

High Income Fund



January 2012



Chris Childs
Fund Manager

Fund manager biography

Chris has over 16 years of investment experience, having joined F&C in 1993. He is also the manager of the award winning F&C HVB-Stiftungsfonds Fund. Chris is a graduate of the Bristol Business School and the University of Exeter where he studied the quantitative aspects of fund management.

Key details

| | |
|--------------------------|------------------------------------|
| Fund Type | Unit Trust |
| Sector | UK Equity & Bond Income |
| Benchmark | IMA UK Equity & Bond Income Median |
| Average annual return | 0.71% |
| Launch Date | 26 Jan 1993 |
| Fund Size | £182.49m |
| Currency | Sterling |
| Year End | 30 Apr |
| Distribution Policy | Monthly |
| Payment Dates | 28 May |
| Front End Fee | 5.00% |
| Management Fee | 1.50% p.a. |
| Minimum Investment | £1,000.00 |
| Net TER (Inc/Acc) | 1.74% / n/a |
| Gross distribution yield | 5.30% |
| Fund Price | 17.54p |
| Sedol : SC1 (inc) | 0346050 |
| ISIN : SC1 (inc) | GB0003460507 |
| Price listed | Daily Telegraph |

Fund overview

The F&C High Income Fund aims to provide a monthly income of 2% over the Base Rate whilst keeping fluctuations in the unit price to a minimum. However, with UK interest rates falling to 0.5% on 5 March 2009, as a temporary measure a gross income target of 5% per annum has been introduced in place of the Base Rate +2% target. It is a measure that will be under regular review to ensure that it does not pose too great a risk to the capital of the Fund.

The Fund consists of a balanced core portfolio of large cap equities and government/investment grade bonds supplemented by a derivative based overlay strategy enabling the Fund to target the specified income yield.

While this additional emphasis on generating income will mean some additional risk to capital, there are a number of factors that we expect will help mitigate the additional risk. The current prices of both equities and corporate bonds are factoring in a lot of bad news. As such, there is the potential for the additional risk to be offset by capital appreciation. Elsewhere, the Fund holds a number of assets that are specifically designed to deliver a capital growth return rather than income.

Monthly distributions are attractive when planning cash flow within an investment portfolio or looking to meet a specific income target. Importantly, the team have ensured that the Fund has consistently achieved its income objectives.

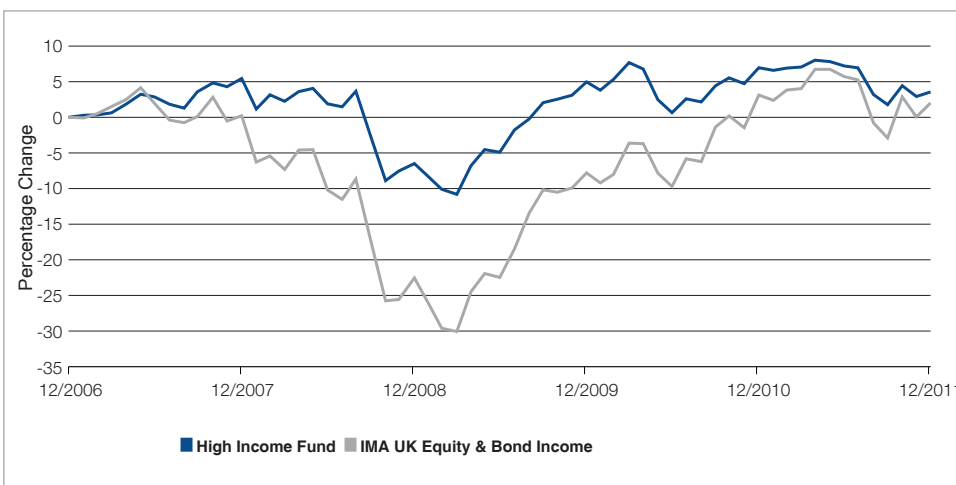
Standardised performance % as at 31.12.11

| | 2006/ 2007 | 2007/ 2008 | 2008/ 2009 | 2009/ 2010 | 2010/ 2011 |
|------------------|---------------|---------------|---------------|---------------|---------------|
| Fund | 5.45 | -11.32 | 12.26 | 1.89 | -3.16 |
| Benchmark | 1.45 | -21.66 | 18.16 | 12.82 | -1.00 |

Cumulative performance %

| | 1 Mth | YTD | 1 Yr | 3 Yrs | 5 Yrs |
|------------------|-------|-------|-------|-------|-------|
| Fund | 0.63 | -3.16 | -3.16 | 10.76 | 3.57 |
| Benchmark | 1.91 | -1.00 | -1.00 | 31.97 | 2.73 |

Fund Performance over 5 Years

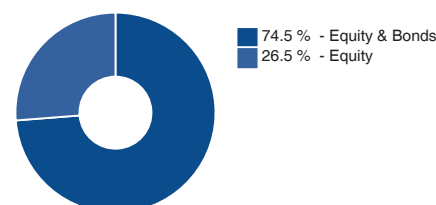


Past performance is not a guide to the future performance. Source: Lipper, percentage growth total return in Sterling, with no initial charges. For past performance data, updated quarterly, for the full range of F&C funds visit www.fandc.com.

Top ten holdings

As the fund invests in a range of equity and fixed interest derivative instruments, we do not provide a 'top 10' list of individual holdings, as these may not reflect the Fund's actual exposure.

Fund sector breakdown



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