

Period:

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



Fund Manager:
Ian Robinson

Investment Objective

The Fund focuses on providing a high income through investment primarily in fixed interest securities, while minimising exposure to high levels of credit risk.

Fund Facts

Lead Fund Manager	Ian Robinson	
Deputy Fund Manager	Rebecca Seabrook	
Sector	£ Corporate Bond	
Benchmark	IMA £ Corporate Bond Sector Median	
Launch date	22 Jan 1996	
Fund size	at 31 Aug 2012	£35.99m
	at 28 Feb 2013	£34.84m
	£1,000 lump sum,	
Minimum Investments	£50 per month	
Historic Yield	3.60%	
Share type	Income	
Number of stocks	205	
Initial charge	5.00%	
Annual charge	1.00%	
Ongoing charge	1.14%	
Account dates (interim)	28 February	
	(annual)	31 August
Distribution dates	31 Oct, 31 Jan, 30 Apr, 31 July	

Market review

The final months of 2012 rounded off a strong year for corporate bonds as the voracious appetite for yield continued. There were a number of uncertainties facing markets over this period but concerns over a change in leadership in the US passed as President Obama won a second term and the fiscal cliff crisis was averted at the eleventh hour. This was backed-up by some more positive economic data from the US, while markets shrugged off some weaker data releases from within Europe. The star performers were the more market-sensitive such as subordinated financials and high yield, while issues from the peripheral countries of Europe continued to outperform. The rally has been less pronounced so far in 2013 but corporate bonds still continued to outperform government bonds. This was despite the outcome of the Italian election causing a temporary wobble.

Fund activity

During the last six months, spreads (the difference between the yield on corporate bonds and government bonds) in certain sectors, particularly financials, rallied a long way and so we used the opportunity to reduce some credit exposure including some senior banking issues from RBS, Lloyds, Danske Bank and JPMorgan. Within subordinated financials we sold Delta Lloyd, which we had bought earlier on in the year and had performed particularly well and also sold out of CNP Assurances. One of our favoured sectors, covered bonds, also performed strongly and we reduced a Co-operative issue to lock in some profits. Outside of financials we sought to take advantage of convergence between Glencore and Xstrata bonds during the merger process before taking some profits early this year.

Peripheral risk remains a concern and we used the improved risk appetite to lower the Fund's exposure to bonds that we believed were too vulnerable to negative developments in the eurozone financial crises, such as the Spanish names Iberdrola and Telefonica.

New issuance remained the preferred way of adding to positions across the Fund as it usually comes to market at a discount to existing issues. The focus here was on non-financials with the likes of Rio Tinto, Petrobras, BHP Billiton and Marks & Spencer all issuing at attractive levels. There were also one or two new issuers such as the University of Cambridge.

Outlook

Despite the rally in credit during the second half of 2012, we continue to see value in corporate bonds given the relative strength of credit fundamentals. However, despite our positive view on valuations and the particularly strong technical backdrop, we remain wary of the wider macro environment given economic growth is likely to remain subdued as fiscal tightening and low credit growth continue to weigh on the economies of the western world. While we expect growth to remain challenged, we believe central banks will keep rates at historically low levels helping to keep corporate default rates from rising materially and demand for yield intact.

Summary Fund Performance

Year	Share Class	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2013	1 Income	54.36	53.45	0.8148
2013	C Income	54.99	54.05	1.3393

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	Income	51.76	53.63
C	Income	51.47	53.32

Distributions for the period

Share Class (Income/Accumulation)	Distribution paid / payable	Distribution period	Distribution Date
1 Income	0.4167	Interim	30/04/2013
C Income	1.3393	Interim	30/04/2013
1 Income	0.3981	Interim	31/01/2013
C Income	-	Interim	31/01/2013

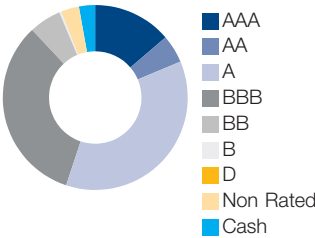
Top Ten Holdings

As at 31 August 2012	%
UK Treasury 4.25% 2039	5.38
ASIF II 5.125% 2013	1.97
Paragon 3.729% 2017	1.86
MBNA Credit Card Master Note Trust 5.45% 2016	1.68
Investec Bank 9.625% 2022	1.53
Premiertel 6.175% 2032	1.23
UK Treasury 4.25% 2027	1.22
QBE Insurance 10% 2014	1.18
Segro 6.75% 2024	1.17
Goldman Sachs 6.125% 2017	1.02
Total	18.24

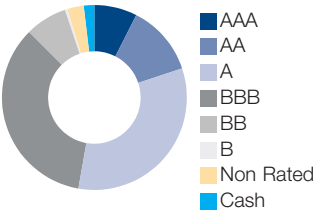
As at 28 February 2013	%
UK Treasury 4.25% 2039	4.47
Paragon 3.729% 2017	2.18
UK Treasury 3.75% 2021	1.80
Investec Bank 9.625% 2022	1.75
Premiertel 6.175% 2032	1.37
Segro 6.75% 2024	1.22
QBE Insurance 10% 2014	1.19
Goldman Sachs 6.125% 2017	1.10
Land Securities Capital Markets 4.875% 2025	1.03
Tesco Property Finance '2' 6.0517% 2039	0.99
Total	17.10

Portfolio Breakdown

As at 31 August 2012

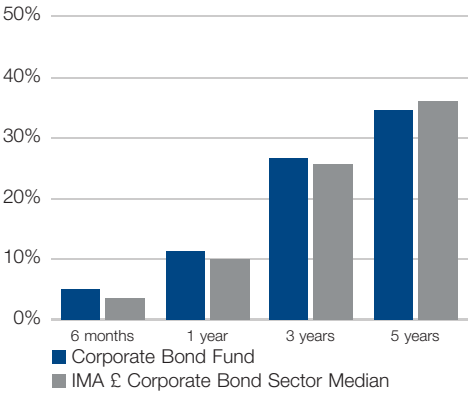


As at 28 February 2013

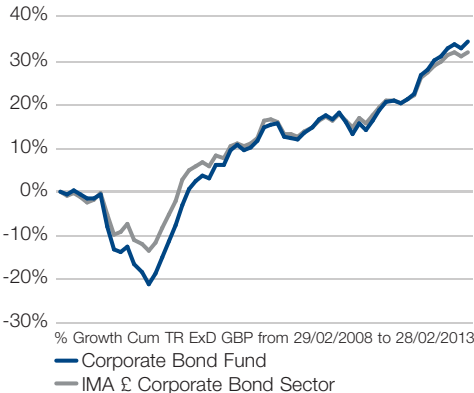


Fund Performance

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
-18.47%	30.25%	6.91%	6.40%	11.40%

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

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

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

Eversheds LLP, One Wood Street, London EC2V 7WS

The F&C Corporate 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

Corporate Bond 04/13

