34.88

Portfolio Breakdown

As at 31 August 2012

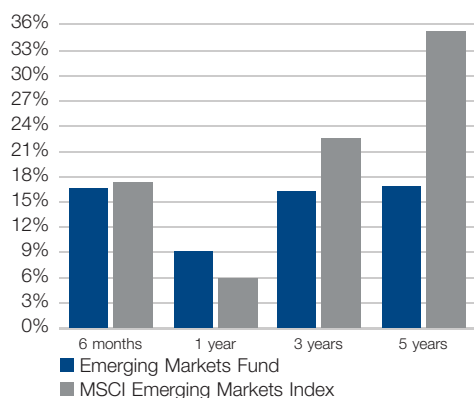


As at 28 February 2013

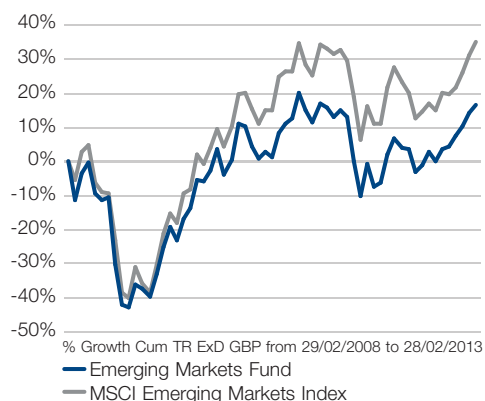


Fund Performance

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
-39.90%	67.18%	11.01%	-4.04%	9.19%

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

Emerging Markets Risk: this Fund invests in emerging markets which are less developed and have additional legal and political risks.

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.

Currency Risk: your investment may be adversely affected by changes in currency exchange rates.

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

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 Emerging Markets 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

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