

F&C Fund

Société d'Investissement à Capital Variable

Annual Report (Audited)
as at 30 September 2016
R.C.S. Luxembourg B 82782



F&C Fund – F&C HVB-Stiftungsfonds

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Copies of the annual and interim reports may be obtained from the registered office of F&C Fund (the “Fund”) at: 49, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg and from foreign representatives and will be posted to shareholders on request. Convening notices of all general meetings will be sent to the holders of registered shares by post at least eight days prior to the meeting. The Articles of Incorporation of the Fund have been filed with the *Registre de Commerce et des Sociétés of Luxembourg* where they are available for inspection and copies can be obtained upon request. The net asset value of each of the Fund’s shares is quoted in or on Bloomberg, Reuters and www.bmogam.com. The issue and redemption prices are also available from State Street Bank Luxembourg S.C.A., 49, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.

No subscription can be received on the basis of financial reports. Subscriptions are only valid if made on the basis of the current prospectus, the latest key investor information documents and by the latest annual and the most recent interim report, if published thereafter.

The information contained in this report is historical and not necessarily indicative of future performance.

F&C Fund – F&C HVB-Stiftungsfonds Chairman's Statement

Dear Shareholders

This statement provides a review of the conditions faced by the portfolio of F&C Fund (the "Fund") in the financial year to 30 September 2016. This constitutes the fifteenth full year of the Fund's existence since its launch in 2001. Specific details of the portfolio, together with the manager's comments, can be found later in this report.

There was some upturn in risk appetite over the twelve-month period – a trend that was apparent in the notable improvement in performance from emerging markets equities. At the same time, there remained substantial headwinds for global stocks in the background. These included ongoing worries about global growth (which remains lacklustre), the fragile state of Europe's banking sector, uncertainty surrounding the timing and extent of US rate rises and the implications of the UK's decision to exit the European Union.

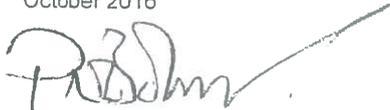
Against a backdrop of continuing accommodative monetary policy from global central banks, both global equity and fixed income markets generated strong returns over the twelve-month period. Gilts generated strong positive returns with yields moving to record lows. In line with expectations, the Bank of England sought to counter the concerns over a Brexit-induced economic slowdown and cut interest rates by 25 basis points to 0.25%. They also expanded their quantitative easing programme to include £10 billion in corporate bonds. Despite the shock result, UK economic data has surprised on the upside but more forward looking measures suggest cause for concern.

Overall, our managers continue with the conviction that sustainable growth companies should deliver superior shareholder returns over the longer term, driven by robust cash flows and proactivity in addressing key environmental, social and governance factors.

Our bond fund managers anticipate that the US Federal Reserve will once again raise interest rates towards the end of the year, in the aftermath of November's US presidential election. While negative yields are already presenting policy dilemmas in Japan and Europe, the major government bond markets could still benefit from their status as a haven from geopolitical and economic uncertainty.

We expect global growth to remain positive but the rate of expansion is likely to be relatively sluggish. However, in our view the accommodative, non-conventional policy measures being taken by central banks, together with the prospect of increased fiscal stimulus on the part of major governments, should create a suitable environment for asset managers to make steady returns over the coming years.

Patrick Johns
Chairman
October 2016



F&C Fund – F&C HVB-Stiftungsfonds

Manager's Report

Dear Shareholders

This report covers the 12-month period to 30 September 2016

Over the 12 months to 30 September 2016, the A share class produced a total return of 1.7% whilst the I share class produced a total return of 2.4%. The returns include the coupon payments made in January 2016 of €29.35 for the A share class and €39.85 for the I share class, and the coupon paid in July 2016 of €20.95 for the A share class and €27.00 for the I share class.

Global equity markets rose over the 12 months to the end of September. While capital markets were characterised by heightened volatility over the period, there was some improvement in risk appetite, with increased inflows into emerging markets. Confidence returned to China's stock market, which was buoyed by improving investor sentiment and expectations of further measures from the local authorities to reinvigorate growth. Brazil was one of the top-performing markets in the period, rising on hopes that new political leadership could help the economy emerge from its severe recession.

However, there remained headwinds for global stocks in the background, including the ongoing worries about global growth, uncertainty surrounding the US interest rate cycle, the UK referendum on EU membership and increasing geopolitical risk in the Middle East.

Commodity prices struggled to gain traction amid concerns about sluggish demand from China. There were also continuing worries over a supply glut in the oil market, with US inventories reaching record levels. Against this backdrop, inflationary pressures across developed economies remained largely subdued. Brent crude began the 12-month period at \$48 per barrel and stood around the \$50 per barrel mark as the period closed, a result which served to disguise the volatility that characterised the period. In the final trading days of the period, OPEC's pledge to cut production counteracted some of the worries over surplus supply.

Central bank actions were the focus of investor attention, with weak global growth and inflation prompting the European Central Bank and the Bank of Japan to announce fresh stimulus measures in early 2016. The US Federal Reserve (Fed), meanwhile, raised interest rates in December for the first time since 2008. As the period progressed, stronger US economic data and more hawkish comments from Fed Chair Janet Yellen made another US interest rate hike appear more likely. In contrast, in August, the Bank of England cut interest rates for the first time since 2009 and began a new round of quantitative easing as it sought to counter the prospect of a Brexit-induced economic slowdown.

Major global equity indices have reached 2016 highs in recent months, driven by ongoing supportive central bank initiatives and generally sound economic data. While we remain cognisant of short-term volatility owing to political and economic decision making, we believe there are still pockets of the equity markets that offer attractive returns on a medium-term time horizon against a backdrop of record low bond yields. We remain relatively cautious on the prospects for government bonds. At the same time, we are mindful of the continuing support provided by the generally loose monetary policy of central banks. We currently tactically favour US government bonds. The country is further advanced in the interest rate cycle compared with Japan and Europe, with valuations being supportive. While inflation expectations are lagging broader markets, we expect the US Federal Reserve to hike rates in December 2016. We hold a neutral view of Japanese government bonds, with central bank policy providing support for short-to medium-term maturities. We expect the Bank of Japan will aim to address concerns over the profitability of the domestic banking sector given negative yields. We also favour highly rated non-government bonds, primarily supranationals and agency bonds.

The fund has moved to make two distributions each year, with the next payment due as follows:

15 January 2017 - €20.95 for the A share class, €27.00 for the I share class.

The next dividend will be calculated in December.

Christopher Childs
Fund Manager
October 2016

Note: The figures stated in this report are historical and not necessarily indicative of future performance.

F&C Fund – F&C HVB-Stiftungsfonds

Board of Directors

Chairman

Patrick Johns
Non-executive adviser to F&C
Norfolk
United Kingdom

Directors

Jacques Elvinger
Partner
Elvinger Hoss Prussen
2, Place Winston Churchill
L-1340 Luxembourg
Grand Duchy of Luxembourg

Ernst Hagen
Executive Director
F&C Netherlands BV
Jachthavenweg 109E
1081 KM Amsterdam
The Netherlands

Bernd Kalis
Head of Product Management Securities Business
HypoVereinsbank Retail & Private Banking
UniCredit Bank AG
Arabellastrasse 12
D-81925 Munich
Germany

Hugh Moir
Head of Operations and IT
F&C Asset Management plc
Exchange House
Primrose Street
London EC2A 2NY
United Kingdom

Enrico Turchi
Managing Director
Pioneer Asset Management S.A.
8-10, rue Jean Monnet
L-2180 Luxembourg
Grand Duchy of Luxembourg



Audit Report

To the Shareholders of
F&C Fund

We have audited the accompanying financial statements of F&C Fund (the "SICAV"), which comprise the statement of net assets and the schedule of investments as at 30 September 2016 and the statement of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Board of Directors of the SICAV for the financial statements

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of F&C Fund as of 30 September 2016, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

Other matters

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 9 November 2016

A handwritten signature in black ink, appearing to read 'Shtayyeh', written in a cursive style.

Serene Shtayyeh

F&C Fund – F&C HVB-Stiftungsfonds

Schedule of Investments as at 30 September 2016

Security Description	Rate	Maturity Date	Currency	Quantity/ Nominal Value	Market Value in EUR	% of Net Assets
TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL EXCHANGE LISTING OR TRADED ON OTHER REGULATED MARKETS						
BONDS						
Germany						
Bundesrepublik Deutschland	3.75%	4.1.2017	EUR	9,000,000	9,101,475	4.90
Bundesrepublik Deutschland	3.75%	4.1.2019	EUR	8,100,000	8,920,700	4.80
Bundesrepublik Deutschland	3.50%	4.7.2019	EUR	11,600,000	12,957,722	6.97
Bundesrepublik Deutschland	3.00%	4.7.2020	EUR	5,000,000	5,697,975	3.07
Bundesschatzanweisungen	0.00%	16.12.2016	EUR	12,000,000	12,016,008	6.46
Bundesschatzanweisungen	0.00%	10.3.2017	EUR	26,900,000	26,983,794	14.51
Bundesschatzanweisungen	0.00%	16.6.2017	EUR	10,000,000	10,046,650	5.40
					85,724,324	46.11
United States						
United States Treasury Inflation Indexed Bonds	0.25%	15.1.2025	USD	36,070,485	32,711,929	17.59
TOTAL BONDS					118,436,253	63.70
SHARES						
Japan						
Japan Hotel REIT Investment				2,644	1,865,643	1.00
Spain						
Banco Bilbao Vizcaya Argentaria				1,956	10,527	0.01
TOTAL SHARES					1,876,170	1.01
FUNDS						
France						
Amundi ETF Euro Stoxx 50 UCITS ETF 'C'				144,800	8,794,428	4.73
Amundi ETF MSCI Europe Ex UK UCITS ETF 'C'				861,200	20,449,194	11.00
					29,243,622	15.73
Guernsey						
Pershing Square Holdings				96,000	1,195,942	0.64
Ireland						
Fundlogic Alternatives - Emerging Markets Equity Fund 'I'				6,611	5,403,160	2.91
iShares JP Morgan \$ Emerging Markets Bond UCITS ETF				85,283	8,794,667	4.73
Leadenhall UCITS ILS Fund 'B'				39,940	4,098,882	2.20
					18,296,709	9.84
Luxembourg						
Falcon Fund SICAV - Twelve-Falcon Insurance Linked Strategy Fund				23,445	2,338,689	1.26
United Kingdom						
F&C Investment Funds ICVC - Maximum Income Bond Fund				11,654,464	7,134,447	3.84
TOTAL FUNDS					58,209,409	31.31
TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL EXCHANGE LISTING OR TRADED ON OTHER REGULATED MARKETS					178,521,832	96.02
TOTAL INVESTMENTS					178,521,832	96.02
OTHER ASSETS					7,395,858	3.98
TOTAL NET ASSETS					185,917,690	100.00

F&C Fund – F&C HVB-Stiftungsfonds

Schedule of Investments as at 30 September 2016 (continued)

DERIVATIVES

FORWARD FOREIGN EXCHANGE CONTRACTS

Buy	Nominal	Sell	Nominal	Maturity Date	Unrealised Gain/(Loss) in EUR
Unrealised Gain on Forward Foreign Exchange Contracts					
EUR	6,445,564	GBP	(5,500,000)	16.12.2016	100,512
EUR	712,991	JPY	(81,091,515)	16.12.2016	636
IDR	20,849,600,000	USD	(1,570,000)	10.11.2016	16,664
INR	105,770,900	USD	(1,570,000)	10.11.2016	7,486
JPY	162,183,029	EUR	(1,406,262)	16.12.2016	18,448
NOK	12,920,666	AUD	(2,097,000)	16.12.2016	13,143
NOK	12,824,690	CAD	(2,044,000)	16.12.2016	43,332
USD	1,900,000	CAD	(2,487,708)	21.12.2016	5,354
USD	3,860,000	CAD	(5,069,848)	21.12.2016	165
USD	3,106,762	GBP	(2,348,750)	16.12.2016	45,379
USD	3,220,965	GBP	(2,430,000)	21.12.2016	52,479
USD	2,067,831	GBP	(1,580,000)	21.12.2016	10,666
Total Unrealised Gain on Forward Foreign Exchange Contracts					314,264
Unrealised Loss on Forward Foreign Exchange Contracts					
AUD	1,048,500	NOK	(6,549,686)	16.12.2016	(16,488)
AUD	1,048,500	NOK	(6,532,501)	16.12.2016	(14,580)
CAD	1,041,293	NOK	(6,412,345)	16.12.2016	(8,641)
EUR	1,920,507	JPY	(221,751,369)	16.12.2016	(27,486)
EUR	711,604	JPY	(81,091,514)	16.12.2016	(751)
EUR	34,535,934	USD	(39,072,056)	16.12.2016	(112,262)
GBP	786,098	USD	(1,029,852)	16.12.2016	(6,369)
SEK	8,984,720	EUR	(942,189)	16.12.2016	(8,801)
USD	1,050,447	CAD	(1,384,079)	16.12.2016	(2,884)
USD	8,500,000	CNY	(57,094,500)	28.10.2016	(47,788)
USD	619,192	EUR	(551,526)	21.12.2016	(2,593)
Total Unrealised Loss on Forward Foreign Exchange Contracts					(248,643)

FUTURES CONTRACTS

Description	Currency	Number of Contracts	Maturity Date	Commitment in EUR	Unrealised Gain/(Loss) in EUR
Unrealised Gain on Futures Contracts					
Australian Government Bond 3YR	AUD	154	15.12.2016	11,882,404	29,735
EURO STOXX 50	EUR	(654)	16.12.2016	(19,580,760)	3,270
FTSE 100 Index	GBP	35	16.12.2016	2,774,303	75,755
German Federal Republic Bond 10YR	EUR	11	8.12.2016	1,822,700	8,140
Hang Seng Index	HKD	(11)	28.10.2016	(1,471,082)	17,226
Mini-MSCI Emerging Markets	USD	134	16.12.2016	5,440,247	78,101
S&P 500 E-mini Index	USD	154	16.12.2016	14,802,526	59,610
UK Long Gilt Bond	GBP	(7)	28.12.2016	(1,053,891)	7,687
US Treasury Long Bond	USD	(95)	20.12.2016	(14,215,023)	181,618
US Treasury Note 5YR	USD	80	30.12.2016	8,650,338	26,695
Total Unrealised Gain on Futures Contracts				9,051,762	487,837
Unrealised Loss on Futures Contracts					
Australian Government Bond 10YR	AUD	(44)	15.12.2016	(4,105,246)	(49,570)
EURO-BTP	EUR	66	8.12.2016	9,443,940	(48,180)
EURO-OAT	EUR	(54)	8.12.2016	(8,646,480)	(15,797)
German Federal Republic Bond 10YR	EUR	(42)	8.12.2016	(6,959,400)	(33,178)
German Federal Republic Bond 5Y	EUR	(170)	8.12.2016	(22,455,300)	(82,996)
MSCI Singapore Free Index	SGD	(31)	28.10.2016	(637,604)	(2,630)
NIKKEI 225 Index	JPY	23	8.12.2016	1,673,439	(44,463)
SPI 200	AUD	(40)	15.12.2016	(3,688,019)	(125,295)
US Treasury Bond Ultra Long	USD	84	20.12.2016	13,743,993	(289,518)
US Treasury Note 10YR	USD	292	20.12.2016	34,070,562	(30,046)
US Treasury Note 10YR	USD	(159)	20.12.2016	(20,395,838)	(10,553)
US Treasury Note 2YR	USD	(272)	30.12.2016	(52,877,288)	(45,382)
US Treasury Note 5YR	USD	(106)	30.12.2016	(11,461,697)	(25,054)
Total Unrealised Loss on Futures Contracts				(72,294,938)	(802,662)

F&C Fund – F&C HVB-Stiftungsfonds

Schedule of Investments as at 30 September 2016 (continued)

OPTION CONTRACTS

Currency	Quantity	Description	Maturity Date	Market Value in EUR	Unrealised Gain/(Loss) in EUR
Purchased Options					
EUR	4,930,000	Call USD / Put EUR, Strike Price 1.105	18.10.2016	6,547	(68,389)
USD	5,000	Put S&P 500 Index, Strike Price 2100	20.1.2017	197,544	(132,913)
Total Purchased Options				204,091	(201,302)
Written Options					
USD	(5,000)	Put S&P 500 Index, Strike Price 1925	20.1.2017	(80,085)	71,133
Total Written Options				(80,085)	71,133

SWAP CONTRACTS

Currency	Notional Amount	Pay / Receive	Maturity Date	Commitment in EUR	Unrealised Gain/(Loss) in EUR
Total Return Swaps					
USD	32,933,110	F&C Gear Strategy Index (*) (**)	29.12.2016	292,809	292,809
USD	8,961,978	MLEIFCLS Index (*) (**)	12.9.2017	190,628	190,628
Total Total Return Swaps				483,437	483,437
Unrealised Gain on Swap Contracts					483,437

(*) The Fund is the payer of the negative performance and the receiver of the positive performance of the underlying for both Total Return Swaps positions.

(**) The composition of the underlying Total Return Swap affords the fund participation in a market neutral equity strategy.

The counterparties for forward currency contracts were Bank of Montreal, Canadian Imperial Bank of Commerce, HSBC Bank Plc., ING Bank NV, JP Morgan Securities Plc., Rabobank Nederland, Royal Bank of Canada (UK) and Westpac Banking Corp.

The counterparty for futures contracts was Goldman, Sachs & Co.

The counterparties for options were Goldman, Sachs & Co. (total commitment of EUR 179,239) and Societe Generale (total commitment of EUR 74,936).

The counterparties for swap contracts were JPMorgan Chase Bank N.A. and Merrill Lynch International.

Collateral held for the above described derivatives includes EUR 4,717,328 held as cash collateral and a quantity of 292,000 German Bonds and -184,000 German Bonds held as non-cash collateral.

F&C Fund – F&C HVB-Stiftungsfonds
Distribution of Investments by Economic Sector
as at 30 September 2016

Sector	% of Net Assets
Sovereign	63.70
Financial Services	31.32
Real Estate	1.00
<hr/>	
Total Investments	96.02
Other Assets	3.98
<hr/>	
Total Net Assets	<u>100.00</u>

F&C Fund – F&C HVB-Stiftungsfonds

Statement of Net Assets

As at 30 September 2016

	Notes	2016 EUR	2015 EUR
ASSETS			
Investments at market value	2	178,521,832	194,891,880
Investments at cost		174,518,571	185,641,359
Purchased options contracts at market value	2	204,091	1,552,815
Unrealised gain on futures contracts	2	487,837	939,121
Unrealised gain on forward foreign exchange contracts	2	314,264	195,863
Unrealised gain on swap contracts	2	483,437	1,011,872
Subscriptions receivable		46,301	3,817
Dividends and interest receivable		767,655	1,345,796
Balance at bankers:			
Cash and deposits	2	2,091,339	4,263,075
Cash held at brokers		4,717,328	6,501,301
Total Assets		187,634,084	210,705,540
LIABILITIES			
Written options contracts at market value	2	80,085	261,804
Unrealised loss on futures contracts	2	802,662	1,260,356
Unrealised loss on forward foreign exchange contracts	2	248,643	435,142
Redemptions payable		13,983	61,822
Investment management and management company fees	7,8,13	199,091	223,269
Expenses and taxes		281,956	353,035
Overdraft at brokers		89,974	812,006
Total Liabilities		1,716,394	3,407,434
NET ASSETS		185,917,690	207,298,106

Changes in number of shares outstanding from 1 October 2015 to 30 September 2016

	Shares outstanding at 30 September 2015	Shares issued	Shares redeemed	Shares outstanding at 30 September 2016
F&C HVB-Stiftungsfonds Class A Shares				
Class A Acc Shares	19,151	576	2,483	17,244
Class A Shares	189,636	9,208	22,851	175,993
F&C HVB-Stiftungsfonds Class I Shares				
Class I Shares	2,712	33	387	2,358

F&C Fund – F&C HVB-Stiftungsfonds
Statement of Operations and Changes in Net Assets

For the year ended 30 September 2016

	Notes	2016 EUR	2015 EUR
INCOME			
Dividends (net of withholding taxes)	2	1,529,899	3,220,421
Interest (net of withholding taxes)	2	1,204,397	2,069,833
Security lending income	15	23,605	47,044
Other income		-	3,391
Total Income		2,757,901	5,340,689
EXPENDITURE			
Investment management and management company fees	7,8,13	(2,435,712)	(2,850,493)
Administration and custodian fees	10	(210,907)	(199,552)
Audit, tax and legal fees		(116,992)	(164,461)
Taxe d'abonnement	6	(94,504)	(132,061)
Bank interest and charges		(29,173)	(28,842)
Directors' fees	11	(15,000)	(15,000)
Sundry expenses		(155,864)	(95,213)
Total Expenditure		(3,058,152)	(3,485,622)
Net equalisation	3	14,580	52,694
Net income from operations		(285,671)	1,907,761
Net realised gain on sales of investments		4,629,567	2,064,441
Net realised gain / (loss) on foreign exchange and forward foreign exchange contracts		3,938,360	(1,778,725)
Net realised gain / (loss) on options contracts		(3,342,364)	3,943,114
Net realised gain on futures contracts		2,115,773	2,948,874
Net realised gain on swap contracts		505,950	1,040,906
Net realised gain for the year		7,561,615	10,126,371
Net change in unrealised (depreciation) on investments	2	(5,247,260)	(5,526,652)
Net change in unrealised appreciation on forward foreign exchange contracts	2	304,900	1,749,295
Net change in unrealised appreciation / (depreciation) on options contracts	2	1,217,532	(2,937,740)
Net change in unrealised appreciation / (depreciation) on futures contracts	2	6,410	(395,582)
Net change in unrealised appreciation / (depreciation) on swap contracts	2	(528,435)	1,361,588
Net change in unrealised appreciation / (depreciation) on foreign currencies	2	1,325	(699)
Total net investment income for the year		3,316,087	4,376,581
Subscriptions of shares		9,364,388	5,569,891
Redemptions of shares		(24,851,137)	(37,934,545)
Dividends paid	14	(9,209,754)	(9,102,083)
Total finance costs		(24,696,503)	(41,466,737)
Net assets at the beginning of the year		207,298,106	244,388,262
Net assets at the end of the year		185,917,690	207,298,106

F&C Fund – F&C HVB-Stiftungsfonds
Comparative key figures

	30 September 2016 EUR	30 September 2015 EUR	30 September 2014 EUR
Total Net Assets	185,917,690	207,298,106	244,388,262
F&C HVB-Stiftungsfonds Class A Shares			
Class A Acc Shares			
Number of shares	17,244	19,151	21,674
Net asset value per share	1,184.11	1,163.61	1,144.17
Class A Shares			
Number of shares	175,993	189,636	219,531
Net asset value per share	926.66	960.40	986.32
F&C HVB-Stiftungsfonds Class I Shares			
Class I Shares			
Number of shares	2,358	2,712	2,802
Net asset value per share	1,023.23	1,064.64	1,092.59

F&C Fund – F&C HVB-Stiftungsfonds

Notes to the Financial Statements

as at 30 September 2016

1. GENERAL

F&C Fund (hereafter referred to as the "Fund") is a limited liability company incorporated in Luxembourg under the provisions of the Law of 10 August 1915 (as amended) relating to commercial companies, and qualifies as a Part I SICAV (Société d'Investissement à Capital Variable) under the Law of 17 December 2010 relating to undertakings for collective investment (as amended). It was incorporated by notarial act on 11 July 2001 for an indefinite period.

The Articles of Incorporation of the Fund authorise the Board of Directors of the Fund (the "Board") to issue shares, at any time, in different portfolios (each, a "Portfolio").

As at 30 September 2016, only one Portfolio is offered for subscription: F&C HVB-Stiftungsfonds, issuing three classes of shares: class A shares with no restriction on issue, class I shares reserved to institutional investors and class A Acc shares with no restriction on issue.

The objective of F&C HVB-Stiftungsfonds is to make available to investors participation in a broadly diversified global portfolio of debt and equity securities as well as derivatives which enable distributions to be made, whilst maintaining the long term value of the property of the Portfolio. It is expected that the majority of the Portfolio's assets will be invested in equities, debt securities and derivatives within the limits set out in the investment restrictions in the Fund's prospectus. Debt securities may include both investment grade and below investment grade debt securities.

The Board has adopted the ALFI Code of Conduct, which sets out the principles of good governance, and considers that the Fund has been in compliance with it in all material respects throughout the financial year ended 30 September 2016.

The Investment Manager exercises the votes attached to the Fund's equity investments based on its Corporate Governance Operational Guidelines.

UCITS V came into effect in March 2016. UCITS V aims to increase the level of protection already offered to investors in UCITS and to improve investor confidence in UCITS. It aims to do so by enhancing the rules on the responsibilities of depositaries and by introducing remuneration policy requirements for UCITS fund managers. It also aims to ensure that all EU regulators responsible for the supervision of UCITS funds and their managers have a common minimum set of powers available to investigate infringements.

2. ACCOUNTING POLICIES

The financial statements are prepared in accordance with Luxembourg regulations relating to undertakings for collective investment and are expressed in Euro ("EUR").

Valuation of securities

The value of any transferable securities which are quoted or dealt in on any official stock exchange or regulated market, which operates regularly and is recognised and open to the public, (a "regulated market") is based on the last available price, on such stock exchange or regulated market applicable on the valuation day. If a security is not traded or admitted on any official stock exchange or any other regulated market, or in the case of a security so traded or admitted and if the last available price does not reflect the fair value of the security, it is valued on the basis of its foreseeable sales price.

Investment in Funds

Investments in open-ended undertakings for collective investment ("UCIs") are valued on the basis of the last available net asset value of the units or shares of such UCIs.

Foreign exchange conversion

Assets and liabilities denominated in currencies other than the Fund's reporting currency have been translated at the rates of exchange ruling at 30 September 2016, the time of the determination of the Net Asset Value. Cost of investments, income and expenditure denominated in currencies other than the Fund's reporting currency have been translated at the exchange rates ruling on the day of transaction. The exchange gain or loss arising from the translation of these items is taken into account in the determination of the results of operations.

As at 30 September 2016, the following EUR/USD exchange rate has been used: 1 EUR = 1.1238 USD.

Income and expenses

Dividends are credited to income, net of irrecoverable withholding tax, on the date upon which the relevant securities are declared 'ex-dividend'. Interest income, net of irrecoverable withholding tax is accrued on a daily basis and includes the amortisation of premiums and accretion of discounts.

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Notes to the Financial Statements (continued)

as at 30 September 2016

Valuation of futures contracts

Initial margin deposits are made upon entering into futures contracts and can be made either in cash or securities. During the year the futures contract is open, changes in the value of the contract are recognized as unrealised gains or losses by "marking-to-market" on a daily basis to reflect the market value of the contract at the end of each day's trading. Variation margin payments are made or received, depending upon whether unrealised losses or gains are incurred. When the contract is closed, the Fund records a realised gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Fund's basis in the contract.

Valuation and presentation of forward foreign exchange contracts

The unrealised gain or loss on open forward foreign exchange contracts is calculated as the difference between the contracted rate and the rate to close out the contract. Realised profit or loss includes net gains or losses on forward foreign exchange contracts which have been settled or offset by other contracts with the same counterparty.

Valuation and presentation of option contracts

For a purchased option an amount equal to the premium paid is recorded as an investment and is subsequently adjusted to the current market value of the option purchased. Premiums paid for the purchase of options which expire unexercised are treated on the expiration date as realised losses. If a purchased put option is exercised, the premium is subtracted from the proceeds of the sale of the underlying security, foreign currency or index in determining whether the Fund has realised a gain or a loss. If a purchased call option is exercised, the premium increases the cost basis of the security, foreign currency or index purchased by the Fund.

For a written option an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current market value of the option written. Premiums received from written options which expire unexercised are treated by the Fund on the expiration date as realised gains. If a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Fund has realised a gain or a loss. If a written put option is exercised, the premium reduces the cost basis of the security purchased by the Fund.

Valuation of swap contracts

Total Return Swaps

Total return swaps are marked at each NAV calculation date. The estimated market value is based on the valuation elements laid down in the contracts, and is obtained from third party pricing agents, market makers or internal models.

Variance Swaps

A variance swap is an over-the-counter financial derivative that allows speculation on or hedge risks associated with the volatility of some underlying product, like an exchange rate, interest rate or stock index.

One leg of the swap will pay an amount based upon the realised variance of the price changes of the underlying product. Conventionally, these price changes will be daily log returns, based upon the most commonly used closing price. The other leg of the swap will pay a fixed amount, which is the strike, quoted at the deal's inception. Thus the net payoff to the counterparties will be the difference between these two and will be settled in cash at the expiration of the deal, though some cash payments will likely be made along the way by one or the other counterparty to maintain the agreed upon margin.

Correlation Swaps

A correlation swap is an over-the-counter financial derivative that allows speculation on or hedge risks associated with the observed average correlation of a collection of underlying products, where each product has periodically observable prices, as with a commodity, exchange rate, interest rate or stock index. The fixed leg of a correlation swap pays the notional times the agreed strike, while the floating leg pays the annualised realised correlation.

Dispersion Swaps

A dispersion swap allows investors to buy or sell volatility on an index and sell or buy volatility on the stated component of that index.

Dividend Swaps

Dividend swaps allow investors to take a view on the future cash dividend payouts attached to an individual share, stock index or bundle of shares without the need to own the underlying securities. Payments are made when the dividend swap matures and are calculated according to the dividends paid out.

Volatility Swaps

Volatility swap agreements involve two parties agreeing to exchange cash flows based on the measured volatility of a specified underlying asset. One party agrees to exchange a "fixed rate" or volatility strike payment for the "floating rate" or unrealised volatility on the underlying asset with respect to the notional amount. At inception, the volatility

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Notes to the Financial Statements (continued)

as at 30 September 2016

strike is generally chosen such that the fair value of the swap is zero. At the maturity date, a net cash flow is exchanged, where the payoff amount is equivalent to the difference between the unrealised volatility of the underlying asset and the volatility strike multiplied by the notional amount. As a receiver of the realised price volatility, the Fund would receive the payoff amount when the realised volatility of the underlying asset is greater than the volatility strike and would owe the payoff amount when the volatility is less than the strike. As a payer of the realised price volatility the Fund would owe the payoff amount when the realised volatility of the underlying asset is greater than the volatility strike and would receive the payoff amount when the volatility is less than the strike. This type of agreement is essentially a forward contract on the future realised volatility of the underlying asset.

Swap contracts are marked to market based on daily prices obtained from third party pricing agents and verified against the value from the counterparty.

Unrealised gains or losses on swaps are recorded under “Unrealised profit/Unrealised loss on swap contracts” in the statement of net assets. Realised gains or losses and change in unrealised gains or losses are recorded under “Net realised gains/(losses) on swap contracts” and under “Change in net unrealized appreciation/(depreciation) on swap contracts” in the statement of operations and changes in net assets. The change in the value of the swap is reported as “Change in net unrealised appreciation/(depreciation) on swap contracts”, until termination of the contract when it is realised. Periodic interest payments to be paid or received are accrued on a daily basis and included in interest income or interest expense.

Cash and cash equivalents

Cash and other liquid assets will be valued at their face value with interest accrued, where applicable. Interest is also accrued on bank overdrafts. All cash at bank balances are held either by State Street Bank Luxembourg S.C.A., or in overnight deposit with a third party institution approved by the Board or directly with a sub-custodian.

Income from securities lending

The Fund may lend its portfolio securities to specialised banks and credit institutions and other financial institutions of high standing and highly qualified registered brokers/dealers, or through recognised clearing institutions such as Clearstream or Euroclear subject to complying with the provisions set forth in the ESMA guidelines (CSSF 14/592). Cash collateral received by the Fund in relation to these transactions will not be reinvested. Income from securities lending is recognised by the Fund when payment is received from the borrowers.

3. EQUALISATION

The Fund follows the accounting practice known as “equalisation” by which a portion of the issue and redemption price representing, on a per share basis, accrued distributable investment income (excluding capital gains or losses), is credited or charged to distributable income. The amounts attributable to this income equalisation account are included in the proceeds from subscriptions to the Fund’s shares or in the payment for the Fund’s shares redeemed, and in the Net equalisation, items of the Statement of Operations and Changes in Net Assets.

As at 30 September 2016, the amounts attributable to income equalisation have been disclosed separately as net equalisation in the Statement of Operations and Changes in Net Assets.

4. STOCK EXCHANGE QUOTATION

Certain of the shares of the F&C HVB-Stiftungsfonds were listed on the Luxembourg Stock Exchange. The shares have been delisted as at 24 September 2016.

5. INITIAL OFFERING PRICE AND MINIMUM INVESTMENT AMOUNTS

The shares of F&C HVB-Stiftungsfonds (class A shares) were initially offered on 25 July 2001 at the initial subscription price of EUR 1,000 per share.

The shares of F&C HVB-Stiftungsfonds (class I shares) were initially offered on 1 December 2004 at the initial subscription price of EUR 1,030.25 per share.

The shares of F&C HVB-Stiftungsfonds (class A Acc shares) were initially offered on 15 January 2008 at the initial subscription price of EUR 1,000 per share.

For class A and A Acc shares, the minimum investment amounts to EUR 2,500, exclusive of the initial charge. For class I shares, the minimum investment amounts to EUR 10,000,000, exclusive of the initial charge.

The Board may on a discretionary basis reduce or waive the minimum investment required. Moreover, there is no subsequent minimum investment for any class of shares.

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Notes to the Financial Statements (continued)

as at 30 September 2016

6. TAXATION

The Fund is not subject to taxation in Luxembourg on its income, profits or gains. However, the Fund is liable in Luxembourg to a subscription tax ("taxe d'abonnement") of 0.05% per annum of its net assets, such tax being payable quarterly and calculated on the basis of the Total Net Assets of the Fund at the end of the relevant quarter. The rate of the annual subscription tax is reduced to 0.01% per annum for the Portfolio or share classes which, in accordance with Article 174 of the Law, invest exclusively in money market instruments as defined in the Grand-Ducal Regulation of 14 April 2003 and in respect of share classes which are only sold to and held by institutional investors. No stamp duty or other tax will be payable in Luxembourg on the issue of shares in the Fund.

7. INVESTMENT MANAGEMENT FEE

In accordance with the prospectus, the Investment Manager, for its investment management services provided to the Fund, is entitled to receive up to 2% per annum of the applicable net asset value for the class A shares and class A Acc shares and up to 0.60% for class I shares. For the year under review, the investment management fee was 1.25% of the applicable net asset value for the classes A and A Acc shares, and 0.60% for the class I shares.

8. MANAGEMENT COMPANY FEE

FundRock Management Company S.A. (formerly RBS (Luxembourg) S.A.) (the "Management Company") is the management company of the Fund. For its services, the Management Company receives a fee determined as per the tables below, with an annual minimum of EUR 25,000:

Assets under management	Fee per annum
Up to EUR 150 million	3.25 bp
From EUR 150 million to 1 billion	3.00 bp
Above EUR 1 billion	2.75 bp

9. FORMATION EXPENSES

The formation expenses of the Fund have been amortised over a five year period.

10. ADMINISTRATION AND CUSTODIAN FEES

For the year under review, in remuneration for its services, the Fund paid to State Street Bank Luxembourg S.C.A., the following fees:

Custody:

An asset charge of up to 0.50% of the assets under custody plus a transaction charge.

Administrative services:

Assets under management	Fee per annum
First EUR 2.82 billion	4.55 bp
From EUR 2.82 billion to EUR 4.5 billion	3.50 bp
Excess above EUR 4.5 billion	2.00 bp

Other administrative fees in addition to the fees above are also payable to State Street Bank Luxembourg S.C.A. for services including transaction processing and transfer agency related activities.

11. DIRECTORS' FEES

Directors' fees are determined from time to time by decision of the general meeting of shareholders. Those Directors of the Fund who are employees of F&C Asset Management plc (the parent of the Investment Manager) or any of its subsidiaries or connected to UniCredit Bank AG or the Legal Adviser to the Fund, waive their fees in carrying out their duties as Directors of the Fund. The chairman, Patrick Johns, is entitled to a fee of EUR 15,000 per annum.

12. USE OF DEALING COMMISSION

The Investment Manager is regulated by the UK Financial Conduct Authority ("FCA") for the conduct of its business in the United Kingdom. The rules of the FCA restrict the use of dealing commission to execution and research services. Services are only eligible for payment with commission if they qualify as substantive research by meeting specific criteria set by the FCA. These are known as "permitted services".

The Investment Manager executes transactions on behalf of the Fund with a number of selected brokers. In the normal course of business, the Investment Manager has entered, or may enter into, arrangements ("Commission Sharing Arrangements") whereby research credits accrued to the broker through trading can be recovered and redirected to one or more third parties, as payment for the provision of eligible investment research to the Investment Manager.

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Notes to the Financial Statements (continued)

as at 30 September 2016

The services received under such arrangements are directly relevant to and assist in the cost-effective provision of management services generally by the Investment Manager and are consistent with practices in the markets in which the Investment Manager does business.

13. RELATED PARTY TRANSACTIONS

The Investment Manager may pass on to the Fund certain expenses, as approved by the Board, incurred in the marketing of the Fund. The maximum chargeable during any accounting period is 0.025% of the Net Asset Value of the Fund or the respective Portfolio(s).

The Investment Manager is also entitled to a service fee not exceeding EUR 50,000 per annum for its approach in the area of socially responsible investment, through its Responsible Engagement Overlay service.

During the financial year ended 30 September 2016, under the securities lending programme (as described in note 2), State Street Bank GmbH, London Branch earned EUR 4,721 as securities lending agent. The Investment Manager earned EUR 3,147 for their monitoring and oversight of the securities lending programme.

14. DIVIDEND PAID DURING THE YEAR

At the Annual General Meeting held on 2 December 2015, shareholders approved the dividend payment of EUR 29.35 per class A share and EUR 39.85 per class I share on 15 January 2016 (ex-date 13 January 2016), to the shareholders of these classes.

Following the change in dividend policy during the year to move from annual to bi-annual payments, a dividend payment of EUR 20.95 per class A share and EUR 27.00 per class I share was paid on 15 July 2016 (ex-date 13 July 2016). A further dividend for the same amounts is due to be paid in January 2017.

15. SECURITIES LENDING

As at 30 September 2016, the Fund had no securities on loan.

The income earned from the securities lending program is reflected net of fees in the statement of operations and changes in net assets as disclosed in note 2.

State Street Bank GmbH, London Branch as the securities lending agent receives a 15% fee for their services. The Investment Manager as the Fund's securities lending co-ordinator receives an administration fee of 10% to cover operational costs. As a result, the Fund receives 75% of the gross revenues generated from securities lending.

16. NET ASSET VALUE

The net asset value, the issue price and the redemption price, is available at the registered office of the Fund and will be published regularly in or on: Bloomberg, Reuters and www.bmogam.com.

17. PORTFOLIO CHANGES

A statement detailing the changes in the portfolio during the reference period can be obtained free of charge from the registered office of the Fund and from CACEIS Bank Deutschland GmbH, Munich and from UniCredit Bank Austria AG, Vienna as disclosed on page 20.

18. TRANSACTION COSTS

For the year ended 30 September 2016, the Fund incurred transaction costs of EUR 28,978 related to Purchases and Sales of transferable securities.

The transaction costs for derivatives are not separately identifiable. They are included in the purchases and sales prices of the derivatives.

19. SUBSEQUENT EVENTS

There were no material events which occurred after the end of the financial year, which would have a bearing on the understanding of the financial statements.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors' approved the financial statements on 9 November 2016.

F&C Fund – F&C HVB-Stiftungsfonds Risk Management and Remuneration (Unaudited)

GLOBAL EXPOSURE AND LEVERAGE

The F&C HVB-Stiftungsfonds uses the absolute Value-at-Risk (VaR) approach in order to monitor and measure its global exposure.

The VaR figures have been calculated based on the following input data:

VaR method	Historical simulation
Confidence interval	99%
Analysis time horizon	One month (20 days)
Time series extension	1 year
CSSF Limit	20%

The level of the VaR from 1 October 2015 to 30 September 2016 was as follows:

	VaR Amounts	Utilisation of the VaR Limit
Minimum	1.82%	9.10%
Maximum	5.05%	25.25%
Average	3.54%	17.70%

The average leverage during the year, computed with sum of notionals, was 289.91%.

REMUNERATION

The European Union Directive 2014/91/EU (known as the “UCITS V Directive”) came into effect on 18 March 2016. The management company is required to operate a remuneration policy in accordance with applicable requirements of the UCITS V Directive. Details of the management company’s remuneration and associated financial disclosures will be made within the annual report for the period to 30 September 2017.

F&C Fund – F&C HVB-Stiftungsfonds

Administration of the Fund

Registered office

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L-1855 Luxembourg
Grand Duchy of Luxembourg

Management Company*

FundRock Management Company S.A.
(formerly RBS (Luxembourg) S.A.)
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Grand Duchy of Luxembourg

Investment Manager

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United Kingdom

Listing Agent

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Grand Duchy of Luxembourg

Legal Advisers

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L-1340 Luxembourg
Grand Duchy of Luxembourg

Auditor

PricewaterhouseCoopers, Société coopérative
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L-2182 Luxembourg
Grand Duchy of Luxembourg

Custodian, Registrar, Transfer, Domiciliary, Paying and Administrative Agent in Luxembourg

State Street Bank Luxembourg S.C.A.
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Grand Duchy of Luxembourg

Information and Paying Agent in Austria

UniCredit Bank Austria AG
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A-1010 Vienna
Austria

Information and Paying Agent in Germany

CACEIS Bank Deutschland GmbH
Lilienthalallee 34-36
D-80939 Munich
Germany

* The acquisition of RBSL by BlackFin Financial Services Fund II, a private-equity fund managed by BlackFin, was completed on 31 December 2015. RBSL has been renamed FundRock Management Company S.A. and is no longer a member of the RBS Group.

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