

Period:

For the six months ended 30 Sept 2013
www.fandc.com

Investment Objective

The Lifestyle Defensive risk profile matching portfolio will invest in UK equities and corporate bonds with some exposure to property and non-UK equities primarily through collective investment schemes. The Fund may also hold transferable securities, money market instruments, and collective investment schemes and may use derivatives to increase, maintain, and reduce its investment exposures.

Fund Facts

Fund Manager	Rob Burdett & Gary Potter	
Sector	Unclassified	
Benchmark	Composite based on target asset allocation	
Launch date	30 March 2007	
Fund size	at 31 March 2013	£115.0m
	at 30 September 2013	£116.1m
Minimum Investments	£1,000 lump sum	
Share type	Accumulation/Income	
Number of stocks	30	
	1.40% (A Acc), 2.10% (A Inc)	
	1.00% (B Acc), 2.50% (B Inc),	
Historic Yield	1.30% (D Acc)	
Initial charge (A Acc)	5.00%	
Annual charge (A Acc)	1.50%	
	2.02% (A Acc), 2.39% (A Inc)	
	1.11% (B Acc), 1.11% (B Inc),	
Ongoing charge	1.47% (D Acc)	
Account dates (interim)	30 September	
(annual)	31 March	
Distribution dates	28 Feb, 31 May, 31 Aug, 30 Nov	

Market review

In terms of economic news there has been a clear contrast between the emerging and developed markets. Whereas the key emerging markets of Brazil, China and India are all facing issues the US has been recovering well and both the UK and Europe have shown clear signs of improvement in the last six months. Japanese equities were the stand-out performer over the period as investors became increasingly convinced that its domestic economy was turning around. Concerns over a slowdown in China combined with significant withdrawals of capital meant that Asian ex-Japan and emerging market equities fell markedly. Highly rated government bonds such as those issued by the UK government posted negative returns and high quality corporate bonds also performed poorly. High yield bonds outperformed higher rated bonds but even here returns were lacklustre in comparison to many equity markets.

Fund activity

We remain reasonably optimistic on the prospects for economic growth and as a result equities look attractive relative to other asset classes. From a geographic perspective we are upbeat on the outlook for both the UK and Japanese equities. Recent signs of improvement mean we are comfortable with our neutral stance towards Europe, and following a recent research trip have increased exposure to Asia back towards neutral as we believe that there are pockets of value for the selective investor. With China's economy in transition we remain underweight the emerging markets and are broadly in line with the recommended allocation to US equities. We remain cautious on the prospects for fixed income and the portfolio is positioned accordingly.

We added GCP Student Living to the portfolio. It invests in student accommodation, primarily in London and its inclusion serves to complement the portfolio's other property holdings. Elsewhere in property we sold F&C Commercial Property Trust after its shares moved to a sizable premium over the Trust's underlying assets. We sold the Fund's position in Jupiter Growth and Income following the resignation of the manager. We established a new position in Legg Mason Income Optimizer – its inclusion funded by the sale of Cazenove Strategic Bond.

Outlook

Whilst risks remain and there will likely be periods of volatility we are relatively upbeat on the prospects from here. Growth in the US is being supported by a pick-up in the housing market – improvements that are boosting job creation and consumer sentiment. The outlook for the UK and Europe is brighter than previously and although China's economy is slowing we anticipate that the easing of activity will be gradual. Central banks look set to remain on the front foot – a fact evidenced by the Federal Reserves recent decision to delay the withdrawal of monetary stimulus in an effort not to derail the recovery.

Summary Fund Performance

Year	Share Class	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2013	A Accumulation	103.6	93.63	1.3984
2013	A Income	113.6	103.3	1.6619
2013	B Accumulation	57.09	51.42	0.5437
2013	B Income	137.4	125.4	3.2920
2013	D Accumulation	58.76	53.01	0.7120

Net Asset Value Record

Share Class	Share Type	Net Asset Value as at 31 March 2013 (pence)	Net Asset Value as at 30 September 2013 (pence)
A	Accumulation	99.29	102.3
A	Income	109.0	110.8
B	Accumulation	54.58	56.46
B	Income	131.6	134.5
D	Accumulation	56.23	58.04

Distributions for the period

Share Class (Income/Accumulation)	Distribution paid / payable	Distribution period	Distribution Date
A Income	0.5674	Interim	30/11/2013
B Income	1.7283	Interim	30/11/2013
A Income	0.5967	Interim	31/08/2013

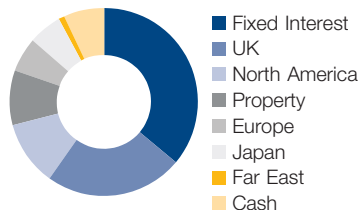
Top Ten Holdings

As at 31 March 2013	%
F&C FTSE All-Share Tracker Fund 4 Inc	7.51
Royal London Sterling Credit Fund Z Inc	5.91
SPDR S&P 500 USD	5.37
iShares GBP Corporate Bond 1-5	5.30
Old Mutual Global Strategic Bond Fund P Inc	4.42
Baillie Gifford Corporate Bond Fund B Acc	3.90
Henderson Strategic Bond Fund I Inc	3.83
Fidelity Strategic Bond Fund Inc	3.80
F&C UK Property Fund 2 Inc	3.69
Jupiter Growth & Income Fund Inc	3.68
Total	47.41

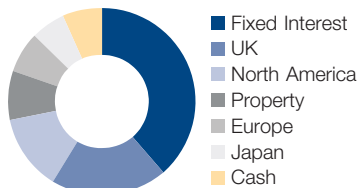
As at 30 September 2013	%
HSBC S&P 500 USD	7.34
iShares GBP Corporate Bond 1-5	6.02
Royal London Sterling Credit Fund Z Inc	5.77
Fidelity Strategic Bond Fund Inc	5.76
F&C FTSE All-Share Tracker Fund 4 Inc	5.34
Henderson Strategic Bond Fund I Inc	4.76
Invesco Sterling Bond Fund A QD Inc	4.51
Baillie Gifford Corporate Bond Fund B Acc	3.85
BlackRock European Dynamic Fund D Acc	3.75
Cazenove UK Equity Income Fund X Inc	3.74
Total	50.84

Asset Allocation Breakdown

As at 31 March 2012

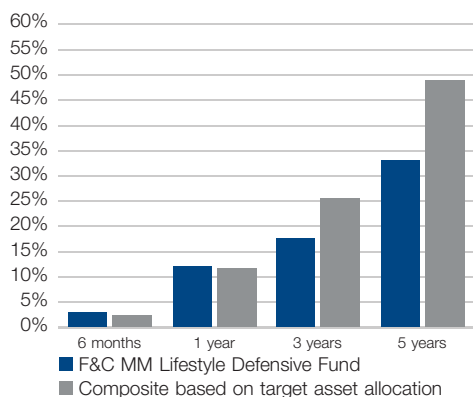


As at 30 September 2013

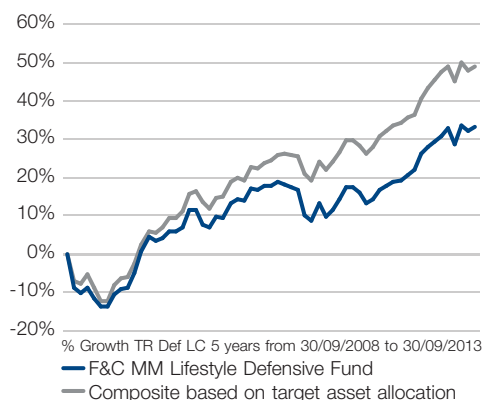


Fund Performance

As at 30 September 2013



As at 30 September 2013



Standardised Performance

30 September 2008 to 30 September 2009	30 September 2009 to 30 September 2010	30 September 2010 to 30 September 2011	30 September 2011 to 30 September 2012	30 September 2012 to 30 September 2013
4.60%	8.35%	-4.01%	9.24%	12.11%

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. Share Class A accumulation shares. For past performance data for the full range of F&C Funds visit www.fandc.com.

Report and Accounts

Copies of the annual and half yearly Reports and Accounts for the F&C MM Lifestyle Investment Funds ICVC, which include this fund are available free of charge on request to the ACD or can be downloaded from our website www.fandc.com.

Other information

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

Authorised Corporate Director

F&C Fund Management Limited, Exchange House, Primrose Street, London EC2A 2NY
Telephone: 0800 085 2752
Regulated by the Financial Conduct Authority.

Investment Advisor

Thames River Multi-Capital LLP, Exchange House, Primrose Street, London EC2A 2NY

Depository

State Street Trustees Limited, 20 Churchill Place, London E14 5HJ

Administrator and Registrar

International Financial Data Services (UK) Limited, IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS

Independent Auditor

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

Fund Accounting and Unit Pricing

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

Legal Advisers

Eversheds LLP, One Wood Street, London EC2V 7WS

The MM Lifestyle Defensive Fund is a sub-fund of the F&C MM Lifestyle Investments Funds ICVC (IC527). 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.

MM Lifestyle Defensive 11/13

