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28.02.2011

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\* The Authorised Corporate Director's Report comprises those items denoted above along with the Fund Objective, Market Review, Activity, Outlook, Performance Summary, Portfolio Statement and Portfolio Movements of each sub-fund.

# **F&C Investment Funds ICVC II**

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## **Company Information**

F&C Investment Funds ICVC II  
Exchange House  
Primrose Street  
London  
EC2A 2NY

## **Depository**

J.P.Morgan Trustee & Depositary Company Limited  
Chaseside  
Bournemouth  
Dorset  
BH7 7DA

## **Authorised Corporate Director**

F&C Fund Management Limited  
Exchange House  
Primrose Street  
London  
EC2A 2NY

## **Fund Accounting and Unit Pricing**

J.P.Morgan Europe Limited  
3 Lochside View  
Edinburgh Park  
Edinburgh  
EH12 9DH

Telephone: 0800 085 2752  
Facsimile: (0207) 600 4180  
Regulated by the Financial Services Authority

## **Investment Advisor**

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

## **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

## **Legal Advisers**

Eversheds LLP  
One Wood Street  
London  
EC2V 7WS

### **Company Information**

F&C Fund Management Limited, the Authorised Corporate Director (ACD) of the Open-Ended Investment Company (OEIC), is the sole director. The ACD has appointed F&C Managers Limited as the Investment Advisor to the individual sub-funds of the OEIC.

F&C Investment Funds ICVC II is an investment company with variable capital under the Open-Ended Investment Company Regulations 2001 (SI2001/1228). The Company is an umbrella company with 8 individual sub-funds and each of the sub-funds is a UCITS scheme.

### **Financial Statements**

These financial statements are for the period from 1 September 2010 to 28 February 2011.

### **Shareholders**

Shares of the Company have no par value and the share capital of the Company will at all times equal the sum of the net asset value of each of the sub-funds. Shareholders are not liable for the debts of the Company. The assets of each sub-fund are treated as separate from those of every other sub-fund and are invested in accordance with the investment objectives and policy of that sub-fund. However, a sub-fund is not a legal entity and consequently if the assets attributable to any sub-fund were insufficient to meet the liabilities attributable to it, the shortfall might have to be met out of the assets attributable to one or more other sub-funds of the Company.

### **Instrument of Incorporation and Prospectus**

The Company was incorporated and authorised by the Financial Services Authority on 17 March 2000 under registered number IC66. As at 28 February 2011 the OEIC comprised the following sub-funds:

- Corporate Bond Fund
- Emerging Markets Fund
- Ethical Bond Fund
- Global Bond Fund
- Pacific Growth Fund
- UK Growth & Income Fund
- UK Smaller Companies Fund
- US Smaller Companies Fund

Additional sub-funds may be added at the ACD's discretion.

The investment objectives, investment policies and investment activity reports, for each sub fund are included in the financial statements for that Fund.

Copies of the current prospectus, the latest annual report and any subsequent reports are available from the Administrator.

### **Other Information**

The Emerging Markets Fund and UK Smaller Companies Fund offer only Accumulation shares. The Corporate Bond Fund, Ethical Bond Fund and US Smaller Companies Fund offer only Income shares. Pacific Growth Fund, UK Growth & Income Fund and Global Bond Fund offer both Accumulation and Income shares.

### **Certification of Financial Statements by Directors of the Authorised Corporate Director**

This report contains the information required by the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued in October 2010 in the case of annual financial statements and was approved for publication on 30 April 2011.

#### **DIRECTOR**

On behalf of F&C Fund Management Limited  
Authorised Corporate Director  
30/04/11

**Aggregated Statement of Total Return**  
**for the period ended 28 February 2011 (unaudited)**

	28/02/2011 £'000	28/02/2010 £'000
Income		
Net capital gains	11,870	63,048
Revenue	18,499	10,091
Expenses	(3,187)	(2,409)
Finance costs: Interest	(23)	(2)
Net revenue before taxation	15,289	7,680
Taxation	(426)	(258)
Net revenue after taxation	14,863	7,422
Total return before distributions	26,734	70,470
Finance costs: Distributions	(9,614)	(5,401)
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>17,119</b>	<b>65,069</b>

**Aggregated Statement of Change in Net Assets Attributable to Shareholders**  
**for the period ended 28 February 2011 (unaudited)**

	28/02/2011 £'000	28/02/2010 £'000
<b>Opening net assets attributable to shareholders</b>	<b>1,130,269</b>	<b>759,172</b>
Amounts transferred from F&C MPF Fund	-	11,046
Amounts receivable on issue of shares	530,990	129,644
Amounts payable on cancellation of shares	(97,136)	(114,039)
	433,854	15,605
Stamp duty reserve tax	(5)	(12)
Change in net assets attributable to shareholders from investment activities (see above)	17,119	65,069
Retained distributions on accumulation shares	340	327
Unclaimed distributions	4	3
<b>Closing net assets attributable to shareholders</b>	<b>1,581,581</b>	<b>851,210</b>

Section 3.30 of the Statement of Recommended Practice (2010) requires that comparatives are shown for the above statement. As the comparatives should be for the previous interim period, the closing net assets of that period will not agree to the opening net assets of the current period. The published net assets as at 31 August 2010 were £1,130,268,949.

## F&C Investment Funds ICVC II

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### **Aggregated Balance Sheet** **as at 28 February 2011 (unaudited)**

	28/02/2011 £'000	31/08/2010 £'000
<b>ASSETS</b>		
Investment assets	1,521,159	1,087,907
Debtors	28,033	16,857
Cash and bank balances	<u>62,494</u>	<u>61,133</u>
Total other assets	90,527	77,990
Total assets	<u>1,611,686</u>	<u>1,165,897</u>
<b>LIABILITIES</b>		
Investment liabilities	(1,633)	(188)
Creditors	(8,162)	(15,150)
Bank overdrafts	(9,948)	(10,905)
Distribution payable on income shares	<u>(10,362)</u>	<u>(9,385)</u>
Total other liabilities	(28,472)	(35,440)
Total liabilities	<u>(30,105)</u>	<u>(35,628)</u>
<b>Net assets attributable to shareholders</b>	<u><b>1,581,581</b></u>	<u><b>1,130,269</b></u>

### ACCOUNTING POLICIES

The interim financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Management Association (IMA) in October 2010, which supersedes the SORP issued by the IMA in November 2008. As a result of this change there is no longer a requirement to disclose the Portfolio turnover ratio and this has been removed accordingly.

All other accounting policies applied are consistent with those of the annual financial statements for the year ended 31 August 2010 and are described in those financial statements.



## **Authorised Corporate Director's Investment Report** **for the period ended 28 February 2011 (unaudited)**

### **Fund 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.

Assets will be invested in preference shares, corporate and Euro-Sterling bonds, convertible stocks and other fixed interest securities, so as to ensure the Fund qualifies for investment under the PEP and ISA Regulations. This policy is intended to achieve and maintain a high income without exposure to high levels of credit risk. Techniques, instruments and borrowing powers available for efficient portfolio management will be utilised by the fund manager when appropriate.

Fund manager	Ian Robinson
Fund size	£31.9 million
Launch date	26 May 2000
Initial launch date	22 January 1996

### **Market Review**

Returns in fixed income markets were dominated by movements in government bonds during the period under review. Investors became increasingly concerned that accelerating levels of inflation will see interest rates in the major developed economies rise sooner rather than later. Confidence in corporate bonds was also undermined by a virtual collapse of the Irish banking system and fears that the lingering stresses in the eurozone financial system could lead to the breakup of the single currency bloc. The rising yield environment pushed bond prices lower. The sell-off nevertheless proved to be relatively short lived as underlying companies continued to perform well and new bond issuance was met with solid demand. Furthermore, high-yield bonds were snapped up by yield-hungry investors and posted robust returns.

### **Activity**

In response to the higher funding costs caused by banking crisis, many banks have chosen to issue 'covered' bonds. The added security in the form of mortgages reduces the interest rate they need to pay investors. This type of issue has long been popular in Europe but has until recently played only a minor role in the UK market. During the period, we participated in three new covered bond issues - Leeds Building Society, Nationwide and Abbey. Prior to the rise in bond yields, the Fund had relatively little exposure to longer-dated bonds. This has since been increased by buying some long-dated gilts as the yields now appear more commensurate with the economic outlook.

### **Outlook**

Slowly improving economies and the prospect of interest rates remaining low are helping to support the generally benign backdrop for company earnings. We therefore expect default rates on UK corporate debt to stay low during 2011. Banks continue to address the problems that so damaged them during the credit crisis and more stringent regulation will ultimately give bond investors more comfort. There nevertheless remain plenty of stresses within the financial system and the ongoing sovereign debt and banking related issues facing some countries of the eurozone periphery will continue to threaten market sentiment. However, corporate bonds still offer good value on a historical perspective and we expect investors to be rewarded with attractive total returns over the medium term.

### **Performance Summary**

Over the period under review, the F&C Corporate Bond Fund returned -1.3%. By comparison, the IMA £ Corporate Bond sector median return was -1.8%.

**F&C Fund Management Limited**  
**31 March 2011**

## Comparative Table

### Net Asset Value Record

Date	Share Class	Total Net Asset Value (£)	Shares in Issue	Total Net Asset Value per Share (p)
31 August 2008	1 – Income	31,510,139	66,450,820	47.42
31 August 2009	1 – Income	31,576,107	72,367,832	43.63
31 August 2010	1 – Income	31,234,340	62,399,670	50.06
28 February 2011	1 – Income	31,918,516	65,779,928	48.52

All share classes were issued at launch.

### Performance Record

Calendar Year	Share Class	Highest Share Price (p)	Lowest Share Price (p)	Distribution per Share (p)
2006	1 – Income	55.90	52.98	1.8682
2007	1 – Income	53.56	50.30	1.8962
2008	1 – Income	51.54	40.44	2.3301
2009	1 – Income	47.32	36.04	1.8439
2010	1 – Income	51.10	46.68	1.9115
2011*	1 – Income	49.54	48.47	0.4672

\* To 28 February 2011.

Past performance is not necessarily a guide to future performance. The price of shares, and the revenue from them, may go down as well as up.

### Total Expense Ratio

Date	Share Class	Total Expense Ratio (%)
31 August 2010	1 – Income	1.48
28 February 2011	1 – Income	1.48

# Corporate Bond Fund

## Portfolio Statement as at 28 February 2011 (unaudited)

Investment		Nominal Value	Market Value £'000	Total Net Assets %
<b>Australia - 6.06% (31/08/2010 - 5.96%)</b>				
Australia & New Zealand Bank Group 6.54% FRN Perpetual	£	100,000	101	0.32
Goodman Australia Finance 9.75% 2018	£	132,000	153	0.48
Macquarie Bank 1.377% FRN 2016	€	200,000	162	0.51
Macquarie Bank 5.5% 2016	£	150,000	147	0.46
National Australia Bank 7.125% FRN 2023	£	249,000	274	0.86
QBE Insurance Group 10% 2014	£	385,000	444	1.39
SPI (Australia) Assets Private Ltd 5.125% 2021	£	100,000	101	0.32
Stockland Finance 5.625% 2013	£	142,000	148	0.46
Suncorp Institutional Funding 6.25% FRN 2027	£	147,000	134	0.42
Suncorp-Metway 5.125% 2014	£	102,000	104	0.32
Suncorp-Metway 6.625% FRN 2017	£	169,000	166	0.52
			1,934	6.06
<b>Canada - 0.18% (31/08/2010 - 0.19%)</b>				
Xstrata Finance Canada 7.375% 2020	£	50,000	57	0.18
<b>Cayman Islands - 3.88% (31/08/2010 - 3.30%)</b>				
ASIF II 5.125% 2013	£	700,000	712	2.23
BAA Funding 6.45% FRN 2033 'A'	£	108,000	111	0.35
BAA Funding 6.75% 2028	£	53,000	57	0.18
Thames Water Cayman 5.5% 2041	£	153,000	152	0.48
Thames Water Cayman 5.75% FRN 2030	£	50,000	48	0.15
Thames Water Cayman 7.241% 2058	£	138,000	157	0.49
			1,237	3.88
<b>Channel Islands - 0.67% (31/08/2010 - 0.18%)</b>				
BAA Funding 6.25% 2018	£	62,000	62	0.19
Gatwick Funding 6.125% 2028	£	100,000	100	0.31
United Business Media 6.5% 2016	£	50,000	53	0.17
			215	0.67
<b>Denmark - 0.71% (31/08/2010 - 1.26%)</b>				
Carlsberg 7.25% 2016	£	67,000	77	0.24
Finance For Danish Industries 6% 2012	£	150,000	150	0.47
			227	0.71
<b>France - 3.30% (31/08/2010 - 2.28%)</b>				
AXA 6.6862% FRN Perpetual	£	104,000	89	0.28
AXA 6.772% FRN Perpetual	£	69,000	62	0.19
BNP Paribas 5.94% FRN Perpetual	£	50,000	44	0.14
Credit Agricole 7.589% FRN Perpetual	£	150,000	141	0.44
EDF 5.125% 2050	£	150,000	141	0.44
France Telecom 5.375% 2050	£	200,000	197	0.62
Groupama 6.298% FRN Perpetual	€	100,000	63	0.20
Societe Generale 8.875% FRN Perpetual	£	208,000	208	0.65
Veolia Environnement 6.125% 2037	£	100,000	107	0.34
			1,052	3.30
<b>Ireland - 1.33% (31/08/2010 - 2.58%)</b>				
Electricity Supplies 6.5% 2020	£	180,000	176	0.55
General Electric Capital UK Funding 5.875% 2033	£	115,000	115	0.36

## Corporate Bond Fund

Investment		Nominal Value	Market Value £'000	Total Net Assets %
General Electric Capital UK Funding 6.75% 2018	£	100,000	112	0.35
Irish Nationwide Building Society 5.5% FRN 2018	£	200,000	20	0.06
Lambay Capital Securities 6.25% FRN Perpetual	£	225,000	3	0.01
			426	1.33
<b>Italy - 1.96% (31/08/2010 - 1.13%)</b>				
Assicurazioni Generali 6.416% FRN Perpetual	£	100,000	81	0.25
Banca Intesa 5.5% FRN 2016	£	100,000	97	0.30
Intesa Sanpaolo 6.625% 2018	€	100,000	85	0.27
San Paolo-Imi 5.625% 2024	£	150,000	135	0.42
Telecom Italia 5.875% FRN 2023	£	150,000	140	0.44
Unicredito Italiano 5% 2016	£	100,000	88	0.28
			626	1.96
<b>Japan - 0.47% (31/08/2010 - 0.47%)</b>				
Resona Bank 5.986% FRN Perpetual	£	150,000	150	0.47
<b>Luxembourg - 1.94% (31/08/2010 - 2.05%)</b>				
Enel 5.625% 2024	£	139,000	136	0.43
Fiat Finance & Trade 6.625% 2013	€	250,000	222	0.69
Holcim Finance 6.875% 2039	\$	130,000	80	0.25
Unicredit International Bank 8.5925% FRN Perpetual	£	200,000	181	0.57
			619	1.94
<b>Mexico - 0.33% (31/08/2010 - 0.79%)</b>				
America Movil 5.75% 2030	£	103,000	105	0.33
<b>Netherlands - 1.81% (31/08/2010 - 1.94%)</b>				
Aegon 6.625% 2039	£	86,000	84	0.26
Generali Finance 6.214% FRN Perpetual	£	200,000	175	0.55
Monastery 2004-1 'A2' 1.195% FRN 2037	€	207,340	146	0.46
Nomura Europe Finance 5.5% 2017	£	73,000	75	0.23
Rabobank Nederland 5.375% 2060	£	100,000	98	0.31
			578	1.81
<b>Norway - 0.57% (31/08/2010 - 0.61%)</b>				
DnB NOR Bank 7.25% FRN 2020	£	166,000	182	0.57
<b>Spain - 2.17% (31/08/2010 - 1.86%)</b>				
BBVA International Preferred Unipersonal 9.1% FRN Perpetual	£	150,000	144	0.45
Iberdrola 7.375% 2024	£	150,000	167	0.52
Santander 6.5325% FRN 2017	£	250,000	243	0.76
Telefonica Emisiones 5.445% 2029	£	150,000	139	0.44
			693	2.17
<b>Sweden - 0.76% (31/08/2010 - 1.51%)</b>				
Svenska Handelsbanken 5.50% 2016	£	100,000	107	0.34
Swedbank 7.375% FRN 2018	€	150,000	135	0.42
			242	0.76
<b>Switzerland - 1.59% (31/08/2010 - 1.70%)</b>				
Credit Suisse London 6.75% FRN 2023	£	120,000	129	0.40
UBS London 6.375% 2016	£	145,000	158	0.50
UBS London 6.625% 2018	£	200,000	221	0.69
			508	1.59

## Corporate Bond Fund

Investment		Nominal Value	Market Value £'000	Total Net Assets %
<b>United Kingdom - 57.00% (31/08/2010 - 58.66%)</b>				
Abbey National Treasury Services 3.375% 2015	€	90,000	73	0.23
Abbey National Treasury Services 5.75% 2026	£	100,000	102	0.32
Alliance & Leicester 9.675% FRN STEP 2023	£	133,000	151	0.47
Anglian Water (Osprey) Financing 7% 2018	£	100,000	101	0.32
Anglo American Capital 6.875% 2018	£	103,000	115	0.36
Annington Finance (No.4) 6.5676% FRN 2023	£	760,000	811	2.54
Arkle Master Issuer 4.681% 2060	£	144,000	144	0.45
Aviva 6.875% FRN 2058	£	50,000	47	0.15
BAA 7.125% 2017	£	76,000	76	0.24
Barclays Bank 5.3304% FRN Perpetual	£	300,000	210	0.66
Barclays Bank 10.179% 2021	\$	250,000	195	0.61
Barclays Bank 14% FRN Perpetual	£	100,000	128	0.40
B.A.T. International Finance 6% 2034	£	98,000	101	0.32
B.A.T. International Finance 6.375% FRN 2019	£	68,000	75	0.24
BL Superstores Finance 'C1' 1.607% FRN 2030	£	182,836	171	0.54
BP Capital Markets 3.83% 2017	€	50,000	43	0.13
British Telecommunications 6.375% 2037	£	224,000	226	0.71
British Telecommunications 8.75% 2016	£	82,000	98	0.31
Bupa Finance 6.125% FRN STEP Perpetual	£	228,000	196	0.61
Bupa Finance 7.5% 2016	£	251,000	276	0.86
Cattles 7.875% 2014	£	443,000	7	0.02
Central Networks East 5.75% 2040	£	158,000	156	0.49
Channel Link Enterprises Finance Tranche 'A3' 2.296% FRN 2050	£	285,000	251	0.79
Co-operative Bank 5.75% FRN STEP 2024	£	125,000	99	0.31
EDF Energy Networks (EPN) 6.25% 2036	£	77,000	81	0.25
Egg Banking 7.5% FRN Perpetual	£	160,000	149	0.47
Eversholt Funding 5.831% 2020	£	159,000	158	0.50
Eversholt Funding 6.697% 2035	£	100,000	103	0.32
Experian Finance 4.75% 2018	£	100,000	100	0.31
†F&C Commercial Property Finance 5.23% FRN 2017	£	303,000	308	0.96
FCE Bank 5.125% 2015	£	50,000	49	0.15
FCE Bank 9.375% 2014	€	50,000	48	0.15
FirstGroup 6.875% 2024	£	70,000	75	0.23
FirstGroup 8.125% 2018	£	141,000	164	0.51
Friends Provident 12% 2021	£	187,000	236	0.74
G4S 7.75% 2019	£	50,000	56	0.18
Go-Ahead 5.375% 2017	£	61,000	61	0.19
Greene King 1.25% FRN 2021	£	75,576	66	0.21
HBOS 6.305% FRN 2017	£	134,000	127	0.40
HBOS '144A' 6.75% 2018	\$	214,000	125	0.39
HSBC Capital Funding 8.208% Perpetual	£	150,000	158	0.50
HSBC 6% 2040	£	152,000	147	0.46
HSBC 6.375% FRN 2022	£	250,000	260	0.81
Imperial Tobacco Finance 7.75% 2019	£	68,000	80	0.25
Imperial Tobacco Finance 8.125% 2024	£	100,000	122	0.38
ING Bank 6.875% FRN 2023	£	194,000	195	0.61
InterContinental Hotels 6% 2016	£	50,000	52	0.16
Investec Bank 9.625% 2022	£	651,000	646	2.02
Kraft Foods 7.25% 2018	£	138,000	160	0.50
Land Securities Capital Markets 4.875% FRN 2025	£	310,000	302	0.95
Lewis (John) 6.125% 2025	£	126,000	128	0.40
LBG Capital No.1 7.5884% 2020	£	181,000	165	0.52
Legal & General Group 10% FRN 2041	£	169,000	205	0.64
Lend Lease Europe Finance 6.125% 2021	£	110,000	103	0.32

## Corporate Bond Fund

Investment		Nominal Value	Market Value £'000	Total Net Assets %
Lloyds TSB Bank 6% 2030	£	100,000	101	0.32
Lloyds TSB Bank 6.5% SRN 2040	£	324,000	304	0.95
Lloyds TSB Bank 6.9625% FRN 2020	£	200,000	197	0.62
Lloyds TSB Bank 7.625% 2025	£	72,000	70	0.22
London & Quadran Housing 5.5% 2040	£	88,000	89	0.28
Man Group 1.95% FRN 2015	\$	550,000	276	0.86
Mitchells & Butlers 5.965% 2025	£	211,271	223	0.70
Motability Operations Group 5.25% 2016	£	127,000	135	0.42
Motability Operations Group 5.625% 2030	£	100,000	100	0.31
National Express Group 6.25% 2017	£	83,000	86	0.27
National Express Group 6.625% 2020	£	74,000	76	0.24
Nationwide Building Society 1.24% FRN 2016	€	210,000	168	0.53
Nationwide Building Society 5.625% 2026	£	100,000	104	0.33
Nationwide Building Society 6.25% 2020	\$	208,000	132	0.41
Nationwide Building Society 6.25% FRN Perpetual	£	293,000	222	0.70
Old Mutual 6.376% FRN Perpetual	£	201,000	159	0.50
Old Mutual 7.125% 2016	£	134,000	145	0.45
Paragon Group of Companies 7% 2017	£	893,000	733	2.30
Pearl 6.5864% FRN Perpetual	£	202,300	125	0.39
Pearson Dollar Finance Two 6.25% 2018	\$	243,000	166	0.52
Permanent 4.805% 2042	£	172,000	175	0.55
Phoenix Natural Gas Finance 5.5% 2017	£	161,000	164	0.51
Picts 5.218% 2039	£	99,998	83	0.26
Premiertel 'B' 6.175% 2032	£	549,285	443	1.39
Provident Financial 8% 2019	£	260,000	252	0.79
Punch Taverns Finance 6.82% 2020	£	192,000	189	0.59
RL Finance 6.125% STEP Perpetual	£	200,000	157	0.49
Royal Bank of Scotland 5.375% 2019	€	127,000	105	0.33
Royal Bank of Scotland 6.625% 2018	£	210,000	217	0.68
Royal Bank of Scotland 7.5% 2024	£	125,000	133	0.42
RSA Insurance Group 6.701% FRN Perpetual	£	137,000	124	0.39
RSA Insurance Group 8.5% FRN STEP Perpetual	£	167,000	176	0.55
Scottish Amicable Finance 8.5% Perpetual	£	75,000	76	0.24
Segro 6.75% 2024	£	350,000	365	1.14
Silverstone 5.063% 2055	£	121,000	124	0.39
Society of Lloyd's 6.875% FRN 2025	£	180,000	185	0.58
Society of Lloyd's 7.421% FRN Perpetual	£	139,000	127	0.40
South East Water (Finance) 5.6577% 2019	£	278,000	286	0.90
Southern Gas Network 1.065% FRN 2015	£	100,000	96	0.30
Stagecoach Group 5.75% 2016	£	50,000	51	0.16
Standard Chartered Bank 7.75% 2018	£	100,000	114	0.36
Tesco Property Finance '2' 6.0517% 2039	£	308,115	323	1.01
Tesco Property Finance '3' 7.6227% 2039	£	108,712	133	0.42
Treasury 4.25% 2039	£	750,000	735	2.30
Treasury 4.25% 2055	£	133,000	132	0.41
Treasury 4.5% 2042	£	381,000	390	1.22
Virgin Media Secured Finance 5.5% 2021	£	219,000	216	0.68
Virgin Media Secured Finance 7% 2018	£	136,000	147	0.46
Wales & West Utilities Finance 6.25% 2021	£	114,000	126	0.39
Zurich Finance (UK) 6.625% FRN Perpetual	£	261,000	259	0.81
			18,195	57.00
<b>United States of America - 11.24% (31/08/2010 - 11.84%)</b>				
Altria 9.95% 2038	\$	215,000	185	0.58
BA Credit Card 5.45% 2016	£	993,000	981	3.07
BAC Capital Trust 5.25% 2035	£	150,000	113	0.35

## Corporate Bond Fund

Investment		Nominal Value	Market Value £'000	Total Net Assets %
Bank of America 4.75% FRN 2019	€	294,000	234	0.73
Bank of America 6.125% 2021	£	100,000	101	0.32
Citigroup 5.5% 2015	£	110,000	115	0.36
Citigroup 6.8% 2038	£	85,000	92	0.29
Citigroup 7.375% 2019	€	89,000	87	0.27
Citigroup 7.625% 2018	£	82,000	93	0.29
Dish DBS 7.875% 2019	\$	225,000	150	0.47
General Electric Capital 5.5% FRN 2066	£	159,000	148	0.46
General Electric Capital 6.5% FRN 2067	£	100,000	97	0.30
Goldman Sachs Group 6.125% 2017	£	335,000	357	1.12
Merrill Lynch & Co 7.75% 2018	£	250,000	279	0.87
Morgan Stanley 5.375% 2020	€	50,000	42	0.13
SLM 3.125% 2012	€	150,000	123	0.39
Verizon Wireless Capital 8.875% 2018	£	142,000	181	0.57
Wal-Mart Stores 5.625% 2034	£	50,000	53	0.17
*Washington Mutual Bank 5.5% 2019	£	50,000	-	-
Wells Fargo Capital 7.7% FRN Perpetual	\$	250,000	159	0.50
			<u>3,590</u>	<u>11.24</u>
<b>Forward currency contracts - (0.04%) (31/08/2010 - (0.09%))</b>				
Sell \$2,385,244 & Buy £1,468,520			(1)	-
Sell €2,056,950 & Buy £1,738,337			(14)	(0.04)
			<u>(15)</u>	<u>(0.04)</u>
<b>Investment assets (including investment liabilities)</b>			<u><b>30,621</b></u>	<u><b>95.93</b></u>
<b>Net other assets</b>			<u><b>1,298</b></u>	<u><b>4.07</b></u>
<b>Total net assets</b>			<u><b>31,919</b></u>	<u><b>100.00</b></u>

All investments are approved securities as defined in the Collective Investment Schemes sourcebook unless otherwise stated.

The comparative percentage figures in brackets are as at 31 August 2010.

As at 31 December 2010, 90.7% of the debt securities were rated as investment grade, 6.1% were rated as non-investment grade and 3.2% were unrated.

† This holding is deemed to be an investment in a related party of the ACD.

\* Delisted security.

£ = Sterling

€ = Euro

\$ = US Dollar

**Portfolio Movements**  
**for the period ended 28 February 2011 (unaudited)**

<b>Purchases</b>	<b>Cost £'000</b>
Treasury 4.5% 2042	902
Treasury 4.25% 2039	737
Investec Bank 9.625% 2022	652
Lloyds TSB Bank 6.5% SRN 2040	320
Treasury 4.75% 2020	318
Virgin Media Secured Finance 5.5% 2021	217
France Telecom 5.375% 2050	196
Banco Popolare Societa Cooperativa 6% 2020	172
Leeds Building Society 4.875% 2020	161
Eversholt Funding 5.831% 2020	159
Other purchases	2,999
<b>Total for the period</b>	<b>6,833</b>

<b>Sales</b>	<b>Proceeds £'000</b>
Investec 7.75% 2016	652
Sherwood Castle 5% 2012	550
Canary Wharf Finance II A1 6.455% 2033	495
Treasury 4.75% 2020	493
Treasury 4.5% 2042	491
Permanent Financing No.3 5A FRN 2042	400
Nationwide Building Society 5.875% 2015	291
Skandinaviska Enskilda Banken 6.625% 2014	219
FCE Bank 7.875% 2011	200
Finance for Danish Industries 6% 2012	172
Other sales	1,890
<b>Total for the period</b>	<b>5,853</b>



## Corporate Bond Fund

### Statement of Total Return

for the period ended 28 February 2011 (unaudited)

	28/02/2011 £'000	28/02/2010 £'000
Income		
Net capital losses	(1,017)	2,484
Revenue	979	1,016
Expenses	(218)	(230)
Finance costs: Interest	(1)	(1)
Net revenue before taxation	760	785
Taxation	-	-
Net revenue after taxation	760	785
Total return before distributions	(257)	3,269
Finance costs: Distributions	(760)	(785)
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>(1,017)</b>	<b>2,484</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the period ended 28 February 2011 (unaudited)

	28/02/2011 £'000	28/02/2010 £'000
<b>Opening net assets attributable to shareholders</b>	<b>31,234</b>	<b>31,576</b>
Amounts receivable on issue of shares	4,118	859
Amounts payable on cancellation of shares	(2,417)	(4,549)
	1,701	(3,690)
Change in net assets attributable to shareholders from investment activities (see above)	(1,017)	2,484
Unclaimed distributions	1	-
<b>Closing net assets attributable to shareholders</b>	<b>31,919</b>	<b>30,370</b>

Section 3.30 of the Statement of Recommended Practice (2010) requires that comparatives are shown for the above statement. As the comparatives should be for the previous interim period, the closing net assets of that period will not agree to the opening net assets of the current period. The published net assets as at 31 August 2010 were £31,234,340.

**Balance Sheet**  
**as at 28 February 2011 (unaudited)**

	28/02/2011 £'000	31/08/2010 £'000
<b>ASSETS</b>		
Investment assets	30,636	30,707
Debtors	2,776	802
Cash and bank balances	<u>337</u>	<u>760</u>
Total other assets	3,113	1,562
Total assets	<u>33,749</u>	<u>32,269</u>
<b>LIABILITIES</b>		
Investment liabilities	(15)	(28)
Creditors	(1,212)	(314)
Bank overdrafts	(296)	(391)
Distribution payable on income shares	<u>(307)</u>	<u>(302)</u>
Total other liabilities	(1,815)	(1,007)
Total liabilities	<u>(1,830)</u>	<u>(1,035)</u>
<b>Net assets attributable to shareholders</b>	<u><u>31,919</u></u>	<u><u>31,234</u></u>

## **Authorised Corporate Director's Investment Report** **for the period ended 28 February 2011 (unaudited)**

### **Fund 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 manager	Jeff Chowdhry
Fund size	£391.9 million
Launch date	26 May 2000
Initial launch date	22 May 1996

### **Market Review**

Emerging markets made gains during the period under review as investors continued to be attracted by rates of economic growth well in excess of the more developed regions. Indeed, the pace of expansion was rapid enough to prompt a series of interest rate hikes in China, Brazil and India. However, worries about overheating economies, together with fears that rising commodity prices could fuel inflation, caused emerging markets to lag the global average over the course of the period. While the larger emerging markets generally struggled, Russia posted strong gains as signs of sustainable economic recovery and a sharp rise in the price of crude oil boosted confidence towards this resources-dominated market. The other side of this coin was Asia, where the soaring cost of oil imports led investors to shun some economically sensitive companies. The biggest losers were Egypt and Turkey as civil unrest in the Middle East and North Africa caused a sell off at the end of the review period.

### **Activity**

During the six months under review, an area of focus for the Fund was the export-driven markets of north Asia. A purchase playing into the exporting theme was Largan Precision of Taiwan, the dominant camera-lens maker for smart phones. Elsewhere in Asia we bought Cathay Financial, a stock which we felt would be a beneficiary of rising US bond yields. In Russia we added Mail.Ru, an internet company with a stake in Facebook. Other additions included the South African mining stock AngloGold, on expectations that the rand would stop appreciating, and Reliance Industries of India, as we saw improvements in its oil refining business and a better outlook for petrochemicals. We sold the Indian financial HDFC on concerns about liquidity tightening and took profits from Colombia's state oil company Ecopetrol after the stock's strong rise.

### **Outlook**

The continuing recovery of the developed economies will help sustain the momentum of growth in the emerging regions. Markets in north Asia, which are biased towards exports, are more highly geared into this recovery and we currently favour Korea, where shares are currently cheap. Elsewhere, we are positive on another inexpensive market, Russia. In Latin America, we are less convinced that the new administration in Brazil will be able to introduce credible measures to tackle fiscal spending and its strong currency. Shares nevertheless remain well priced and we continue to be optimistic that the market will deliver attractive returns in the medium term. The main risks for emerging markets are rising inflation, further eurozone sovereign debt crises and escalating tension in the Middle East.

### **Performance Summary**

Over the period under review the Fund returned 10.0%. By comparison, the MSCI Emerging Markets Index rose by 8.7%.

**F&C Fund Management Limited**  
**31 March 2011**

## Comparative Table

### Net Asset Value Record

Date	Share Class	Total Net Asset Value (£)	Shares in Issue	Total Net Asset Value per Share (p)
31 August 2008	1 – Accumulation	4,330,148	5,525,981	78.36
	3 – Accumulation	39,198,625	45,752,808	85.67
31 August 2009	1 – Accumulation	11,219,747	14,796,777	75.83
	2 – Accumulation	33,038,573	29,262,626	112.9
	3 – Accumulation	34,047,588	40,696,072	83.66
31 August 2010	1 – Accumulation	11,601,823	13,023,203	89.09
	2 – Accumulation	62,813,156	46,926,626	133.9
	3 – Accumulation	40,245,504	40,469,619	99.45
28 February 2011	1 – Accumulation	11,616,976	11,838,337	98.13
	2 – Accumulation	338,239,262	228,400,234	148.1
	3 – Accumulation	41,995,653	38,120,214	110.2

All share classes were issued at launch except for share class 2 Accumulation which was launched on 26 June 2009.

### Performance Record

Calendar Year	Share Class	Highest Share Price (p)	Lowest Share Price (p)	Distribution per Share (p)
2006	1 – Accumulation	66.83	50.18	0.1575
	3 – Accumulation	71.94	53.95	0.5659
2007	1 – Accumulation	95.16	62.12	0.1568
	3 – Accumulation	103.2	66.97	0.6867
2008	1 – Accumulation	93.81	42.73	0.0050
	3 – Accumulation	102.0	46.82	0.8471
2009	1 – Accumulation	92.44	51.06	0.7531
	2 – Accumulation*	138.1	95.68	0.3458
	3 – Accumulation	102.4	56.09	1.4481
2010	1 – Accumulation	105.9	83.31	-
	2 – Accumulation	159.6	124.5	1.2014
	3 – Accumulation	118.7	92.40	1.1410
2011**	1 – Accumulation	107.7	96.93	-
	2 – Accumulation	162.3	146.3	-
	3 – Accumulation	120.7	108.8	-

\* Share class 2 Accumulation launched on 26 June 2009.

\*\* To 28 February 2011.

Past performance is not necessarily a guide to future performance. The price of shares, and the revenue from them, may go down as well as up.

### Total Expense Ratio

Date	Share Class	Total Expense Ratio (%)
31 August 2010	1 – Accumulation	1.74
	2 – Accumulation	0.84
	3 – Accumulation	0.59
28 February 2011	1 – Accumulation	1.74
	2 – Accumulation	0.84
	3 – Accumulation	0.59

# Emerging Markets Fund

## Portfolio Statement as at 28 February 2011 (unaudited)

Investment	Holding	Market Value £'000	Total Net Assets %
<b>Bermuda - 0.00% (31/08/2010 - 3.59%)</b>			
<b>Brazil - 15.60% (31/08/2010 - 17.21%)</b>			
Banco Bradesco Preference	1,347,800	15,629	3.99
Banco Bradesco Preference (Receipts December 2010)	18,478	215	0.06
BR Malls Participacoes	961,800	5,578	1.42
Perdigao	740,900	7,853	2.00
Petrobras ADS	848,012	21,104	5.39
Vale ADR Preference	583,800	10,753	2.74
		61,132	15.60
<b>British Virgin Islands - 0.98% (31/08/2010 - 0.00%)</b>			
Mail.Ru GDR	172,582	3,827	0.98
<b>China - 8.77% (31/08/2010 - 5.66%)</b>			
China Construction Bank 'H'	29,630,232	15,910	4.06
China Petroleum & Chemical 'H'	13,380,000	8,369	2.14
Ping An Insurance 'H'	1,597,500	10,093	2.57
		34,372	8.77
<b>Columbia - 0.00% (31/08/2010 - 2.74%)</b>			
<b>Egypt - 0.00% (31/08/2010 - 1.20%)</b>			
<b>Hong Kong - 6.14% (31/08/2010 - 10.27%)</b>			
China Merchants International	2,705,924	6,986	1.79
China Resources Enterprise	3,018,000	6,826	1.74
CNOOC	7,342,000	10,230	2.61
		24,042	6.14
<b>Hungary - 2.38% (31/08/2010 - 0.00%)</b>			
MOL Hungarian Oil & Gas	61,906	4,682	1.20
OTP Bank	255,852	4,636	1.18
		9,318	2.38
<b>India - 7.19% (31/08/2010 - 11.49%)</b>			
Bank of Baroda	77,668	967	0.25
Infosys Technologies ADR	266,800	11,067	2.82
ITC	3,011,205	6,943	1.77
Reliance Industries	704,001	9,212	2.35
		28,189	7.19
<b>Indonesia - 2.45% (31/08/2010 - 5.66%)</b>			
Perusahaan Gas Negara	13,466,000	3,316	0.85
Tambang Batubara Bukit Asam 'B'	4,487,500	6,270	1.60
		9,586	2.45
<b>Luxembourg - 1.94% (31/08/2010 - 0.98%)</b>			
Evraz Group GDR	162,400	3,882	0.99
Ternium ADR	169,200	3,729	0.95
		7,611	1.94

## Emerging Markets Fund

Investment	Holding	Market Value £'000	Total Net Assets %
<b>Malaysia - 1.67% (31/08/2010 - 3.61%)</b>			
Sime Darby	3,607,500	6,527	1.67
<b>Mexico - 5.04% (31/08/2010 - 4.37%)</b>			
America Movil ADR	338,128	11,712	2.99
Wal-Mart de Mexico 'V'	4,515,000	8,041	2.05
		19,753	5.04
<b>Netherlands - 1.08% (31/08/2010 - 1.50%)</b>			
X5 Retail Group GDR	175,050	4,234	1.08
<b>Nigeria - 0.00% (31/08/2010 - 0.56%)</b>			
<b>Peru - 0.00% (31/08/2010 - 2.28%)</b>			
<b>Russia - 4.13% (31/08/2010 - 3.36%)</b>			
Gazprom ADR	894,400	16,203	4.13
<b>South Africa - 5.91% (31/08/2010 - 4.26%)</b>			
Anglogold Ashanti	313,855	9,293	2.37
FirstRand	4,489,435	7,636	1.95
Impala Platinum	347,115	6,247	1.59
		23,176	5.91
<b>South Korea - 13.80% (31/08/2010 - 7.37%)</b>			
Hyundai Motor	97,950	9,533	2.43
Hyundai Steel	68,547	4,853	1.24
Korea Exchange Bank	1,230,870	6,138	1.57
LG	126,559	5,370	1.37
Samsung Electronics	31,949	16,124	4.12
Samsung Heavy Industries	298,210	5,935	1.51
SK Innovation	63,973	6,104	1.56
		54,057	13.80
<b>Taiwan - 10.09% (31/08/2010 - 3.93%)</b>			
Cathay Financial	4,659,000	4,577	1.17
Hon Hai Precision Industry	3,249,000	7,341	1.87
Largan Precision	402,000	6,758	1.72
Powertech Technology	2,084,000	4,449	1.14
Taiwan Fertilizer	2,357,000	4,504	1.15
Taiwan Semiconductor Manufacturing ADS	1,574,100	11,917	3.04
		39,546	10.09
<b>Thailand - 3.84% (31/08/2010 - 0.00%)</b>			
Bangkok Bank (Alien Market)	1,462,800	4,815	1.23
PTT (Alien Market)	1,506,500	10,220	2.61
		15,035	3.84
<b>Turkey - 0.00% (31/08/2010 - 2.44%)</b>			

## Emerging Markets Fund

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Investment	Holding	Market Value £'000	Total Net Assets %
<b>United Kingdom - 2.47% (31/08/2010 - 1.78%)</b>			
Deutsche Bank (Sberbank) Warrants 2018	4,482,147	9,691	2.47
<b>Investment asset</b>		<b>366,299</b>	<b>93.48</b>
<b>Net other assets</b>		<b>25,553</b>	<b>6.52</b>
<b>Total net assets</b>		<b>391,852</b>	<b>100.00</b>

All investments are approved securities as defined in the Collective Investment Schemes sourcebook unless otherwise stated.

The comparative percentage figures in brackets are as at 31 August 2010.

**Portfolio Movements**  
**for the period ended 28 February 2011 (unaudited)**

<b>Purchases</b>	<b>Cost £'000</b>
China Construction Bank 'H'	17,587
Banco Bradesco Preference	17,476
Petrobras ADS	16,378
Vale ADR Preference	16,153
Samsung Electronics	14,131
Taiwan Semiconductor Manufacturing ADS	13,621
America Movil ADR	11,964
Ping An Insurance 'H'	10,776
Reliance Industries	10,387
Infosys Technologies ADR	10,066
Other purchases	337,951
<b>Total for the period</b>	<b>476,490</b>

<b>Sales</b>	<b>Proceeds £'000</b>
Companhia de Bebidas das Americas Preference	11,989
Housing Development Finance	10,117
Malayan Banking	9,901
Vale ADR Preference	9,232
Bajaj Auto	8,981
Imperial	8,785
Wistron	8,643
Southern Copper	7,601
Minas Buenaventura ADR	7,547
China Shenhua Energy 'H'	7,390
Other sales	137,374
<b>Total for the period</b>	<b>227,560</b>



## Emerging Markets Fund

### Statement of Total Return

for the period ended 28 February 2011 (unaudited)

	28/02/2011 £'000	28/02/2010 £'000
Income		
Net capital gains	7,114	13,376
Revenue	2,264	465
Expenses	(1,189)	(379)
Finance costs: Interest	(8)	-
Net revenue before taxation	1,067	86
Taxation	(192)	(30)
Net revenue after taxation	875	56
Total return before distributions	7,989	13,432
Finance costs: Distributions	638	14
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>8,627</b>	<b>13,446</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the period ended 28 February 2011 (unaudited)

	28/02/2011 £'000	28/02/2010 £'000
<b>Opening net assets attributable to shareholders</b>	<b>114,660</b>	<b>78,306</b>
Amounts receivable on issue of shares	275,023	29,908
Amounts payable on cancellation of shares	(6,458)	(8,823)
	268,565	21,085
Change in net assets attributable to shareholders from investment activities (see above)	8,627	13,446
<b>Closing net assets attributable to shareholders</b>	<b>391,852</b>	<b>112,837</b>

Section 3.30 of the Statement of Recommended Practice (2010) requires that comparatives are shown for the above statement. As the comparatives should be for the previous interim period, the closing net assets of that period will not agree to the opening net assets of the current period. The published net assets as at 31 August 2010 were £114,660,483.

**Balance Sheet**  
**as at 28 February 2011 (unaudited)**

	28/02/2011 £'000	31/08/2010 £'000
<b>ASSETS</b>		
Investment assets	366,299	108,078
Debtors	10,533	86
Cash and bank balances	<u>18,546</u>	<u>7,577</u>
Total other assets	29,079	7,663
Total assets	<u>395,378</u>	<u>115,741</u>
<b>LIABILITIES</b>		
Creditors	(2,327)	(118)
Bank overdrafts	<u>(1,199)</u>	<u>(963)</u>
Total liabilities	(3,526)	(1,081)
<b>Net assets attributable to shareholders</b>	<u><b>391,852</b></u>	<u><b>114,660</b></u>

## **Authorised Corporate Director's Investment Report** **for the period ended 28 February 2011 (unaudited)**

### **Fund Objective**

The Fund aims to maximise returns through investment primarily in fixed interest securities of an ethically screened and diversified list of companies. The Fund may also invest in warrants, collective investment schemes, money market instruments and derivatives.

Fund manager	Rebecca Seabrook
Fund size	£143.4 million
Launch date	1 October 2007

### **Market Review**

Returns in fixed income markets were dominated by movements in government bonds during the period under review. Investors became increasingly concerned that accelerating levels of inflation will see interest rates in the major developed economies rise sooner rather than later. Confidence in corporate bonds was also undermined by a virtual collapse of the Irish banking system and fears that the lingering stresses in the eurozone financial system could lead to the breakup of the single currency bloc. The rising yield environment pushed bond prices lower. The sell-off nevertheless proved to be relatively short lived as underlying companies continued to perform well and new bond issuance was met with solid demand. Furthermore, high-yield bonds were snapped up by yield-hungry investors and posted robust returns.

### **Activity**

We participated in several of the relatively few new issues that came to the market over the course of the review period. These included Motability and BG Energy. In response to the higher funding costs caused by banking crisis, many banks have chosen to issue 'covered' bonds. The added security in the form of mortgages reduces the interest rate they need to pay investors. This type of issue has long been popular in Europe but has until recently played only a minor role in the UK market. During the period, we participated in one such issue, Leeds Building Society. Cash flows that were received into the Fund were invested in bonds from Friends Provident and two securitised train rolling stock deals from Great Rolling Stock and Porterbrook. We also extended the maturity of part of our position in Lloyds TSB. Sales included Virgin Media, which had performed well since we bought it in June.

### **Outlook**

Slowly improving economies and the prospect of interest rates remaining low are helping to support the generally benign backdrop for company earnings. We therefore expect default rates on UK corporate debt to stay low during 2011. Banks continue to address the problems that so damaged them during the credit crisis and more stringent regulation will ultimately give bond investors more comfort. There nevertheless remain plenty of stresses within the financial system and the ongoing sovereign debt and banking related issues facing some countries of the eurozone periphery will continue to threaten market sentiment. However, corporate bonds still offer good value on a historical perspective and we expect investors to be rewarded with attractive total returns over the medium term.

### **Performance Summary**

Over the period under review the F&C Ethical Bond Fund returned -2.5%. By comparison the Markit iBoxx Sterling Non Gilts Overall Index returned -2.2%.

**F&C Fund Management Limited**  
**31 March 2011**

## **Comparative Table**

### **Net Asset Value Record**

<b>Date</b>	<b>Share Class</b>	<b>Total Net Asset Value (£)</b>	<b>Shares in Issue</b>	<b>Total Net Asset Value per Share (p)</b>
31 August 2008	1 – Income (Net)	36,659,470	37,466,381	97.85
	2 – Income (Gross)	44,549,662	45,538,161	97.83
31 August 2009	1 – Income (Net)	47,725,996	47,900,750	99.64
	2 – Income (Gross)	81,414,242	81,705,729	99.64
31 August 2010	1 – Income (Net)	54,411,945	50,675,787	107.4
	2 – Income (Gross)	78,087,876	72,693,545	107.4
28 February 2011	1 – Income (Net)	54,459,125	52,915,981	102.9
	2 – Income (Gross)	88,896,069	86,346,305	103.0

All share classes were issued at launch.

### **Performance Record**

<b>Calendar Year</b>	<b>Share Class</b>	<b>Highest Share Price (p)</b>	<b>Lowest Share Price (p)</b>	<b>Distribution per Share (p)</b>
2007 *	1 – Income (Net)	102.1	100.0	-
	2 – Income (Gross)	102.5	100.0	-
2008	1 – Income (Net)	102.9	91.45	3.4712
	2 – Income (Gross)	103.3	91.70	4.7872
2009	1 – Income (Net)	102.9	89.24	3.6128
	2 – Income (Gross)	103.2	89.31	5.0169
2010	1 – Income (Net)	109.9	100.7	3.5876
	2 – Income (Gross)	110.7	100.8	5.0184
2011 **	1 – Income (Net)	105.3	103.6	1.8808
	2 – Income (Gross)	106.1	104.3	2.6322

\* From launch on 1 October 2007.

\*\* To 28 February 2011.

**Past performance is not necessarily a guide to future performance. The price of shares, and the revenue from them, may go down as well as up.**

### **Total Expense Ratio**

<b>Date</b>	<b>Share Class</b>	<b>Total Expense Ratio (%)</b>
31 August 2010	1 – Income (Net)	1.07
	2 – Income (Gross)	0.55
28 February 2011	1 – Income (Net)	1.07
	2 – Income (Gross)	0.55

# Ethical Bond Fund

## Portfolio Statement

as at 28 February 2011 (unaudited)

Investment		Nominal Value	Market Value £'000	Total Net Assets %
<b>Supranational Banks - 6.65% (31/08/2010 - 3.98%)</b>				
European Bank for Reconstruction & Development 5.625% 2028	£	1,064,000	1,196	0.84
European Investment Bank 4.75% 2018	£	1,223,000	1,300	0.91
European Investment Bank 6% 2028	£	4,500,000	5,263	3.67
European Investment Bank 8.75% 2017	£	1,365,000	1,769	1.23
			<b>9,528</b>	<b>6.65</b>
<b>Corporate Bonds - 92.46% (31/08/2010 - 95.23%)</b>				
Affinity Sutton 5.981% 2038	£	1,100,000	1,197	0.83
Amlin 6.5% 2026	£	800,000	730	0.51
Anglian Water (Osprey) Financing 7% 2018	£	293,000	295	0.21
Anglian Water Services Financing 5.837% 2022	£	1,550,000	1,634	1.14
Annington Finance (No.4) 6.5676% 2023	£	1,180,000	1,259	0.88
Australia & New Zealand Banking Group 4.75% 2018	£	600,000	608	0.42
Australia & New Zealand Banking Group 6.54% FRN Perpetual	£	800,000	808	0.56
Aviva 6.125% Perpetual	£	1,290,000	1,056	0.74
AXA 6.772% Perpetual	£	1,969,000	1,757	1.23
BAC Capital Trust 5.25% 2035	£	1,000,000	755	0.53
Bank Nederlandse Gemeenten 5.375% 2021	£	500,000	542	0.38
Bank Nederlandse Gemeenten 5.75% 2019	£	1,100,000	1,232	0.86
Bank of America 6.125% 2021	£	300,000	304	0.21
Bank of America 7% 2028	£	1,350,000	1,427	1.00
Bank of Scotland 6.035% FRN 2017	£	786,000	747	0.52
Bank of Scotland FRN Perpetual	£	100,000	84	0.06
BG Energy Capital 5.125% 2025	£	765,000	758	0.53
Broadgate Financing 4.949% 2031	£	952,871	963	0.67
Bupa Finance 7.5% 2016	£	1,050,000	1,155	0.81
Canary Wharf Finance II 1st Mortgage Debenture 5.952% 2037	£	940,000	999	0.70
Cattles 7.875% FRN 2014	£	864,000	13	0.01
Circle Anglia 7.25% 2038	£	743,000	937	0.65
Citigroup 5.125% 2018	£	800,000	751	0.52
Citigroup 6.8% 2038	£	176,000	191	0.13
Citigroup 7.625% 2018	£	1,183,000	1,345	0.94
Co-operative Bank 5.125% 2017	£	246,000	232	0.16
Co-operative Bank 5.875% 2013	£	923,000	958	0.67
Coventry Building Society 5.875% 2022	£	507,000	484	0.34
Coventry Building Society 6% 2019	£	758,000	756	0.53
Credit Suisse Group Finance 6.875% Perpetual	£	1,025,000	1,070	0.75
Credit Suisse London 6.75% FRN 2023	£	1,229,000	1,316	0.92
Danske Bank 4% 2015	£	610,000	614	0.43
Danske Bank 5.563% FRN Perpetual	£	1,500,000	1,298	0.91
Dignity Finance 6.31% 2023	£	300,965	336	0.23
DnB NOR Bank 6.17% FRN 2018	£	961,000	1,002	0.70
East Japan Railway 4.75% 2031	£	1,000,000	943	0.66
Equity Release Funding (No.3) 'A2' 5.05% FRN 2033	£	850,000	810	0.57
Experian Finance 4.75% 2018	£	309,000	309	0.22
Experian Finance 4.75% 2020	€	413,000	359	0.25
Federal National Mortgage Association 5.375% 2028	£	875,000	928	0.65
FirstGroup 8.125% 2018	£	811,000	941	0.66
Friends Provident 12% 2021	£	1,083,000	1,366	0.95
Go-Ahead 5.375% 2017	£	1,015,000	1,022	0.71
Great Rolling Stock 6.25% 2020	£	1,000,000	1,018	0.71
Guinness Northern Counties 9.125% 2025	£	1,000,000	1,334	0.93

<b>Investment</b>		<b>Nominal Value</b>	<b>Market Value £'000</b>	<b>Total Net Assets %</b>
Hammerson 6.875% 2020	£	860,000	935	0.65
Haven Funding 8.125% 2037	£	640,000	849	0.59
Holcim Finance 6% 2019	\$	250,000	162	0.11
HSBC 5.75% 2027	£	971,000	913	0.64
HSBC 6.375% FRN 2022	£	850,000	883	0.62
HSBC 6.5% 2024	£	532,000	583	0.41
HSBC 7% 2038	£	500,000	542	0.38
HSBC Capital Funding 5.844% FRN Perpetual	£	1,130,000	944	0.66
Hyde Housing Association 5.125% 2040	£	716,000	694	0.48
ING Bank 6.875% 2023	£	1,957,000	1,968	1.37
InterContinental Hotels 6% 2016	£	873,000	905	0.63
Juturna (European Loan Conduit No.16) 5.0636% 2033	£	686,153	679	0.47
Kingfisher 5.625% 2014	£	1,000,000	1,063	0.74
KPN 5.75% 2029	£	915,000	922	0.64
Kreditanstalt fur Wiederaufbau 6% 2028	£	850,000	1,011	0.71
Lafarge 6.875% 2012	£	1,050,000	1,105	0.77
Land Securities Capital Markets 4.875% 2019	£	836,000	866	0.60
LBG Capital No.1 7.5884% 2020	£	1,000,000	910	0.63
LBG Capital No.1 11.04% 2020	£	490,000	533	0.37
Leeds Building Society 4.875% 2021	£	690,000	670	0.47
Legal & General Group 10% FRN 2041	£	285,000	346	0.24
Legal & General Group 5.875% Perpetual	£	1,250,000	1,109	0.77
Lewis (John) 6.125% 2025	£	1,184,000	1,201	0.84
Lloyds Banking Group 6% 2030	£	370,000	372	0.26
Lloyds TSB Bank 6.5% FRN 2040	£	400,000	375	0.26
Lloyds TSB Bank 6.9625% FRN 2020	£	887,000	874	0.61
Lloyds TSB Bank 7.625% 2025	£	485,000	473	0.33
London Stock Exchange Group 9.125% 2019	£	436,000	536	0.37
Longstone Finance 4.896% 2036	£	865,000	778	0.54
Man Group FRN 2015	\$	1,400,000	702	0.49
Marks & Spencer Group 5.625% 2014	£	1,430,000	1,498	1.04
Motability Operations Group 5.25% 2016	£	1,032,000	1,097	0.77
Motability Operations Group 5.625% 2030	£	234,000	234	0.16
Munich Re Finance 7.625% 2028	£	565,000	626	0.44
National Australia Bank 5.125% 2021	£	346,000	344	0.24
National Australia Bank 7.125% 2023	£	1,128,000	1,239	0.86
National Express Group 6.25% FRN 2017	£	993,000	1,034	0.72
National Grid Electricity 6.5% 2028	£	2,281,000	2,591	1.81
Nationwide Building Society 4.65% 2015	\$	1,170,000	728	0.51
Nationwide Building Society 5.625% 2026	£	366,000	379	0.26
Network Rail Infrastructure 4.75% 2035	£	1,550,000	1,571	1.10
New York Life Funding 4.5% 2013	£	1,550,000	1,605	1.12
Nordea Bank Finland 6.25% FRN Perpetual	£	1,500,000	1,504	1.05
Northern Ireland Electricity 6.875% 2018	£	1,000,000	1,130	0.79
Northumbrian Water Finance 6% FRN 2017	£	1,100,000	1,208	0.84
Notting Hill Housing Trust 5.25% 2042	£	337,000	331	0.23
Pacific Quay Finance 5.5653% 2034	£	497,558	517	0.36
PepsiCo 7.9% 2018	\$	178,000	139	0.10
Permanent 4.805% FRN 2042	£	816,000	828	0.58
Porterbrook Rail Finance 7.125% 2026	£	1,000,000	1,071	0.75
Provident Financial 8% 2019	£	850,000	822	0.57
QBE Insurance Group 6.125% 2015	£	1,272,000	1,336	0.93
Rabobank Capital Funding 5.556% Perpetual	£	2,202,000	1,989	1.39
Reseau Ferre de France 5.5% 2021	£	1,150,000	1,260	0.88
Royal Bank of Scotland 5.375% 2019	€	538,000	445	0.31
Royal Bank of Scotland 6.625% 2018	£	450,000	464	0.32

## Ethical Bond Fund

Investment		Nominal Value	Market Value £'000	Total Net Assets %
Royal Bank of Scotland 6.934% 2018	€	785,000	644	0.45
Royal Bank of Scotland 7.5% 2024	£	560,000	595	0.42
RSA Insurance Group 9.375% 2039	£	725,000	849	0.59
Safeway 6% 2017	£	953,000	1,043	0.73
Sanctuary Housing 8.375% 2031	£	800,000	1,073	0.75
Scottish & Southern Energy 5.75% 2014	£	500,000	536	0.37
Scottish & Southern Energy 5.875% 2022	£	1,085,000	1,161	0.81
Scottish & Southern Energy 6.25% 2038	£	196,000	213	0.15
Scottish & Southern Energy 8.375% 2028	£	219,000	290	0.20
Scottish & Southern Energy Sterling Perpetual	£	450,000	437	0.30
Segro 6% 2019	£	972,000	977	0.68
Segro 6.75% FRN 2021	£	170,000	179	0.12
Severn Trent Water Utilities Finance 6% 2018	£	566,000	615	0.43
Severn Trent Water Utilities Finance 6.125% 2024	£	950,000	1,028	0.72
Silk Road Finance FRN 2052	£	615,125	615	0.43
Silverstone 5.063% 2055	£	1,066,000	1,096	0.76
Silverstone FRN 2055	£	350,000	351	0.24
Skandinaviska Enskilda Banken 6.625% 2014	£	900,000	987	0.69
SLM Student Loan Trust 5.15% 2039	£	200,000	191	0.13
SLM Student Loan Trust 5.45% 2013	£	1,100,000	1,081	0.75
Southern Gas Network 5.125% 2018	£	491,000	500	0.35
Southern Gas Network 6.375% 2040	£	1,069,000	1,173	0.82
Southern Water Services Finance 6.192% 2029	£	1,400,000	1,516	1.06
Stagecoach Group 5.75% 2016	£	1,048,000	1,075	0.75
Standard Chartered Bank 3.625% 2015	€	300,000	257	0.18
Standard Chartered Bank 7.75% 2018	£	800,000	915	0.64
Standard Life Mutual Assurance Capital 6.546% Perpetual	£	930,000	809	0.56
StatoilHydro 6.125% 2028	£	745,000	838	0.58
StatoilHydro 6.875% 2031	£	504,000	608	0.42
Suncorp-Metway 5.125% 2014	£	944,000	959	0.67
Svenska Handelsbanken 5.50% 2016	£	1,300,000	1,387	0.97
T.H.F.C. 5.125% 2037	£	1,200,000	1,153	0.80
TCNZ Finance 5.625% 2018	£	630,000	645	0.45
TCNZ Finance 5.75% 2020	£	650,000	656	0.46
Telefonica Emisiones 5.445% 2029	£	400,000	371	0.26
Telefonica Emisiones 5.888% 2014	£	1,100,000	1,159	0.81
Tesco 5% 2023	£	659,000	647	0.45
Tesco 6.125% 2022	£	500,000	537	0.37
Tesco Property Finance '1' 7.6227% 2039	£	227,307	278	0.19
Tesco Property Finance '2' 6.0517% 2039	£	648,818	680	0.47
Tesco Property Finance '3' 5.744% 2040	£	320,768	323	0.23
Tesco Property Finance '4' 5.8006% 2040	£	537,000	541	0.38
Thames Water Cayman 5.5% 2041	£	743,000	738	0.52
Thames Water Cayman 5.75% 2030	£	328,000	316	0.22
Toyota Motor Credit 4% 2017	£	1,123,000	1,131	0.79
United Utilities Water 5.625% 2027	£	1,050,000	1,080	0.75
Virgin Media Secured Finance 5.5% 2021	£	1,060,000	1,047	0.73
Vodafone Group 5.625% 2025	£	1,361,000	1,414	0.99
Vodafone Group 8.125% 2018	£	503,000	615	0.43
Westfield Europe Finance 5.5% 2017	£	1,180,000	1,221	0.85
Westpac Banking 5% 2019	£	854,000	853	0.60
Yorkshire Building Society 13.5% 2025	£	372,500	421	0.29
Yorkshire Building Society 5.649% FRN Perpetual	£	1,075,000	771	0.54
Yorkshire Water Services Finance 6% 2019	£	609,000	662	0.46
Yorkshire Water Services Odsal Financial 6.5876% 2023	£	1,328,000	1,501	1.05
Zurich Finance (UK) 6.625% Perpetual	£	1,266,000	1,258	0.88
			132,552	92.46

<b>Investment</b>	<b>Nominal Value</b>	<b>Market Value £'000</b>	<b>Total Net Assets %</b>
<b>Forward currency contracts - (0.01)% (31/08/2008 - (0.03)%)</b>			
Buy £1,751,690 & Sell €2,072,751		(14)	(0.01)
Buy £1,755,982 & Sell \$2,852,153		(2)	-
		<u>(16)</u>	<u>(0.01)</u>
<b>Investment assets (including investment liabilities)</b>		<u><b>142,064</b></u>	<u><b>99.10</b></u>
<b>Net other assets</b>		<u><b>1,291</b></u>	<u><b>0.90</b></u>
<b>Total net assets</b>		<u><b>143,355</b></u>	<u><b>100.00</b></u>

All investments are approved securities as defined in the Collective Investment Schemes sourcebook unless otherwise stated.

The comparative percentage figures in brackets are as at 31 August 2010.

As at 28 February 2011, 94.7% of the debt securities were rated as investment grade, 3.0% were rated as non-investment grade and 2.3% were unrated.

£ = Sterling

€ = Euro

\$ = US Dollar



## Ethical Bond Fund

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### **Portfolio Movements** **for the period ended 28 February 2011 (unaudited)**

<b>Purchases</b>	<b>Cost £'000</b>
European Investment Bank 6% 2028	5,356
Silverstone 5.063% 2055	1,133
Toyota Motor Credit 4% 2017	1,121
National Grid Electricity 6.5% 2028	1,095
Porterbrook Rail Finance 7.125% 2026	1,080
Virgin Media Secured Finance 5.5% 2021	1,050
Great Rolling Stock 6.25% 2020	1,020
KPN 5.75% 2029	986
BAC Capital Trust 5.25% 2035	774
BG Energy Capital 5.125% 2025	756
Other purchases	7,834
<b>Total for the period</b>	<b>22,205</b>

<b>Sales</b>	<b>Proceeds £'000</b>
KFW 5.55% 2021	898
Clydesdale Bank 3.375% 2011	863
Virgin Media Secured Finance 7% 2018	736
European Investment Bank 8.75% FRN 2017	679
DnB NOR Bank 4.875% FRN Perpetual	565
PepsiCo 7.9% 2018	538
Land Securities Capital Markets A2 5.292% 2015	479
Lloyds Banking Group 6.375% 2014	422
Bank of America 8.125% Perpetual	358
Countrywide Financial 5.125% 2011	137
Other sales	116
<b>Total for the period</b>	<b>5,791</b>

**Statement of Total Return**  
**for the period ended 28 February 2011 (unaudited)**

	28/02/2011 £'000	28/02/2010 £'000
Income		
Net capital (losses)/gains	(5,661)	752
Revenue	3,798	3,766
Expenses	(514)	(513)
Finance costs: Interest	-	-
Net revenue before taxation	3,284	3,253
Taxation	-	-
Net revenue after taxation	3,284	3,253
Total return before distributions	(2,377)	4,005
Finance costs: Distributions	(3,284)	(3,253)
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>(5,661)</b>	<b>752</b>

**Statement of Change in Net Assets Attributable to Shareholders**  
**for the period ended 28 February 2011 (unaudited)**

	28/02/2011 £'000	28/02/2010 £'000
<b>Opening net assets attributable to shareholders</b>	<b>132,500</b>	<b>129,140</b>
Amounts receivable on issue of shares	27,526	24,698
Amounts payable on cancellation of shares	(11,010)	(5,196)
	16,516	19,502
Change in net assets attributable to shareholders from investment activities (see above)	(5,661)	752
<b>Closing net assets attributable to shareholders</b>	<b>143,355</b>	<b>149,394</b>

Section 3.30 of the Statement of Recommended Practice (2010) requires that comparatives are shown for the above statement. As the comparatives should be for the previous interim period, the closing net assets of that period will not agree to the opening net assets of the current period. The published net assets as at 31 August 2010 were £132,499,821.

## Ethical Bond Fund

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### **Balance Sheet**

**as at 28 February 2011 (unaudited)**

	28/02/2011 £'000	31/08/2010 £'000
<b>ASSETS</b>		
Investment assets	142,080	131,445
Debtors	4,418	3,489
Cash and bank balances	<u>1,892</u>	<u>977</u>
Total other assets	6,310	4,466
Total assets	<u>148,390</u>	<u>135,911</u>
<b>LIABILITIES</b>		
Investment liabilities	(16)	(36)
Creditors	(1,385)	(347)
Bank overdrafts	(366)	(207)
Distribution payable on income shares	<u>(3,268)</u>	<u>(2,821)</u>
Total other liabilities	(5,019)	(3,375)
Total liabilities	<u>(5,035)</u>	<u>(3,411)</u>
<b>Net assets attributable to shareholders</b>	<b><u>143,355</u></b>	<b><u>132,500</u></b>

**Authorised Corporate Director's Investment Report**  
**for the period ended 28 February 2011 (unaudited)****Fund Objective**

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

Fund manager	Paul Grice
Fund size	£487.9 million
Launch date	20 August 2003
Initial launch date	27 December 1981

**Market Review**

Global government bond markets fell in value over the six month review period as expectations grew that interest rates would need to be raised more aggressively than forecast to combat accelerating inflation. Further drags on the market were the extension of tax cuts in the US and the unwinding of positions in long-dated issues that had been accumulated ahead of the announcement of a second round of quantitative easing in November. Consequently, bond yields rose from record lows. However, the pick-up in yields of the 'safe haven' markets of the US, the UK and Germany was tempered by an escalation of the sovereign debt crisis in the eurozone and a virtual collapse of the banking system in Ireland. Credit markets remained quite volatile on worries stemming from the problems in the eurozone and the implications of regulatory reform.

**Activity**

We continued to favour UK over US and eurozone bonds as we felt the government was taking the steps necessary to place the country's finances on a sounder footing. Within the dollar bloc of the portfolio we increased our allocation to Australian issues believing them to be attractively valued following a period of underperformance relative to US and Canadian bonds. In Europe, we reduced risk by moving our exposure back towards neutral. Outside the core eurozone states we avoided Spain and Italy as sovereign risk concerns re-emerged. We saw value, however, in Belgian issues. The market had been trading at attractive levels as a result of Belgium's deficit, a fact that overlooked its sounder financial footing relative to other heavily indebted nations. Our modest exposure to credit remained concentrated in bank debt as we felt that the majority of the banks will be better capitalised, regulated and managed relative to the pre-financial crisis years.

**Outlook**

We have muted expectations for global government bonds in the short to medium term. While latest \$600 billion tranche of quantitative easing in the US should support shorter-dated government bonds, longer-dated yields are likely to move higher as inflationary pressures build. Our cautious stance on government issues is underscored by the prospect of yields climbing rapidly once the expected recovery of US housing and car sales in 2011 ultimately prompts the authorities to unwind quantitative easing.

**Performance Summary**

Over the period under review, the Global Bond Fund returned -5.1% (net of fees). By comparison, the JP Morgan Global Government Bond Index (ex Japan) returned -5.0%.

**F&C Fund Management Limited**  
**31 March 2011**

### Comparative Table

#### Net Asset Value Record

Date	Share Class	Total Net Asset Value (£)	Shares in Issue	Total Net Asset Value per Share (p)
31 August 2008	1 – Income (Net)	3,487,287	5,320,172	65.55
	1 – Accumulation (Net)	1,032,193	1,375,524	75.04
	4 – Income (Gross)	38,393,663	58,640,761	65.47
31 August 2009	1 – Income (Net)	4,550,352	6,107,867	74.50
	1 – Accumulation (Net)	3,519,826	4,040,937	87.10
	4 – Income (Gross)	53,158,908	71,393,062	74.46
31 August 2010	1 – Income (Net)	5,091,625	6,361,820	80.03
	1 – Accumulation (Net)	3,259,982	3,433,154	94.96
	2 – Accumulation (Gross)	8,617,643	8,133,086	106.0
	4 – Income (Gross)	393,194,022	491,281,851	80.03
28 February 2011	1 – Income (Net)	3,636,578	4,793,683	75.86
	1 – Accumulation (Net)	2,973,528	3,285,134	90.51
	2 – Accumulation (Gross)	6,268,902	6,165,722	101.7
	4 – Income (Gross)	475,068,942	626,378,088	75.84

All share classes were issued at launch except for share class 2 Accumulation (Gross), which was launched on 22 February 2010.

## Performance Record

Calendar Year	Share Class	Highest Share Price (p)	Lowest Share Price (p)	Distribution per Share (p)
2006	1 – Income	63.75	58.64	1.1034
	1 – Accumulation	68.39	63.67	1.4587
	2 – Income	64.15	58.94	1.9248
	2 – Accumulation*	53.16	46.62	-
	3 – Income	63.72	42.60	1.3639
	4 – Income	64.09	58.86	2.1338
2007	1 – Income (Net)	60.71	55.95	1.0314
	1 – Accumulation (Net)	68.00	61.97	1.3789
	2 – Income (Gross)	60.03	31.45	2.2140
	3 – Income (Net)**	40.60	11.79	-
	4 – Income (Gross)	61.11	56.37	2.4589
2008	1 – Income (Net)	83.41	61.12	1.2229
	1 – Accumulation (Net)	95.68	68.47	1.6797
	2 – Income (Gross)***	30.77	8.24	-
	4 – Income (Gross)	84.03	61.53	2.7593
2009	1 – Income (Net)	82.53	70.77	1.1804
	1 – Accumulation (Net)	94.66	82.10	1.8480
	4 – Income (Gross)	83.14	71.19	2.8942
2010	1 – Income (Net)	81.43	74.84	0.5618
	1 – Accumulation (Net)	96.12	87.80	1.3354
	2 – Accumulation (Gross)*	106.9	100.0	1.3838
	4 – Income (Gross)	81.86	75.56	2.4515
2011 ****	1 – Income (Net)	76.75	75.33	0.1890
	1 – Accumulation (Net)	91.35	89.75	0.6447
	2 – Accumulation (Gross)	102.4	100.7	1.2619
	4 – Income (Gross)	77.40	76.15	1.0647

\* Share Class 2 Accumulation closed on 1 June 2006 and re-opened on 22 February 2010.

\*\* Share Class 3 Income closed on 2 March 2007.

\*\*\* Share Class 2 Income closed on 25 February 2008.

\*\*\*\* To 28 February 2011.

**Past performance is not necessarily a guide to future performance. The price of shares, and the revenue from them, may go down as well as up.**

## Total Expense Ratio

Date	Share Class	Total Expense Ratio (%)
31 August 2010	1 – Income (Net)	2.23
	1 – Accumulation (Net)	1.22
	2 – Accumulation (Gross)*	0.30
	4 – Income (Gross)	0.04
28 February 2011	1 – Income (Net)	2.23
	1 – Accumulation (Net)	1.22
	2 – Accumulation (Gross)	0.30
	4 – Income (Gross)	0.04

\* The Total Expense Ratio (TER) has been annualised to take into account the shortened period.

# Global Bond Fund

## Portfolio Statement as at 28 February 2011 (unaudited)

Investment		Nominal Value	Market Value £'000	Total Net Assets %
<b>Australian Dollar - 4.09% (31/08/2010 - 4.71%)</b>				
Australia 5.75% 2021	AUD	20,000,000	12,739	2.61
Australia 6.25% 2015	AUD	10,000,000	6,490	1.33
Queensland Treasury 6% 2017	AUD	1,150,000	732	0.15
			19,961	4.09
<b>Canadian Dollar - 2.67% (31/08/2010 - 3.19%)</b>				
Canada 4% 2017	CAD	19,412,000	13,006	2.67
<b>Danish Krone - 0.53% (31/08/2010 - 0.64%)</b>				
Denmark 5% 2013	DKK	20,972,000	2,589	0.53
<b>Euro - 30.50% (31/08/2010 - 30.62%)</b>				
Abbey National Treasury Services 3.375% 2015	€	552,000	449	0.09
ABN Amro Bank 2.75% 2013	€	1,500,000	1,263	0.26
Anglo American Capital 5.875% 2015	€	118,000	111	0.02
Arran Residential Mortgages F10-1 FRN May 2047	€	1,650,000	1,404	0.29
Bank of America 4.625% 2017	€	2,250,000	1,888	0.39
Bank of America 4.75% FRN 2019	€	479,000	381	0.08
Barclays Bank 4.25% 2011	€	900,000	781	0.16
Barclays Bank 6% 2021	€	950,000	796	0.16
Belgium 3.75% 2015	€	20,000,000	17,260	3.54
Belgium 3.75% 2020	€	30,000,000	24,704	5.06
British Telecom 5.25% 2013	€	190,000	170	0.03
Channel Link Enterprises Finance Tranche 'A4' FRN 2050	€	376,000	290	0.06
Citigroup 4% 2015	€	1,540,000	1,299	0.27
Citigroup 7.375% 2014	€	328,000	309	0.06
Citigroup 7.375% 2019	€	368,000	358	0.07
Enel 5% 2022	€	1,000,000	870	0.18
ENI 5.875% 2014	€	250,000	230	0.05
France 4.25% 2019	€	15,252,180	13,889	2.85
General Electric 5.5% FRN 2067	€	100,000	79	0.02
Germany 3.5% 2016	€	325,000	292	0.06
Germany 3.75% 2017	€	470,000	426	0.09
Germany 4% 2037	€	29,581,000	26,574	5.45
Germany 4.25% 2014	€	221,000	201	0.04
Groupama 6.298% FRN Perpetual	€	200,000	127	0.03
Imperial Tobacco Finance 5% 2012	€	400,000	352	0.07
Italy 4.5% 2018	€	17,954,000	15,484	3.17
Italy 5% 2012	€	9,345,000	8,182	1.68
Italy 5% 2025	€	14,000,000	11,728	2.40
Lloyds TSB Bank 3.75% 2011	€	575,000	498	0.10
Lloyds TSB Bank 6.25% 2014	€	80,000	72	0.02
Macquarie Bank 6% 2020	€	1,500,000	1,202	0.25
Mexico 4.25% 2017	€	1,668,000	1,414	0.29
Monastery 2004-1 'A2' FRN 2037	€	1,036,702	729	0.15
Morgan Stanley 5.375% 2020	€	450,000	377	0.08
Nationwide Building Society 6.75% 2020	€	1,000,000	833	0.17
Royal Bank of Scotland 3.75% 2011	€	775,000	671	0.14
Royal Bank of Scotland 4.875% 2015	€	1,500,000	1,291	0.26
Royal Bank of Scotland 5.375% 2019	€	334,000	276	0.06
Santander Issuances 5.435% FRN 2017	€	50,000	41	0.01
Societe Generale 7.756% FRN Perpetual	€	350,000	298	0.06

Investment		Nominal Value	Market Value £'000	Total Net Assets %
Societe Generale FRN 2013	€	2,100,000	1,807	0.37
Spain 3% 2015	€	4,000,000	3,263	0.67
Standard Chartered 3.625% 2015	€	1,450,000	1,240	0.25
Swedbank 7.375% FRN 2018	€	300,000	271	0.06
Telefonica Emision 4.75% 2017	€	700,000	604	0.12
Tesco 5.625% 2012	€	600,000	537	0.11
Toyota Motor Credit 5.375% 2011	€	800,000	691	0.14
UBS London 6% 2018	€	1,210,000	1,148	0.23
Unicredit 5.25% 2023	€	1,033,000	892	0.18
Wells Fargo Bank 6% 2013	€	350,000	319	0.06
Xstrata Finance Canada 6.25% 2015	€	483,000	454	0.09
			148,825	30.50
<b>Swedish Krona - 0.32% (31/08/2010 - 0.35%)</b>				
Sweden 5.25% 2011	SEK	16,185,000	1,571	0.32
<b>UK Sterling - 29.76% (31/08/2010 - 24.80%)</b>				
Electricity Supplies 6.5% 2020	£	567,000	554	0.11
Lloyds Banking Group 6.75% 2018	£	245,000	256	0.05
Lloyds TSB Bank 6.5% SRN 2040	£	1,064,000	998	0.20
Royal Bank of Scotland 4.125% 2011	£	182,000	186	0.04
Santander Issuances 7.3% FRN 2019	£	750,000	745	0.15
Society of Lloyd's 6.875% FRN 2025	£	185,000	190	0.04
Tesco Property Finance 5.744% 2040	£	859,378	865	0.18
Treasury 3.25% 2011	£	96,191,000	98,009	20.09
Treasury 4.25% 2055	£	6,230,500	6,169	1.26
Treasury 4.5% 2042	£	6,000,000	6,141	1.26
Treasury 4.75% 2020	£	115,550	126	0.03
Treasury 5% 2018	£	80,000	89	0.02
Treasury 5% 2025	£	14,870,000	16,400	3.36
Treasury 6% 2028	£	10,204,000	12,483	2.56
Treasury 8.75% 2017	£	625,750	841	0.17
Virgin Media Secured Finance 5.5% 2021	£	1,186,000	1,171	0.24
			145,223	29.76
<b>US Dollar - 27.47% (31/08/2010 - 29.09%)</b>				
Altria 9.7% 2018	\$	724,000	585	0.12
Barclays Bank FRN Perpetual	\$	589,000	364	0.08
Commonwealth Bank of Australia 5% 2019	\$	4000,000	257	0.06
Deutsche Bank Capital Funding Trust FRN Perpetual	\$	410,000	202	0.04
Diageo 5.2% 2013	\$	150,000	99	0.02
HSBC 6.8% 2038	\$	600,000	390	0.08
Nationwide Building Society 6.25% 2020	\$	931,000	592	0.12
Pearson Dollar Finance Two 6.25% 2018	\$	195,000	133	0.03
US Treasury 4.25% 2013	\$	19,569,000	13,036	2.67
US Treasury 4.5% 2017	\$	33,870,000	23,205	4.76
US Treasury 4.625% 2016	\$	25,873,000	17,866	3.66
US Treasury 4.625% 2040	\$	10,400,000	6,536	1.34
US Treasury 4.75% 2014	\$	15,820,000	10,828	2.22
US Treasury 5% 2037	\$	8,980,800	6,021	1.23
US Treasury 8% 2021	\$	60,894,800	52,704	10.80
Virgin Media Secured Finance 5.25% 2021	\$	1,506,000	932	0.19
Xerox 5.65% 2013	\$	393,000	260	0.05
			134,010	27.47



## Global Bond Fund

Investment	Nominal Value	Market Value £'000	Total Net Assets %
<b>Forward currency contracts - 0.07% (31/08/2010 - 1.34%)</b>			
Buy £20,637,665 & Sell AUD 33,180,000		4	-
Buy £13,162,847 & Sell CAD 20,913,000		4	-
Buy £2,708,485 & Sell DKK 23,897,000		(22)	-
Buy £176,899,544 & Sell €209,444,000		(1,538)	(0.32)
Buy £1,576,971 & Sell SEK 16,726,000		(42)	(0.01)
Buy £130,297,580 & Sell \$208,267,000		1,951	0.40
		<u>357</u>	<u>0.07</u>
<b>Investment assets (including investment liabilities)</b>		<u>465,542</u>	<u>95.41</u>
<b>Net other assets</b>		<u>22,406</u>	<u>4.59</u>
<b>Total net assets</b>		<u>487,948</u>	<u>100.00</u>

All investments are approved securities as defined in the Collective Investment Schemes sourcebook unless otherwise stated.

The comparative percentage figures in brackets are as at 31 August 2010.

As at 28 February 2011, 100.0% of the debt securities were rated as investment grade.

£ = Sterling

€ = Euro

\$ = US Dollar

AUD = Australian Dollar

CAD = Canadian Dollar

DKK = Danish Krone

SEK = Swedish Krona

**Portfolio Movements**  
**for the period ended 28 February 2011 (unaudited)**

<b>Purchases</b>	<b>Cost £'000</b>
Treasury 3.25% 2011	98,038
Treasury 4.25% 2011	90,806
Belgium 3.75% 2020	26,986
US Treasury 8% 2021	21,786
Belgium 3.75% 2015	18,463
US Treasury 4.5% 2017	17,892
Germany 4% 2037	16,376
France 4.25% 2019	9,429
US Treasury 4.625% 2016	7,964
Treasury 4.5% 2042	6,245
Other purchases	24,853
<b>Total for the period</b>	<b>338,838</b>

<b>Sales</b>	<b>Proceeds £'000</b>
Treasury 4.25% 2011	96,763
Treasury 6.25% 2010	38,078
US Treasury 7.5% 2016	23,414
Treasury 4.75% 2020	18,274
Spain 4.65% 2025	13,420
Germany 3.75% 2017	11,431
Germany 2.5% 2010	7,840
Germany 5% 2012	7,043
Germany 4% 2037	5,060
France 4.25% 2019	2,691
Other sales	6,558
<b>Total for the period</b>	<b>230,572</b>

## Global Bond Fund

### Statement of Total Return

for the period ended 28 February 2011 (unaudited)

	28/02/2011 £'000	28/02/2010 £'000
Income		
Net capital (losses)/gains	(22,587)	3,098
Revenue	6,052	1,083
Expenses	(128)	(93)
Finance costs: Interest	(2)	-
Net revenue before taxation	5,922	990
Taxation	-	(6)
Net revenue after taxation	5,922	984
Total return before distributions	(16,665)	4,082
Finance costs: Distributions	(5,922)	(984)
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>(22,587)</b>	<b>3,098</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the period ended 28 February 2011 (unaudited)

	28/02/2011 £'000	28/02/2010 £'000
<b>Opening net assets attributable to shareholders</b>	<b>410,163</b>	<b>61,229</b>
Amounts transferred from F&C MPF Fund	-	11,046
Amounts receivable on issue of shares	115,172	8,368
Amounts payable on cancellation of shares	(15,495)	(11,721)
	100,277	(3,353)
Change in net assets attributable to shareholders from investment activities (see above)	(22,587)	3,098
Retained distributions on accumulation shares	95	26
Unclaimed distributions	-	1
<b>Closing net assets attributable to shareholders</b>	<b>487,948</b>	<b>72,047</b>

Section 3.30 of the Statement of Recommended Practice (2010) requires that comparatives are shown for the above statement. As the comparatives should be for the previous interim period, the closing net assets of that period will not agree to the opening net assets of the current period. The published net assets as at 31 August 2010 were £410,163,272.

**Balance Sheet**  
**as at 28 February 2011 (unaudited)**

	28/02/2011 £'000	31/08/2010 £'000
<b>ASSETS</b>		
Investment assets	467,144	388,710
Debtors	8,241	5,458
Cash and bank balances	<u>27,495</u>	<u>23,627</u>
Total other assets	35,736	29,085
Total assets	<u>502,880</u>	<u>417,795</u>
<b>LIABILITIES</b>		
Investment liabilities	(1,602)	(124)
Creditors	(2,147)	(67)
Bank overdrafts	(4,507)	(1,864)
Distribution payable on income shares	<u>(6,676)</u>	<u>(5,577)</u>
Total other liabilities	(13,330)	(7,508)
Total liabilities	<u>(14,932)</u>	<u>(7,632)</u>
<b>Net assets attributable to shareholders</b>	<b><u>487,948</u></b>	<b><u>410,163</u></b>

### **Authorised Corporate Director's Investment Report** **for the period ended 28 February 2011 (unaudited)**

#### **Fund Objective**

The Fund aims to achieve capital growth through investment in companies based or trading in Asian and Pacific markets excluding Japan.

Fund manager	Mike Hanbury-Williams
Fund size	£392.3 million
Launch date	20 August 2003
Initial launch date	23 October 1981

#### **Market Review**

Economies across the Asia-Pacific region continued to perform well over the period. Growth was supported not only by robust domestic economic activity but also rising exports as the recovery in developed markets began to take root. Export-sensitive markets of north Asia consequently posted improved returns. At the turn of the year, the smaller markets of Indonesia, Thailand, India and the Philippines, which had performed well through most of 2010, suffered widespread profit taking as concerns grew about accelerating inflation as food and fuel prices climbed. However, central banks were reluctant to aggressively raise interest rates due to uncertainty about the sustainability of the global economic recovery. Returns from the Chinese market were modest as the authorities continued to use monetary policy to slow the rapidly expanding economy. Elsewhere in the region, the resources-dominated Australian market performed well as investors anticipated rising global demand for commodities.

#### **Activity**

To gain exposure to the recovery of Western economies, we increased the Fund's investments in Korea and Taiwan. We identified Taiwanese technology and Korean industrial stocks as offering attractive value; key purchases in these sectors included Powertech and Samsung Heavy. To fund these investments, we reduced our holdings in India, Australia and Malaysia where, after good performance, stocks were starting to look less attractively valued. We also took profits from holdings in Hong Kong by selling the property company Wharf Holdings on fears of a rapidly inflating asset bubble.

#### **Outlook**

Asia Pacific equities remain vulnerable to the risk that instability in the Middle East could trigger further hikes in commodity and fuel prices and thus reduce demand from the Western economies and also stoke inflation across the region. We are a little more sanguine, believing that food prices will start to moderate from the middle of the year, thereby easing the pressure on Asia's monetary authorities to keep raising interest rates. If this happens, investors should start to become a little more optimistic towards the markets. Furthermore, with the Chinese authorities seemingly having successfully engineered a measured slowdown for the economy, the prospects for the region as a whole are looking increasingly appealing, with economic growth being expected to remain meaningfully ahead of that of the developed world.

#### **Performance Summary**

During the period under review the Pacific Growth Fund returned 3.3%. By comparison the median return of the IMA Asia Pacific ex Japan sector was 9.6%.

The Fund's underperformance of its benchmark was due primarily to its underweight exposure to Australia and overweight position in Thailand. Stock disappointments included Shanghai Industrial, which was hit by government measures to cool the property market, and Nine Dragons Paper, which suffered from investor concerns about its product mix and competitive pressure.

**F&C Fund Management Limited**  
**31 March 2011**

## Comparative Table

### Net Asset Value Record

Date	Share Class	Total Net Asset Value (£)	Shares in Issue	Total Net Asset Value per Share (p)
31 August 2008	1 – Accumulation	34,667,602	14,686,031	236.1
	2 – Accumulation (new)	1,690,962	2,257,313	74.91
	3 – Accumulation	35,804,809	14,333,069	249.8
	4 – Income	25,500,887	11,400,438	223.7
	4 – Accumulation	207,415,830	81,260,380	255.2
31 August 2009	1 – Accumulation	39,333,219	16,697,314	235.6
	2 – Accumulation (new)	2,147,981	2,856,313	75.20
	3 – Accumulation	36,871,675	14,659,769	251.5
	4 – Income	29,631,919	13,363,096	221.7
	4 – Accumulation	231,084,834	89,587,856	257.9
31 August 2010	1 – Accumulation	39,915,372	15,182,938	262.9
	2 – Accumulation (new)	1,639,780	1,936,313	84.69
	3 – Accumulation	11,683,449	4,112,334	284.1
	4 – Income	22,615,560	9,177,096	246.4
	4 – Accumulation	251,866,597	85,934,829	293.1
28 February 2011	1 – Accumulation	36,829,741	13,543,252	271.9
	2 – Accumulation (new)	1,441,655	1,639,089	87.95
	3 – Accumulation	11,315,957	3,827,612	295.6
	4 – Income	22,756,382	8,845,292	257.3
	4 – Accumulation	319,970,354	104,638,524	305.8

All share classes were issued at launch except for share class 2 Accumulation (new) which was launched on 8 August 2007.

## Pacific Growth Fund

### Performance Record

Calendar Year	Share Class	Highest Share Price (p)	Lowest Share Price (p)	Distribution per Share (p)
2006	1 – Accumulation	204.4	161.7	1.2112
	2 – Accumulation*	137.2	112.4	-
	3 – Accumulation	213.2	167.7	2.9879
	4 – Income	196.8	157.7	3.4720
	4 – Accumulation	216.4	169.9	3.7749
2007	1 – Accumulation	328.6	199.4	1.0077
	2 – Accumulation (new)**	106.5	88.92	-
	3 – Accumulation	345.1	208.0	3.2556
	4 – Income	314.9	192.1	3.8832
	4 – Accumulation	351.6	211.2	4.2470
2008	1 – Accumulation	312.7	140.4	1.7823
	2 – Accumulation (new)	98.81	44.59	0.9689
	3 – Accumulation	328.9	148.8	4.2564
	4 – Income	300.3	133.4	4.8975
	4 – Accumulation	335.3	152.1	5.5066
2009	1 – Accumulation	268.4	165.9	2.0226
	2 – Accumulation (new)	85.95	52.82	1.0162
	3 – Accumulation	287.8	176.4	3.9675
	4 – Income	254.2	158.3	4.2312
	4 – Accumulation	295.7	180.7	4.8499
2010	1 – Accumulation	304.7	244.4	0.8636
	2 – Accumulation (new)	98.43	78.35	1.0324
	3 – Accumulation	330.7	262.5	4.3548
	4 – Income	287.5	231.9	5.2490
	4 – Accumulation	341.7	269.8	6.1598
2011***	1 – Accumulation	308.6	269.8	-
	2 – Accumulation (new)	99.69	87.26	-
	3 – Accumulation	334.9	293.3	-
	4 – Income	291.2	255.2	-
	4 – Accumulation	346.1	303.4	-

\* Share Class 2 Accumulation closed on 2 June 2006.

\*\* Share Class 2 Accumulation (new) launched on 8 August 2007.

\*\*\* To 28 February 2011.

**Past performance is not necessarily a guide to future performance. The price of shares, and the revenue from them, may go down as well as up.**

### Total Expense Ratio

Date	Share Class	Total Expense Ratio (%)
31 August 2010	1 – Accumulation	1.82
	2 – Accumulation (new)	0.93
	3 – Accumulation	0.56
	4 – Income	0.06
	4 – Accumulation	0.05
28 February 2011	1 – Accumulation	1.82
	2 – Accumulation (new)	0.93
	3 – Accumulation	0.56
	4 – Income	0.06
	4 – Accumulation	0.05

**Portfolio Statement**  
**as at 28 February 2011 (unaudited)**

Investment	Holding	Market Value £'000	Total Net Assets %
<b>Australia - 15.23% (31/08/2010 - 16.87%)</b>			
Amcors	1,489,777	6,445	1.64
Computershare	1,230,579	7,347	1.87
MacQuarie Group	238,730	5,644	1.44
Myer Holdings	1,741,334	3,549	0.90
National Australia Bank	328,075	5,283	1.35
Newcrest Mining	284,713	6,749	1.72
Orica	417,456	6,697	1.71
Rio Tinto	227,567	12,083	3.08
WorleyParsons	318,387	5,969	1.52
		59,766	15.23
<b>Bermuda - 3.82% (31/08/2010 - 4.10%)</b>			
China Gas Holdings	13,983,000	3,218	0.82
Haier Electronics	8,847,000	5,058	1.29
Noble Group	5,585,000	5,548	1.42
Rexlot	16,700,000	1,149	0.29
		14,973	3.82
<b>Cayman Islands - 1.11% (31/08/2010 - 1.64%)</b>			
China Resources Cement	9,354,000	4,372	1.11
<b>China - 10.39% (31/08/2010 - 10.01%)</b>			
Agricultural Bank of China 'H'	20,563,000	6,260	1.60
Angang Steel 'H'	5,622,000	4,757	1.21
China Coal Energy 'H'	8,280,000	7,242	1.85
China Construction Bank 'H'	19,669,850	10,561	2.69
Ping An Insurance 'H'	1,887,500	11,926	3.04
		40,746	10.39
<b>Hong Kong - 11.49% (31/08/2010 - 18.05%)</b>			
Beijing Enterprise	1,423,000	4,816	1.23
Cheung Kong	666,000	6,378	1.63
China Overseas Land & Investments	3,306,000	3,383	0.86
CNOOC	4,200,000	5,852	1.49
Hang Seng Bank	384,700	3,775	0.96
Lenovo	12,360,000	4,604	1.17
MTR	1,821,500	4,127	1.05
Shanghai Industrial	2,403,000	5,283	1.35
Swire Pacific 'A'	798,000	6,859	1.75
		45,077	11.49
<b>India - 4.03% (31/08/2010 - 1.79%)</b>			
ICICI Bank	297,569	3,937	1.00
Mahindra & Mahindra	406,427	3,379	0.86
Reliance Industries	650,446	8,511	2.17
		15,827	4.03



## Pacific Growth Fund

Investment	Holding	Market Value £'000	Total Net Assets %
<b>Indonesia - 2.21% (31/08/2010 - 3.77%)</b>			
Bank Mandiri (Persero)	10,330,613	4,150	1.06
Perusahaan Gas Negara	18,367,500	4,523	1.15
		<u>8,673</u>	<u>2.21</u>
<b>Malaysia - 3.65% (31/08/2010 - 5.17%)</b>			
Axiata	4,910,200	4,839	1.23
CIMB Group Holdings	2,442,700	3,946	1.01
Sime Darby	3,053,200	5,524	1.41
		<u>14,309</u>	<u>3.65</u>
<b>Philippines - 0.89% (31/08/2010 - 1.06%)</b>			
Sm Investments	538,110	3,501	0.89
<b>Singapore - 6.15% (31/08/2010 - 3.96%)</b>			
Keppel	979,000	5,342	1.37
Midas	6,323,000	2,267	0.58
Oversea-Chinese Banking	1,498,000	6,686	1.70
Overseas Union Enterprises	4,308,000	6,012	1.53
Straits Asia Resources	3,341,000	3,805	0.97
		<u>24,112</u>	<u>6.15</u>
<b>South Korea - 14.95% (31/08/2010 - 15.05%)</b>			
GS Engineering & Construction	98,777	5,363	1.37
Hyundai Motor	55,910	5,441	1.39
Korea Exchange Bank	826,230	4,120	1.05
LG	101,845	4,321	1.10
LG Display	271,330	5,311	1.35
Mando	56,747	4,546	1.16
Samsung Electronics	20,032	10,110	2.58
Samsung Heavy Industries	311,200	6,194	1.58
Shinhan Financial Group	285,435	7,351	1.87
SK Innovation	61,599	5,877	1.50
		<u>58,634</u>	<u>14.95</u>
<b>Taiwan - 13.03% (31/08/2010 - 9.77%)</b>			
AU Optronics	6,385,000	3,560	0.91
Chinatrust Financial	15,801,952	7,599	1.94
Formosa Plastic	1,838,000	3,791	0.97
Hon Hai Precision Industry	3,110,120	7,027	1.79
Mega Financial	10,820,000	4,810	1.22
Powertech Technology	4,091,000	8,734	2.23
Siliconware Precision Industries	5,130,000	4,344	1.11
Taiwan Semiconductor Manufacturing	3,584,241	5,237	1.33
Wistron	5,496,175	6,026	1.53
		<u>51,128</u>	<u>13.03</u>
<b>Thailand - 6.41% (31/08/2010 - 4.73%)</b>			
Bangkok Bank (Alien Market)	2,377,600	7,826	1.99
Kasikornbank (Alien Market)	1,772,100	4,317	1.10
PTT (Alien Market)	1,326,700	9,000	2.29
Thai Oil	2,712,300	4,027	1.03
		<u>25,170</u>	<u>6.41</u>

Investment	Holding	Market Value £'000	Total Net Assets %
<b>United Kingdom - 2.46% (31/08/2010 - 0.00%)</b>			
HSBC	1,348,800	9,637	2.46
<b>United States of America - 2.57% (31/08/2010 - 1.53%)</b>			
Focus Media Holding ADR	220,916	3,674	0.94
Infosys Technologies ADR	154,500	6,409	1.63
		10,083	2.57
<b>Investment assets</b>		<b>386,008</b>	<b>98.39</b>
<b>Net other assets</b>		<b>6,306</b>	<b>1.61</b>
<b>Total net assets</b>		<b>392,314</b>	<b>100.00</b>

All investments are approved securities as defined in the Collective Investment Schemes sourcebook unless otherwise stated.

The comparative percentage figures in brackets are as at 31 August 2010.

## Pacific Growth Fund

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### **Portfolio Movements**

**for the period ended 28 February 2011 (unaudited)**

<b>Purchases</b>	<b>Cost £'000</b>
HSBC	9,492
Swire Pacific 'A'	9,363
Reliance Industries	9,127
Cheung Kong	8,857
Overseas Union Enterprises	7,752
Samsung Heavy Industries	7,537
China Coal Energy 'H'	7,447
National Australia Bank	7,337
Asustek Computer	6,908
LG Display	6,657
Other purchases	262,845
<b>Total for the period</b>	<b><u>343,322</u></b>

<b>Sales</b>	<b>Proceeds £'000</b>
China Mobile	9,606
Sun Hung Kai Properties	8,704
Acer	7,899
Bank of China 'H'	7,695
New World Development	7,385
BOC Hong Kong	7,207
UMW Holdings	7,128
National Australia Bank	7,116
Rexlot	6,711
Australia & New Zealand Bank Group	6,617
Other sales	207,545
<b>Total for the period</b>	<b><u>283,613</u></b>

**Statement of Total Return**  
**for the period ended 28 February 2011 (unaudited)**

	28/02/2011 £'000	28/02/2010 £'000
Income		
Net capital gains	6,904	35,660
Revenue	4,193	2,549
Expenses	(482)	(552)
Finance costs: Interest	(10)	(1)
Net revenue before taxation	3,701	1,996
Taxation	(215)	(201)
Net revenue after taxation	3,486	1,795
Total return before distributions	10,390	37,455
Finance costs: Distributions	85	80
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>10,475</b>	<b>37,535</b>

**Statement of Change in Net Assets Attributable to Shareholders**  
**for the period ended 28 February 2011 (unaudited)**

	28/02/2011 £'000	28/02/2010 £'000
<b>Opening net assets attributable to shareholders</b>	<b>327,721</b>	<b>339,070</b>
Amounts receivable on issue of shares	103,774	50,570
Amounts payable on cancellation of shares	(49,656)	(55,974)
	54,118	(5,404)
Change in net assets attributable to shareholders from investment activities (see above)	10,475	37,535
<b>Closing net assets attributable to shareholders</b>	<b>392,314</b>	<b>371,201</b>

Section 3.30 of the Statement of Recommended Practice (2010) requires that comparatives are shown for the above statement. As the comparatives should be for the previous interim period, the closing net assets of that period will not agree to the opening net assets of the current period. The published net assets as at 31 August 2010 were £327,720,758.

## Pacific Growth Fund

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### **Balance Sheet**

**as at 28 February 2011 (unaudited)**

	28/02/2011 £'000	31/08/2010 £'000
<b>ASSETS</b>		
Investment assets	386,008	319,532
Debtors	1,096	6,699
Cash and bank balances	<u>8,105</u>	<u>21,354</u>
Total other assets	9,201	28,053
Total assets	<u>395,209</u>	<u>347,585</u>
<b>LIABILITIES</b>		
Creditors	(233)	(13,590)
Bank overdrafts	(2,662)	(5,792)
Distribution payable on income shares	<u>-</u>	<u>(482)</u>
Total liabilities	(2,895)	(19,864)
<b>Net assets attributable to shareholders</b>	<b><u>392,314</u></b>	<b><u>327,721</u></b>

**Authorised Corporate Director's Investment Report  
for the period ended 28 February 2011 (unaudited)****Fund Objective**

The Fund aims to achieve medium to long-term capital growth and a high level of income, through investment primarily in UK equities. The Fund invests mainly in a broad spread of UK equities which in aggregate will usually offer a higher than average yield. A proportion of the assets may comprise convertible stocks.

Note: UK equities may include shares issued by companies incorporated outside the UK but listed or quoted in the UK.

Fund manager	Hilary Aldridge
Fund size	£30.4 million
Launch date	26 May 2000
Initial launch date	1 July 1983

**Market Review**

The UK stock market performed well during the review period as investors responded to signs that the recovery of the global economy was gaining traction. Although accelerating inflation, government spending cuts and a surprise contraction of the economy in the fourth calendar quarter were destabilising factors, share prices were generally buoyant as company news remained upbeat and companies with high overseas exposures reported good sales. Against this more optimistic backdrop, economically sensitive – and in particular commodity-related - stocks were strong. Medium and smaller sized companies were the brightest performers within the market. Merger and acquisition activity gathered momentum, with bids being made for, amongst others, De La Rue, Wellstream and Capital Shopping Centres.

**Activity**

During the review period, we increased the Fund's exposure to smaller-sized stocks, many of which have more interesting growth prospects than the 'blue chips' as well as offering an attractive yield. On this theme, we bought several new stocks including Premier Farnell, Assura, Chesnara, Cineworld and Computacenter. BG Group and the insurance company Resolution were other key purchases. We took profits on many stocks that had performed well, such as Velti, and sold out of the likes of Legal & General, Anglo American and Management Consulting. We participated in the successful initial public offerings of Instem and AZ Electronic Materials.

**Outlook**

As we progress through 2011, the eurozone debt issues will still need to be resolved but a 'muddle-through' outcome should not undermine positive factors elsewhere. Shares will struggle, however, if the crisis flares up again. Other risks include continuing instability in the Middle East and the prospect of austerity budgets and rising inflation paring back consumer spending in western Europe. Nevertheless, we expect reasonable returns from equities with ongoing demand from the emerging regions and the recovery in the US driving global economic growth. The valuation of the UK market is attractive on both a price-to-earnings and yield basis. Mergers and acquisitions should continue to offer support to share prices.

**Performance Summary**

Over the period under review UK Growth & Income returned 20.0%. By comparison, the benchmark (FTSE All-Share Index) rose by 14.9%.

**F&C Fund Management Limited**  
**31 March 2011**

## Comparative Table

### Net Asset Value Record

Date	Share Class	Total Net Asset Value (£)	Shares in Issue	Total Net Asset Value per Share (p)
31 August 2008	1 – Income	20,363,597	9,017,269	225.8
	1 – Accumulation	25,042,806	4,380,831	571.6
	2 – Income	70,687,969	34,114,713	207.2
	3 – Accumulation	12,990,713	2,062,650	629.8
31 August 2009	1 – Income	9,852,883	5,152,996	191.2
	1 – Accumulation	16,666,322	3,264,989	510.5
	2 – Income	21,228,935	11,981,870	177.2
	3 – Accumulation	3,934,004	690,342	569.9
31 August 2010	1 – Income	7,932,633	4,018,729	197.4
	1 – Accumulation	13,149,974	2,402,997	547.2
	2 – Income	996,473	549,870	181.2
	3 – Accumulation	5,681,538	917,514	619.2
28 February 2011	1 – Income	8,651,129	3,693,229	234.2
	1 – Accumulation	14,782,083	2,249,816	657.0
	2 – Income	1,125,542	521,470	215.8
	3 – Accumulation	5,883,992	758,805	748.8

All share classes were issued at launch.

### Performance Record

Calendar Year	Share Class	Highest Share Price (p)	Lowest Share Price (p)	Distribution per Share (p)
2006	1 – Income	280.4	234.8	6.5977
	1 – Accumulation	660.5	538.5	15.4256
	2 – Income	254.6	212.0	6.6379
	3 – Accumulation	713.7	574.9	18.2884
2007	1 – Income	311.0	269.7	8.5453
	1 – Accumulation	739.0	654.4	20.1563
	2 – Income	283.1	246.2	8.0551
	3 – Accumulation	802.5	712.5	23.0957
2008	1 – Income	281.1	162.4	10.1058
	1 – Accumulation	681.9	411.1	24.5971
	2 – Income	256.8	149.3	9.4782
	3 – Accumulation	745.0	453.8	27.7493
2009	1 – Income	205.4	139.7	9.3799
	1 – Accumulation	548.8	362.6	24.3573
	2 – Income	190.3	128.7	8.4538
	3 – Accumulation	614.1	402.4	27.3375
2010	1 – Income	235.0	190.2	7.4748
	1 – Accumulation	651.5	515.5	20.0840
	2 – Income	216.0	174.3	6.4007
	3 – Accumulation	740.6	581.9	23.9573
2011 *	1 – Income	241.8	234.1	2.7198
	1 – Accumulation	670.3	649.0	7.5851
	2 – Income	222.3	215.2	2.1232
	3 – Accumulation	763.4	738.5	9.4277

\* To 28 February 2011.

Past performance is not necessarily a guide to future performance. The price of shares, and the revenue from them, may go down as well as up.

**Total Expense Ratio**

Date	Share Class	Total Expense Ratio (%)
31 August 2010	1 – Income	1.86
	1 – Accumulation	1.88
	2 – Income	1.29
	3 – Accumulation	0.44
28 February 2011	1 – Income	1.86
	1 – Accumulation	1.88
	2 – Income	1.29
	3 – Accumulation	0.44



## UK Growth & Income Fund

### Portfolio Statement as at 28 February 2011 (unaudited)

Investment	Holding	Market Value £'000	Total Net Assets %
<b>Oil &amp; Gas - 17.73% (31/08/2010 - 12.41%)</b>			
<b>Oil &amp; Gas Producers - 15.49% (11.66%)</b>			
BG Group	75,509	1,127	3.70
Bowleven	152,478	497	1.63
BP	218,237	1,081	3.55
Nautical Petroleum	41,468	182	0.60
Royal Dutch Shell 'B'	83,009	1,829	6.01
<b>Oil Equipment, Services &amp; Distribution - 2.24% (0.75%)</b>			
Cape	74,351	299	0.98
Wood Group (John)	58,256	383	1.26
		5,398	17.73
<b>Basic Materials - 7.93% (31/08/2010 - 6.10%)</b>			
<b>Industrial Metals - 0.47% (0.00%)</b>			
Zanaga Iron	83,000	143	0.47
<b>Mining - 7.46% (6.10%)</b>			
Anglo Pacific Group	93,734	310	1.02
BHP Billiton	33,465	812	2.67
Rio Tinto	12,479	533	1.75
Xstrata	44,179	616	2.02
		2,414	7.93
<b>Industrials - 10.63% (31/08/2010 - 9.86%)</b>			
<b>Aerospace &amp; Defence - 1.49% (0.90%)</b>			
BAE Systems	138,203	455	1.49
<b>Construction &amp; Materials - 0.72% (0.00%)</b>			
Galliford Try	3,381	12	0.04
Keller Group	33,030	207	0.68
<b>Electronics &amp; Electrical Equipment - 2.89% (2.49%)</b>			
Domino Printing Sciences	40,567	266	0.87
Laird Group	210,430	343	1.13
Oxford Instruments	44,100	271	0.89
<b>General Industrials - 1.81% (1.55%)</b>			
BBA Aviation	245,873	552	1.81
<b>Industrial Transportation - 0.27% (1.23%)</b>			
Wincanton	58,096	81	0.27
<b>Support Services - 3.45% (3.69%)</b>			
Capita Group	31,769	231	0.76
Diploma	109,114	315	1.04
Premier Farnell	108,435	324	1.06
SThree	44,090	180	0.59
		3,237	10.63

Investment	Holding	Market Value £'000	Total Net Assets %
<b>Consumer Goods - 6.84% (31/08/2010 - 6.17%)</b>			
<b>Food Producers - 1.61% (1.04%)</b>			
Hilton Food Group	85,041	218	0.72
Tate & Lyle	47,913	272	0.89
<b>Tobacco - 5.23% (5.13%)</b>			
British American Tobacco	47,207	1,169	3.84
Imperial Tobacco Group	21,308	422	1.39
		<u>2,081</u>	<u>6.84</u>
<b>Health Care - 8.50% (31/08/2010 - 9.95%)</b>			
<b>Health Care Equipment &amp; Services - 0.53% (0.84%)</b>			
Consort Medical	31,330	162	0.53
<b>Pharmaceuticals &amp; Biotechnology - 7.97% (9.11%)</b>			
AstraZeneca	28,657	849	2.79
GlaxoSmithKline	133,513	1,578	5.18
		<u>2,589</u>	<u>8.50</u>
<b>Consumer Services - 7.90% (31/08/2010 - 8.35%)</b>			
<b>Food &amp; Drug Retailers - 2.19% (2.53%)</b>			
Assura Group	483,562	223	0.73
Greggs	48,023	231	0.76
Tesco	53,184	214	0.70
<b>General Retailers - 1.91% (0.56%)</b>			
Blacks Leisure Group	331,170	73	0.24
Halfords Group	70,132	272	0.89
WH Smith	51,679	237	0.78
<b>Media - 2.76% (5.26%)</b>			
Daily Mail & General Trust 'A' Non-Voting	55,388	310	1.02
Mecom	80,639	212	0.70
Pearson	29,872	316	1.04
Tarsus Group	391	1	-
<b>Travel &amp; Leisure - 1.04% (0.00%)</b>			
Cineworld Group	147,535	315	1.04
		<u>2,404</u>	<u>7.90</u>
<b>Telecommunications - 9.81% (31/08/2010 - 9.13%)</b>			
<b>Fixed Line Telecommunications - 3.18% (2.71%)</b>			
Alternative Networks	126,160	246	0.81
BT Group	399,140	721	2.37
<b>Mobile Telecommunications - 6.63% (6.42%)</b>			
Vodafone Group	1,157,660	2,020	6.63
		<u>2,987</u>	<u>9.81</u>

## UK Growth & Income Fund

Investment	Holding	Market Value £'000	Total Net Assets %
<b>Utilities - 5.06% (31/08/2010 - 9.48%)</b>			
<b>Electricity - 2.08% (2.33%)</b>			
Scottish & Southern Energy	51,626	633	2.08
<b>Gas, Water &amp; Multiutilities - 2.98% (7.15%)</b>			
Centrica	123,406	418	1.38
National Grid	86,013	488	1.60
		<u>1,539</u>	<u>5.06</u>
<b>Financials - 20.26% (31/08/2010 - 23.39%)</b>			
<b>Banks - 7.84% (11.21%)</b>			
HSBC	177,326	1,205	3.96
Lloyds Banking Group	679,680	424	1.39
Standard Chartered	46,713	759	2.49
<b>Nonlife Insurance - 1.31% (1.70%)</b>			
RSA Insurance Group	282,380	400	1.31
<b>Life Insurance - 5.02% (4.74%)</b>			
Aviva	74,007	343	1.13
Chesnara	110,000	283	0.93
Hansard Global	164,763	269	0.88
Legal & General Group	212,328	251	0.83
Resolution	132,395	379	1.25
<b>General Financial - 6.09% (4.98%)</b>			
Brewin Dolphin	239,810	411	1.35
Carador Income Fund	362,431	201	0.66
City of London Investment Group	66,337	280	0.92
Man Group	145,615	421	1.38
Omega Insurance	318,665	328	1.08
Vertu Motors	794,205	214	0.70
<b>Real Estate - 0.00% (0.76%)</b>			
		<u>6,168</u>	<u>20.26</u>
<b>Technology - 3.59% (31/08/2010 - 3.05%)</b>			
<b>Software &amp; Computer Services - 3.59% (2.42%)</b>			
Computacenter	41,378	176	0.58
Instem Life Science Systems	131,910	288	0.94
Sage Group	82,720	234	0.77
Velti	54,880	395	1.30
<b>Technology Hardware &amp; Equipment - 0.00% (0.63%)</b>			
		<u>1,093</u>	<u>3.59</u>

Investment	Holding	Market Value £'000	Total Net Assets %
<b>Corporate Bonds - 0.00% (31/08/2010 - 1.10%)</b>			
<b>Non Convertible - 0.00% (1.10%)</b>			
<b>Investment assets</b>		<b>29,910</b>	<b>98.25</b>
<b>Net other assets</b>		<b>533</b>	<b>1.75</b>
<b>Total net assets</b>		<b>30,443</b>	<b>100.00</b>

All investments are approved securities as defined in the Collective Investment Schemes sourcebook unless otherwise stated.

The comparative percentage figures in brackets are as at 31 August 2010.

## UK Growth & Income Fund

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### **Portfolio Movements** **for the period ended 28 February 2011 (unaudited)**

<b>Purchases</b>	<b>Cost £'000</b>
BG Group	601
Resolution	331
Anglo Pacific Group	331
Cineworld Group	321
City of London Investment Group	311
Premier Farnell	309
Halfords Group	306
Instem Life Science Systems	285
AZ Electronic Materials	253
Alternative Networks	231
Other purchases	3,027
<b>Total for the period</b>	<b>6,306</b>

<b>Sales</b>	<b>Proceeds £'000</b>
National Grid	765
Barclays	508
Centrica	372
Reed Elsevier	364
Royal Dutch Shell 'B'	320
BP Capital Markets 3.75% 2013	308
Synergy Health	304
HSBC	294
Daily Mail & General Trust 'A' Non-Voting	293
AZ Electronic Materials	287
Other sales	5,316
<b>Total for the period</b>	<b>9,131</b>

**Statement of Total Return**  
**for the period ended 28 February 2011 (unaudited)**

	28/02/2011 £'000	28/02/2010 £'000
Income		
Net capital gains	5,242	1,794
Revenue	412	549
Expenses	(229)	(263)
Finance costs: Interest	(1)	-
Net revenue before taxation	182	286
Taxation	(2)	(2)
Net revenue after taxation	180	284
Total return before distributions	5,422	2,078
Finance costs: Distributions	(366)	(495)
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>5,056</b>	<b>1,583</b>

**Statement of Change in Net Assets Attributable to Shareholders**  
**for the period ended 28 February 2011 (unaudited)**

	28/02/2011 £'000	28/02/2010 £'000
<b>Opening net assets attributable to shareholders</b>	<b>27,761</b>	<b>51,682</b>
Amounts receivable on issue of shares	583	2,363
Amounts payable on cancellation of shares	(3,202)	(25,661)
	(2,619)	(23,298)
Stamp duty reserve tax	(3)	(10)
Change in net assets attributable to shareholders from investment activities (see above)	5,056	1,583
Retained distributions on accumulation shares	245	301
Unclaimed distributions	3	2
<b>Closing net assets attributable to shareholders</b>	<b>30,443</b>	<b>30,260</b>

Section 3.30 of the Statement of Recommended Practice (2010) requires that comparatives are shown for the above statement. As the comparatives should be for the previous interim period, the closing net assets of that period will not agree to the opening net assets of the current period. The published net assets as at 31 August 2010 were £27,760,618.

## UK Growth & Income Fund

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### **Balance Sheet**

**as at 28 February 2011 (unaudited)**

	28/02/2011 £'000	31/08/2010 £'000
<b>ASSETS</b>		
Investment assets	29,910	27,482
Debtors	376	207
Cash and bank balances	<u>601</u>	<u>854</u>
Total other assets	977	1,061
Total assets	<u>30,887</u>	<u>28,543</u>
<b>LIABILITIES</b>		
Creditors	(68)	(125)
Bank overdrafts	(265)	(454)
Distribution payable on income shares	<u>(111)</u>	<u>(203)</u>
Total liabilities	(444)	(782)
<b>Net assets attributable to shareholders</b>	<b><u>30,443</u></b>	<b><u>27,761</u></b>

**Authorised Corporate Director's Investment Report**  
**for the period ended 28 February 2011 (unaudited)****Fund Objective**

The Fund aims to achieve medium to long-term capital growth through investment primarily in UK smaller companies. Note: UK equities may include shares issued by companies incorporated outside the UK but listed or quoted in the UK.

Fund manager	Catherine Stanley
Fund size	£68.9 million
Launch date	30 May 2000
Initial launch date	14 June 1989

**Market Review**

The UK stock market generated a strong return over the review period as investors responded to signs that the recovery of the global economy was gaining traction. Although accelerating inflation, government spending cuts and a shock contraction of the economy in the fourth calendar quarter were destabilising factors, share prices were generally buoyant as company news remained upbeat and companies with high overseas exposure reported good sales. Against this more optimistic backdrop, economically sensitive – and in particular commodity-related - stocks were in demand. Smaller companies were the brightest performers within the market, soaring in value by a quarter as risk appetite remained high and merger and acquisition activity gathered momentum. The period saw takeover speculation boost the share prices of, among others, Wellstream, De La Rue and Northern Foods.

**Activity**

Computer software companies were an area of particular focus for the Fund over the period because of their relatively high exposure to overseas markets, strong growth characteristics and healthy balance sheets. We continued to hold economically sensitive companies as results were, for the most part, beating the market's expectations. We also remained focused on sectors such as chemicals and electronics where share prices still appeared to offer reasonable value despite the market's strong performance. Of the new shares coming to the market, we purchased stock in the fund management group Jupiter. Our positioning was cautious with regard to domestic consumer-orientated sectors such as retailers and house builders. Sales included Spice, Chloride and Shed Media after the companies were in receipt of takeover bids.

**Outlook**

Given the differing growth prospects around the world, we will continue to seek out companies with high exposure to overseas markets. Signs of a sustainable pick-up in the American economy are also encouraging us to invest in stocks with US-derived earnings. However, with the recovery of the UK economy likely to remain under pressure from government spending cuts, rising inflation and expected interest rate hikes, we are wary of consumer-related companies. The software sector remains our most favoured position as we continue to identify well-run companies with attractive prospects.

**Performance Summary**

Over the period under review, the UK Smaller Companies Fund returned 25.3%. By comparison, the Hoare Govett Small Cap (ex-IT) index rose by 25.8%.

**F&C Fund Management Limited**  
**31 March 2011**



### Comparative Table

#### Net Asset Value Record

Date	Share Class	Total Net Asset Value (£)	Shares in Issue	Total Net Asset Value per Share (p)
31 August 2008	1 – Accumulation	13,681,998	4,688,715	291.8
	2 – Accumulation	3,892,903	1,235,258	315.1
	3 – Accumulation	4,407,272	1,363,143	323.3
	4 – Accumulation	25,952,571	13,136,010	197.6
31 August 2009	1 – Accumulation	11,260,260	4,394,715	256.2
	2 – Accumulation	3,453,548	1,234,258	279.8
	3 – Accumulation	3,928,424	1,362,143	288.4
	4 – Accumulation	25,336,187	14,325,592	176.9
31 August 2010	1 – Accumulation	12,235,956	4,081,049	299.8
	2 – Accumulation	4,087,190	1,234,258	331.1
	3 – Accumulation	4,670,994	1,362,143	342.9
	4 – Accumulation	37,890,004	17,956,023	211.0
28 February 2011	1 – Accumulation	13,551,977	3,603,560	376.1
	2 – Accumulation	5,151,076	1,233,538	417.6
	3 – Accumulation	5,401,849	1,246,363	433.4
	4 – Accumulation	44,782,791	16,764,455	267.1

All share classes were issued at launch except for share class 4 Accumulation which was launched on 20 August 2003.

## Performance Record

Calendar Year	Share Class	Highest Share Price (p)	Lowest Share Price (p)	Distribution per Share (p)
2006	1 – Accumulation	343.2	269.1	-
	2 – Accumulation	366.1	285.0	2.0371
	3 – Accumulation	373.2	289.6	3.2856
	4 – Accumulation	226.7	175.4	2.5246
2007	1 – Accumulation	383.4	311.5	0.7386
	2 – Accumulation	410.5	334.4	3.3391
	3 – Accumulation	419.2	342.1	4.7256
	4 – Accumulation	255.2	208.5	3.6551
2008	1 – Accumulation	323.1	184.1	2.5898
	2 – Accumulation	347.9	199.4	5.3668
	3 – Accumulation	356.5	204.8	6.8987
	4 – Accumulation	217.6	125.2	4.9302
2009	1 – Accumulation	286.7	175.4	2.1370
	2 – Accumulation	313.5	190.6	4.8641
	3 – Accumulation	323.4	196.0	6.1235
	4 – Accumulation	198.4	120.0	4.2494
2010	1 – Accumulation	372.9	272.2	1.2042
	2 – Accumulation	413.4	298.7	4.8555
	3 – Accumulation	428.7	308.6	6.5271
	4 – Accumulation	264.1	189.5	4.6934
2011 *	1 – Accumulation	387.1	373.6	-
	2 – Accumulation	429.6	414.3	-
	3 – Accumulation	445.8	429.8	-
	4 – Accumulation	274.7	264.8	-

\* To 28 February 2011.

Past performance is not necessarily a guide to future performance. The price of shares, and the revenue from them, may go down as well as up.

## Total Expense Ratio

Date	Share Class	Total Expense Ratio (%)
31 August 2010	1 – Accumulation	2.01
	2 – Accumulation	0.87
	3 – Accumulation	0.41
	4 – Accumulation	0.06
28 February 2011	1 – Accumulation	2.01
	2 – Accumulation	0.87
	3 – Accumulation	0.41
	4 – Accumulation	0.06

## UK Smaller Companies Fund

### Portfolio Statement as at 28 February 2011 (unaudited)

Investment	Holding	Market Value £'000	Total Net Assets %
<b>Oil &amp; Gas - 6.23% (31/08/2010 - 7.03%)</b>			
<b>Oil &amp; Gas Producers - 5.46% (5.64%)</b>			
Bowleven	378,774	1,236	1.79
Cove Energy	726,268	668	0.97
Indus Gas	97,232	691	1.00
Nautical Petroleum	162,266	714	1.04
Valiant Petroleum	71,218	458	0.66
<b>Oil Equipment, Services &amp; Distribution - 0.77% (1.39%)</b>			
Lamprell	176,798	527	0.77
		<u>4,294</u>	<u>6.23</u>
<b>Basic Materials - 7.04% (31/08/2010 - 6.28%)</b>			
<b>Chemicals - 4.02% (3.82%)</b>			
AZ Electronic Materials	149,364	447	0.65
Croda International	41,475	653	0.95
Elementis	951,877	1,199	1.74
Victrex	36,252	467	0.68
<b>Industrial Metals - 0.97% (1.21%)</b>			
London Mining	95,489	361	0.52
Zanaga Iron	180,859	311	0.45
<b>Mining - 2.05% (1.25%)</b>			
Eastern Platinum	426,240	423	0.61
Kenmare Resources	1,252,992	507	0.74
Petra Diamonds	279,306	482	0.70
		<u>4,850</u>	<u>7.04</u>
<b>Industrials - 32.99% (31/08/2010 - 29.90%)</b>			
<b>Construction &amp; Materials - 4.54% (3.09%)</b>			
Galliford Try	187,240	691	1.00
Kier Group	51,537	699	1.02
Lupus Capital	955,325	1,263	1.83
Plastics Capital	619,784	477	0.69
<b>Aerospace &amp; Defence - 1.19% (1.46%)</b>			
Cohort	345,181	224	0.33
Ultra Electronics Holdings	34,562	593	0.86
<b>General Industrials - 1.35% (2.47%)</b>			
RPC Group	374,452	932	1.35
<b>Electronics &amp; Electrical Equipment - 5.69% (6.73%)</b>			
Domino Printing Sciences	192,443	1,260	1.83
Laird Group	537,150	876	1.27
Renishaw	73,386	1,126	1.64
Spectris	47,553	654	0.95

Investment	Holding	Market Value £'000	Total Net Assets %
<b>Industrial Engineering - 4.33% (3.47%)</b>			
Hamworthy	113,643	531	0.77
Hill & Smith	270,599	758	1.10
Senior	1,154,421	1,697	2.46
<b>Industrial Transportation - 2.95% (2.52%)</b>			
BBA Aviation	306,203	687	1.00
Fisher (James) & Sons	182,894	951	1.38
Wincanton	280,944	394	0.57
<b>Support Services - 12.94% (10.16%)</b>			
Ashtead Group	572,667	983	1.43
CPP	166,231	489	0.71
CVS Group	352,434	331	0.48
Digital Barriers	318,750	625	0.91
Hargreaves Services	100,170	956	1.39
Harvey Nash Group	679,211	469	0.68
Howden Joinery Group	793,767	922	1.34
Mitie Group	227,590	459	0.67
Premier Farnell	233,510	697	1.01
Robert Walters	254,070	827	1.20
RPS Group	323,257	642	0.93
SIG	566,900	745	1.08
WSP Group	222,198	766	1.11
		22,724	32.99
<b>Consumer Goods - 4.86% (31/08/2010 - 2.88%)</b>			
<b>Food Producers - 2.12% (2.20%)</b>			
Cranswick	83,584	711	1.03
New Britain Palm Oil	88,769	750	1.09
<b>Household Goods - 2.10% (0.68%)</b>			
Barratt Developments	742,265	787	1.14
Bellway	99,441	658	0.96
<b>Personal Goods - 0.64% (0.00%)</b>			
Supergroup	26,783	442	0.64
		3,348	4.86
<b>Health Care - 3.84% (31/08/2010 - 4.33%)</b>			
<b>Health Care Equipment &amp; Services - 1.96% (2.28%)</b>			
Caretech	175,285	356	0.52
Synergy Health	114,761	993	1.44
<b>Pharmaceuticals &amp; Biotechnology - 1.88% (2.05%)</b>			
Dechra Pharmaceuticals	126,060	643	0.93
Genus	77,330	656	0.95
		2,648	3.84

## UK Smaller Companies Fund

Investment	Holding	Market Value £'000	Total Net Assets %
<b>Consumer Services - 13.79% (31/08/2010 - 14.94%)</b>			
<b>Food &amp; Drug Retails - 0.89% (0.86%)</b>			
Booker Group	1,069,626	610	0.89
<b>General Retailers - 2.33% (2.93%)</b>			
Brown (N.) Group	205,533	563	0.82
Dunelm Group	138,615	555	0.80
JD Sports Fashion	54,530	491	0.71
<b>Media - 4.21% (5.36%)</b>			
Chime Communications	298,305	755	1.10
Euromoney Institutional Investor	108,393	761	1.10
ITE Group	339,310	807	1.17
Tarsus Group	420,720	576	0.84
<b>Travel &amp; Leisure - 6.36% (5.79%)</b>			
Domino's Pizza	180,149	829	1.20
Flybe Group	100,571	305	0.44
Fuller Smith & Turner 'A'	89,722	529	0.77
Greene King	141,300	654	0.95
Punch Taverns	623,347	410	0.60
Restaurant Group	336,482	950	1.38
Wetherspoon (J.D.)	159,281	704	1.02
		<u>9,499</u>	<u>13.79</u>
<b>Financials - 14.64% (31/08/2010 - 17.16%)</b>			
<b>Non-life Insurance - 2.23% (1.64%)</b>			
Beazley Group	735,388	988	1.43
Lancashire Holdings	92,145	549	0.80
<b>Life Insurance - 0.82% (1.04%)</b>			
Hansard Global	347,234	567	0.82
<b>Real Estate - 4.54% (4.79%)</b>			
CLS	309,721	1,840	2.67
Shaftesbury	146,984	693	1.01
Workspace Group	2,379,627	595	0.86
<b>General Financial - 7.05% (9.69%)</b>			
Brewin Dolphin	585,666	1,003	1.46
Brooks Macdonald	77,923	834	1.21
City of London Investment Group	173,169	731	1.06
Craneware	168,239	976	1.42
Provident Financial	64,858	667	0.97
STM Group	1,448,294	376	0.54
Vertu Motors	984,141	266	0.39
		<u>10,085</u>	<u>14.64</u>

Investment	Holding	Market Value £'000	Total Net Assets %
<b>Technology - 10.25% (31/08/2010 - 11.26%)</b>			
<b>Software &amp; Computer Services - 8.16% (9.14%)</b>			
Alterian	235,498	417	0.61
AVEVA Group	98,752	1,599	2.32
Computacenter	191,231	813	1.18
Micro Focus International	180,041	517	0.76
SDL	269,036	1,711	2.48
Telecity Group	116,092	560	0.81
<b>Technology Hardware &amp; Equipment - 2.09% (2.12%)</b>			
Pace	362,087	774	1.12
Spirent Communications	426,586	667	0.97
		<u>7,058</u>	<u>10.25</u>
<b>Telecommunication - 0.47% (31/08/2010 - 0.00%)</b>			
<b>Fixed Line Telecommunication - 0.47% (0.00%)</b>			
Alternative Networks	165,980	324	0.47
<b>Investment assets</b>		<u><b>64,830</b></u>	<u><b>94.11</b></u>
<b>Net other assets</b>		<u><b>4,058</b></u>	<u><b>5.89</b></u>
<b>Total net assets</b>		<u><b>68,888</b></u>	<u><b>100.00</b></u>

All investments are approved securities as defined in the Collective Investment Schemes sourcebook unless otherwise stated.

The comparative percentage figures in brackets are as at 31 August 2010.

## UK Smaller Companies Fund

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### **Portfolio Movements** **for the period ended 28 February 2011 (unaudited)**

<b>Purchases</b>	<b>Cost £'000</b>
Nautical Petroleum	805
Hargreaves Services	726
BBA Aviation	702
Galliford Try	665
Bellway	665
RPS Group	648
Premier Farnell	647
Chime Communications	639
Greene King	632
Provident Financial	586
Other purchases	8,801
<b>Total for the period</b>	<b>15,516</b>

<b>Sales</b>	<b>Proceeds £'000</b>
Melrose	1,183
Intermediate Capital Group	1,094
Chloride Group	1,038
City of London Investment Group	1,028
Craneware	812
Spice	812
Shed Media	785
United Business Media	773
Encore Oil	722
Mitchells & Butlers	697
Other sales	11,099
<b>Total for the period</b>	<b>20,043</b>

**Statement of Total Return**  
**for the period ended 28 February 2011 (unaudited)**

	28/02/2011 £'000	28/02/2010 £'000
Income		
Net capital gains	14,145	2,886
Revenue	689	538
Expenses	(166)	(155)
Finance costs: Interest	-	-
Net revenue before taxation	523	383
Taxation	(1)	-
Net revenue after taxation	522	383
Total return before distributions	14,667	3,269
Finance costs: Distributions	(5)	22
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>14,662</b>	<b>3,291</b>

**Statement of Change in Net Assets Attributable to Shareholders**  
**for the period ended 28 February 2010 (unaudited)**

	28/02/2011 £'000	28/02/2010 £'000
<b>Opening net assets attributable to shareholders</b>	<b>58,884</b>	<b>43,978</b>
Amounts receivable on issue of shares	2,070	7,707
Amounts payable on cancellation of shares	(6,726)	(1,168)
	(4,656)	6,539
Stamp duty reserve tax	(2)	(2)
Change in net assets attributable to shareholders from investment activities (see above)	14,662	3,291
<b>Closing net assets attributable to shareholders</b>	<b>68,888</b>	<b>53,806</b>

Section 3.30 of the Statement of Recommended Practice (2010) requires that comparatives are shown for the above statement. As the comparatives should be for the previous interim period, the closing net assets of that period will not agree to the opening net assets of the current period. The published net assets as at 31 August 2010 were £58,884,144.



## UK Smaller Companies Fund

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### **Balance Sheet**

**as at 28 February 2011 (unaudited)**

	28/02/2011 £'000	31/08/2010 £'000
<b>ASSETS</b>		
Investment assets	64,830	55,220
Debtors	527	104
Cash and bank balances	<u>4,656</u>	<u>4,722</u>
Total other assets	5,183	4,826
Total assets	<u>70,013</u>	<u>60,046</u>
<b>LIABILITIES</b>		
Creditors	(592)	(187)
Bank overdrafts	<u>(533)</u>	<u>(975)</u>
Total liabilities	(1,125)	(1,162)
<b>Net assets attributable to shareholders</b>	<b><u>68,888</u></b>	<b><u>58,884</u></b>

**Authorised Corporate Director's Investment Report**  
**for the period ended 28 February 2011 (unaudited)****Fund Objective**

The Fund aims to achieve long-term capital growth through investment in smaller and medium sized quoted companies in the USA. There is no limit on the Fund's ability to invest in securities issued by the Government of the United States of America, subject to the Regulations.

Fund manager	Robert Siddles
Fund size	£34.9 million
Launch date	29 April 2005
Initial launch date	1 September 1983

**Market Review**

The US smaller companies market soared by almost a third in sterling terms over the review period. Investors' appetite for risk was fuelled by further evidence that the economic recovery was well established. Company earnings announcements were mostly above the market's expectations and there were signs that the jobs and housing markets were finally starting to improve. The authorities nevertheless remained committed to supporting the recovery by buying up financial assets through the policy of quantitative easing. The announcement of another \$600 billion of fiscal stimulus in November boosted investor confidence and helped drive the stock market towards medium-term highs. Smaller companies, which usually react more positively to the early stages of economic recovery, outperformed their larger counterparts over the period.

**Activity**

Strategy remained focused on offering investors access to the potential of small and medium-sized US companies through the application of a disciplined and risk averse value-orientated investment approach. This more cautious philosophy led to the Fund underperforming the index in a very strong six months for the market. In terms of activity, we invested further in the chicken producer Sanderson Farm and the telecoms group Atlantic Tele-Network. Both stocks looked attractively valued after falls in their share price. A relatively cheap valuation also led us to add the post-secondary education group DeVry to the portfolio. We sold the holding in the engineering and construction group McDermott International following the stock's strong performance since we purchased it. We reduced the positions in Brush Engineered Materials and Prestige Brands for similar reasons.

**Outlook**

Although the US Federal Reserve seems pre-occupied by a perceived threat of deflation, we believe that rising inflation is the more likely scenario as prices respond to growing government deficits, continued low interest rates and the rising demand for commodities. If this is the case, smaller companies should continue to outperform. Although the market has come a long way in the last six months, we still believe there is a good deal of potential to be found in stocks that are either recovering, playing into compelling long-term themes or benefiting from cheap valuations. As the US economic recovery gathers momentum, we will be using our disciplined focus on long-term fundamentals to uncover the brightest niche opportunities among America's most entrepreneurial companies.

**Performance Summary**

Over the period under review the US Smaller Companies Fund returned 28.4%. By comparison, the benchmark (Russell 2000 Index) index rose by 32.3%.

**F&C Fund Management Limited**  
**31 March 2011**

## US Smaller Companies Fund

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### Comparative Table

#### Net Asset Value Record

Date	Share Class	Total Net Asset Value (£)	Shares in Issue	Total Net Asset Value per Share (p)
31 August 2008	1 – Income	29,124,263	3,451,275	843.9
31 August 2009	1 – Income	24,190,569	2,725,745	887.5
31 August 2010	1 – Income	27,345,513	3,042,530	898.8
28 February 2011	1 – Income	34,861,520	3,019,766	1,154

The above share class was issued at launch.

#### Performance Record

Calendar Year	Share Class	Highest Share Price (p)	Lowest Share Price (p)	Distribution per Share (p)
2006	1 – Income	958.2	784.3	-
2007	1 – Income	906.6	716.4	-
2008	1 – Income	885.2	525.4	-
2009	1 – Income	951.0	543.1	-
2010	1 – Income	1,151	885.2	-
2011*	1 – Income	1,183	1,103	-

\* To 28 February 2011.

Past performance is not necessarily a guide to future performance. The price of shares, and the revenue from them, may go down as well as up.

#### Total Expense Ratio

Date	Share Class	Total Expense Ratio (%)
31 August 2010	1 – Income	1.71
28 February 2011	1 – Income	1.71

**Portfolio Statement**  
**as at 28 February 2011 (unaudited)**

Investment	Holding	Market Value £'000	Total Net Assets %
<b>Oil &amp; Gas - 7.98% (31/08/2010 - 5.72%)</b>			
<b>Oil Equipment, Services &amp; Distribution - 7.98% (5.72%)</b>			
Cal Dive International	149,761	615	1.76
Global Industries	134,181	713	2.05
Helix Energy Solutions Group	78,278	718	2.06
Willbros Group	102,673	736	2.11
		<u>2,782</u>	<u>7.98</u>
<b>Basic Materials - 6.80% (31/08/2010 - 7.20%)</b>			
<b>Chemicals - 1.69% (0.00%)</b>			
Airgas	15,320	590	1.69
<b>Industrial Metals - 3.36% (3.51%)</b>			
Allegheny Technologies	14,025	573	1.64
Intrepid Potash	25,304	598	1.72
<b>Mining - 1.75% (3.69%)</b>			
Arch Coal	29,672	610	1.75
		<u>2,371</u>	<u>6.80</u>
<b>Industrials - 37.41% (31/08/2010 - 40.02%)</b>			
<b>Construction &amp; Materials - 6.12% (7.09%)</b>			
Astec Industries	27,188	566	1.62
Foster Wheeler	15,578	344	0.99
Quanta Services	47,138	646	1.85
Simpson Manufacturing	32,461	578	1.66
<b>Aerospace &amp; Defence - 7.61% (6.47%)</b>			
Curtiss-Wright	28,924	653	1.87
FLIR Systems	34,099	672	1.93
Orbital Sciences	57,659	639	1.83
Teledyne Technologies	21,300	689	1.98
<b>General Industrials - 3.14% (3.50%)</b>			
Andersons	13,008	390	1.12
Harsco	33,277	705	2.02
<b>Electronics &amp; Electrical Equipment - 3.61% (3.71%)</b>			
Actuant 'A'	36,426	628	1.80
Roper Industries	12,336	632	1.81
<b>Industrial Engineering - 3.30% (5.30%)</b>			
American Railcar Industries	50,799	643	1.85
Brush Engineered Materials	19,608	507	1.45
<b>Industrial Transportation - 6.63% (7.11%)</b>			
Genesee & Wyoming	20,176	642	1.84
Horizon Lines	203,598	558	1.60
Kirby	20,720	687	1.97
Universal Truckload Services	44,135	424	1.22

## US Smaller Companies Fund

Investment	Holding	Market Value £'000	Total Net Assets %
<b>Support Services - 7.00% (6.84%)</b>			
CRA International	42,331	672	1.93
Crawford & Co 'B'	199,187	550	1.58
GATX	27,618	588	1.69
Waste Connections	35,124	628	1.80
		13,041	37.41
<b>Consumer Goods - 7.25% (31/08/2010 - 4.55%)</b>			
<b>Food Producers - 3.95% (2.62%)</b>			
Flowers Foods	41,650	689	1.98
Sanderson Farm	26,767	687	1.97
<b>Household Goods - 3.30% (1.93%)</b>			
Mohawk Industries	17,631	635	1.82
Pool	33,592	518	1.48
		2,529	7.25
<b>Health Care - 4.82% (31/08/2010 - 6.98%)</b>			
<b>Health Care Equipment &amp; Services - 2.04% (3.49%)</b>			
Amedisys	32,718	711	2.04
<b>Pharmaceuticals &amp; Biotechnology - 2.78% (3.49%)</b>			
Harvard Bioscience	195,541	523	1.50
Prestige Brands	65,409	448	1.28
		1,682	4.82
<b>Consumer Services - 5.61% (31/08/2010 - 3.21%)</b>			
<b>General Retailers - 5.61% (3.21%)</b>			
Career Education	49,149	723	2.08
Conns	193,033	537	1.54
DeVry	20,588	694	1.99
		1,954	5.61
<b>Telecommunications - 4.98% (31/08/2010 - 4.90%)</b>			
<b>Fixed Line Telecommunications - 1.70% (1.70%)</b>			
Premiere Global Services	138,806	593	1.70
<b>Mobile Telecommunications - 3.28% (3.20%)</b>			
Atlantic Tele-Network	25,374	609	1.75
nTelos	44,751	532	1.53
		1,734	4.98
<b>Financials - 13.77% (31/08/2010 - 16.01%)</b>			
<b>Banks - 1.51% (2.71%)</b>			
Cardinal Financial	76,148	525	1.51
<b>Nonlife Insurance - 8.77% (9.59%)</b>			
Alleghany	3,304	686	1.97
Brown & Brown	37,352	603	1.73
HCC Insurance	35,353	681	1.95
Markel	2,162	547	1.57
WR Berkle	29,445	542	1.55

Investment	Holding	Market Value £'000	Total Net Assets %
<b>General Financial - 3.49% (3.71%)</b>			
America's Car Mart	35,603	546	1.57
CapitalSource	142,991	671	1.92
		<u>4,801</u>	<u>13.77</u>
<b>Technology - 8.95% (31/08/2010 - 9.17%)</b>			
<b>Software &amp; Computer Services - 5.23% (5.36%)</b>			
ACI Worldwide	34,535	652	1.87
Bottomline Technologies	43,868	599	1.72
ICF International	41,953	573	1.64
<b>Technology Hardware &amp; Equipment - 3.72% (3.81%)</b>			
SBA Communications	27,680	723	2.08
ViaSat	22,500	573	1.64
		<u>3,120</u>	<u>8.95</u>
<b>Equity Investment Instruments - 0.68% (31/08/2010 - 0.00%)</b>			
iShares Trust Russell 2000 Index Fund	4,700	238	0.68
<b>Investment assets</b>		<b>34,252</b>	<b>98.25</b>
<b>Net other assets</b>		<b>610</b>	<b>1.75</b>
<b>Total net assets</b>		<b>34,862</b>	<b>100.00</b>

All investments are approved securities as defined in the Collective Investment Schemes sourcebook unless otherwise stated.

The comparative percentage figures in brackets are as at 31 August 2010.

## US Smaller Companies Fund

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### **Portfolio Movements** **for the period ended 28 February 2011 (unaudited)**

<b>Purchases</b>	<b>Cost £'000</b>
iShares Trust Russell 2000 Index Fund	2,977
DeVry	626
Airgas	602
Sanderson Farm	549
Pool	538
Willbros Group	445
Atlantic Tele-Network	325
SBA Communications	217
Flowers Foods	198
FLIR Systems	179
Other purchases	2,840
<b>Total for the period</b>	<b>9,496</b>

<b>Sales</b>	<b>Proceeds £'000</b>
iShares Trust Russell 2000 Index Fund	2,849
Alpha Natural Resources	735
Amerigroup	529
Brush Engineered Materials	467
Foster Wheeler	436
McDermott International	404
Andersons	293
Prestige Brands	277
Intrepid Potash	271
Harsco	178
Other sales	3,291
<b>Total for the period</b>	<b>9,730</b>

**Statement of Total Return**  
**for the period ended 28 February 2011 (unaudited)**

	28/02/2011 £'000	28/02/2010 £'000
Income		
Net capital gains	7,730	2,998
Revenue	112	125
Expenses	(261)	(224)
Finance costs: Interest	(1)	-
Net expense before taxation	(150)	(99)
Taxation	(16)	(19)
Net expense after taxation	(166)	(118)
Total return before distributions	7,564	2,880
Finance costs: Distributions	-	-
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>7,564</b>	<b>2,880</b>

**Statement of Change in Net Assets Attributable to Shareholders**  
**for the period ended 28 February 2011 (unaudited)**

	28/02/2011 £'000	28/02/2010 £'000
<b>Opening net assets attributable to shareholders</b>	<b>27,346</b>	<b>24,191</b>
Amounts receivable on issue of shares	2,124	5,171
Amounts payable on cancellation of shares	(2,172)	(947)
	(48)	4,224
Change in net assets attributable to shareholders from investment activities (see above)	7,564	2,880
<b>Closing net assets attributable to shareholders</b>	<b>34,862</b>	<b>31,295</b>

Section 3.30 of the Statement of Recommended Practice (2010) requires that comparatives are shown for the above statement. As the comparatives should be for the previous interim period, the closing net assets of that period will not agree to the opening net assets of the current period. The published net assets as at 31 August 2010 were £27,345,513.



## US Smaller Companies Fund

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### **Balance Sheet**

**as at 28 February 2011 (unaudited)**

	28/02/2011 £'000	31/08/2010 £'000
<b>ASSETS</b>		
Investment assets	34,252	26,733
Debtors	66	12
Cash and bank balances	<u>862</u>	<u>1,262</u>
Total other assets	928	1,274
Total assets	<u>35,180</u>	<u>28,007</u>
<b>LIABILITIES</b>		
Creditors	(198)	(402)
Bank overdrafts	<u>(120)</u>	<u>(259)</u>
Total liabilities	(318)	(661)
<b>Net assets attributable to shareholders</b>	<u><b>34,862</b></u>	<u><b>27,346</b></u>