

Review Period:

6 months ended 31 October 2013

www.fandc.com

Fund Manager:
Chris Childs

High Income Fund

The investment objective is to provide a high monthly income whilst maintaining the value of the property of the Scheme.

The Fund will hold structured debentures and derivatives, equities, fixed interest securities, collective investment schemes and other permitted investments. The equity exposure may be held in shares or securities, which qualify as an investment within an Individual Savings Account or for any other tax purposes as defined from time to time.

Fund Facts

Lead Fund Manager	Chris Childs
Deputy Fund Manager	Stephen Crewe
Sector	Specialist
Launch date	26 January 1993
Fund size	at 30 April 2013 £149.46m
	at 31 October 2013 £139.13m
	£1,000 lump sum -
Minimum Investments	£50 per month
Yield	5.00%
Share type	Distribution
Number of stocks	102
Initial charge	5.00%
Annual charge	1.50%
Ongoing charge	1.77%
Account dates (interim)	31 October
(annual)	30 April
Distribution dates	28th of each month

Market Review

There were mixed returns for investors in the six months to the end of October. Initially, sentiment was supported by signs of a sustainable recovery in the US and the prospect of global growth showing a meaningful improvement in the second half of the year. From June to September, markets were then dominated by speculation about when the US central bank would start to reduce the scale of its monetary support to the economy. The so-called quantitative easing (QE) policy has been a major prop to the markets and fears that it would be withdrawn rapidly triggered volatility in both bonds and equities. The surprise decision by the US Federal Reserve to postpone tapering helped markets recover well, albeit against the backdrop of considerable uncertainty about the raising of the US debt ceiling. European government bonds returned a flat six months of performance and underperformed equities. Eurozone periphery markets were the more resilient as investors found further conviction that the financial crisis had been contained, with core markets such as German and French bonds lagging.

Fund Activity

The primary focus over the six months has been to generate the necessary income as efficiently as possible. Income comes from a number of sources, equity dividends, bond yields and equity option writing. The Fund also attempts to generate additional gains by selectively allocating assets away from its core FTSE 100 holding. Since late 2012 the Fund has held a small position in Japanese equities which underperformed the FTSE 100 over the six months but since the position was instigated have added additional value to the Fund.

Outlook

We remain positive on the outlook for equity markets, but are mindful that the pending tapering of QE in the US, combined with another round of budget debate could well upset investor confidence, particularly if the bond markets take fright. However, the growth outlook is slowly improving and the potential for a pick up in capital expenditure could provide a welcomed fillip. Although in an absolute sense equity markets are fully valued, relative to the fixed income markets they remain 'cheap'.

Summary Fund Performance

Year	Share Class	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2013	Unit Trust	18.42	16.51	0.6142

Net Asset Value Record

Share Class	Share Type	Net Asset Value as at 30 April 2013 (pence)	Net Asset Value as at 31 October 2013 (pence)
Unit Trust	Income	17.07	16.78

Distributions for the period

Share Class (Income/Accumulation)	Distribution paid / payable	Distribution period	Distribution Date
Income	0.0588	Interim	28/11/2013
Income	0.0588	Interim	28/10/2013
Income	0.0588	Interim	28/09/2013
Income	0.0588	Interim	28/08/2013
Income	0.0602	Interim	28/07/2013
Income	0.0602	Interim	28/06/2013

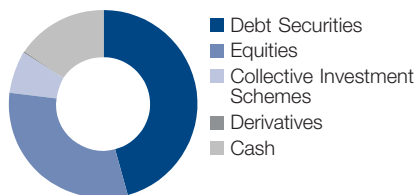
Top Ten Holdings

As at 30 April 2013	%
UK Treasury 2.25% 2014	11.57
F&C Portfolios Active Return	7.12
Yorkshire Building Society (FRN) 2.25688% 2016	3.44
Nationwide Building Society (FRN) 2.10438% 2015	3.42
National Australia Bank (FRN) 1.95438% 2015	3.42
Barclays Bank (FRN) 2.00438% 2016	3.42
Abbey National Treasury Services (FRN) 2.11% 2016	3.41
Leeds Building Society (FRN) 2.00688% 2015	3.41
NRW Bank (FRN) 1.17688% 2016	3.39
Rabobank (FRN) 1.00688% 2014	3.36
Total	45.96

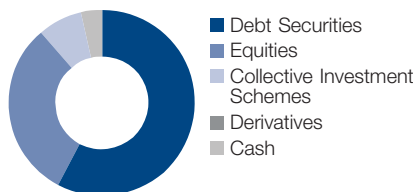
As at 31 October 2013	%
UK Treasury 2.25% 2014	7.96
F&C Portfolios Active Return	7.66
UK Treasury 2.75% 2015	6.66
Yorkshire Building Society (FRN) 2.2675% 2016	3.67
Nationwide Building Society (FRN) 2.11719% 2015	3.65
Abbey National Treasury Services (FRN) 2.1125% 2016	3.65
Barclays Bank (FRN) 2.01719% 2016	3.65
National Australia Bank (FRN) 1.96531% 2015	3.65
Leeds Building Society (FRN) 2.0175% 2015	3.64
NRW Bank (FRN) 1.1875% 2016	3.63
Total	47.82

Portfolio Breakdown

As at 30 April 2013

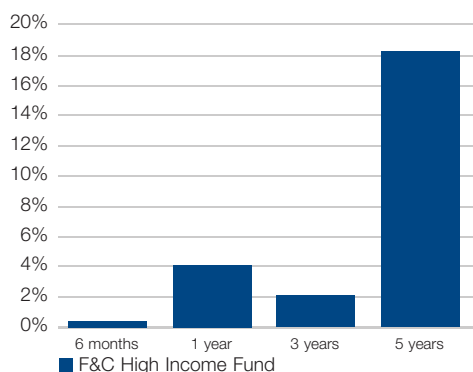


As at 31 October 2013

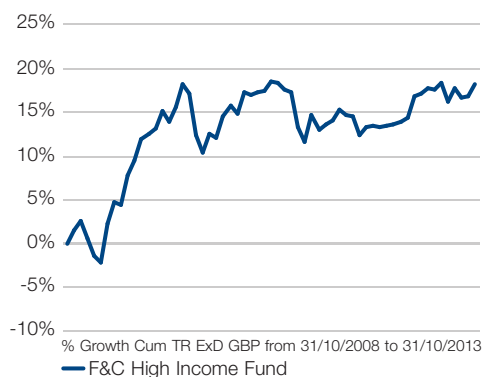


Fund Performance

As at 31 October 2013



As at 31 October 2013



Standardised Performance

31 Oct 2008 to 31 Oct 2009	31 Oct 2009 to 31 Oct 2010	31 Oct 2010 to 31 Oct 2011	31 Oct 2011 to 31 Oct 2012	31 Oct 2012 to 31 Oct 2013
12.54%	2.93%	-1.04%	-0.92%	4.11%

Past Performance is not a guide to future performance.

Source: Lipper, percentage growth total return (UK net tax), mid to mid, with no initial charges. Income units accumulation shares. For past performance data for the full range of F&C Funds visit www.fandc.com.

Risk Profile

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

Credit Risk: receiving income and capital due from debt instruments is dependant upon the provider's ability to pay.

Additional Capital Risk: the high level of income targeted by the Fund involves sacrificing most of the potential for capital growth.

Counterparty Risk: to gain greater income the Fund may deposit cash with various approved Counterparties. Return of the cash is dependant upon the continued solvency of the Counterparty.

Derivative Risk: derivative values rise and fall at a greater rate than equities and debt instruments. Losses can be greater than the initial investment.

Report and Accounts

Copies of the annual and half yearly Reports and Accounts for the F&C High Income Fund are available free of charge on request to the Manager or can be downloaded from our website www.fandc.com.

Other information

The information in this report is designed to enable shareholders to make an informed judgement on the activities of the Fund during the period it covers and the results of those activities at the end of the period. For more information about the activities and performance of the Fund during this and previous periods, please contact the Manager.

Manager

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

Telephone: 0800 085 2752

Regulated by the Financial Conduct Authority.

Investment Adviser

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

Trustee

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Administrator and Registrar

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Independent Auditor

PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH

Fund Accounting and Unit Pricing

State Street Bank and Trust Company, 525 Ferry Road, Edinburgh, EH5 2AW

Legal Advisers

Eversheds LLP, One Wood Street, London EC2V 7WS

The High Income Fund is an Authorised Unit Trust. The Unit Trust Manager is F&C Fund Management Limited. Applications may only be made on the basis of the current Prospectus. Calls may be recorded. Past performance is not a guide to future performance. The Authorised Corporate Director (ACD) of the ICVC is F&C Fund Management Limited, a subsidiary of F&C Asset Management plc, Authorised (no 121940) and regulated by the Financial Conduct Authority. Registered Office; Exchange House, London EC2A 2NY. Registered in England No. 2170242. A registered company, limited by shares. A copy of the Key Investor Information Document is available from www.fandc.com.

High Income 12/13

