



Threadneedle
Managed Income Fund

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Introduction

This Interim Report and Accounts for the Threadneedle Managed Income Fund reviews the performance of the Fund and the stock market over the six months to 25th August 2011.

The period under review has seen financial markets buffeted by a number of concerns including the civil unrest in parts of North Africa and the Middle East, the sovereign debt crisis in the eurozone periphery, the Japanese earthquake and tsunami in March and the slowing global economic recovery. However, the corporate backdrop has remained robust. Companies have managed their businesses very tightly in recent years, having cut costs and restructured their operations in the aftermath of the global financial crisis. The strong recovery in profitability and cash flows over the last two years has further contributed to the strengthening of corporate balance sheets.

We hope that you find the report informative. If you would like further information regarding any aspect of your investment or about other Threadneedle products, please either contact us directly or speak to your financial adviser. Alternatively, you may find it helpful to visit Threadneedle.com for further information about Threadneedle.

Thank you for your continued support.

Manager's Report

Markets had to deal with a number of adverse factors during the period under review. For example, there were uprisings in several Middle Eastern and North African nations; a major earthquake and nuclear emergency in Japan; and ongoing worries about the ability of the US and peripheral European governments to repay their debts. Meanwhile, closer to home, concerns about the UK economic outlook remained a major feature, with civil unrest in August providing a stark illustration of the difficulties facing the government.

While the lacklustre economic background together with rising input prices placed downward pressure on some companies' margins, good quality businesses were generally able to report continued profit growth. At the same time, a number of companies announced dividend increases or resumptions of distributions that had previously been suspended.

Despite these positive corporate fundamentals, geopolitical and economic concerns dominated sentiment and investors were in risk-averse mode for much of the period. As a result, equity markets were volatile and produced a negative return. Bonds performed better, helped by strong demand as investors sought the security of lower risk investments.

A number of the underlying funds held within the portfolio performed well against their respective benchmarks, and this fed through to good relative performance at the overall portfolio level. In particular, our UK and global equity income funds, which provide the backbone of the portfolio at around 70% of its assets, produced better returns than their peer groups and their respective markets.

Within the UK funds we had been adding to undervalued defensive stocks such as Unilever, Compass and GlaxoSmithKline since late 2010 and we continued this process in the first part of the period under review. Defensive companies had lagged the market since it bottomed in March 2009 and, as a result, they represented good value. Adding to these companies subsequently helped performance during the more volatile conditions of summer 2011.

Elsewhere, we continued to increase the geographical diversification of the portfolio by adding to its investment in the Threadneedle Global Equity Income Fund. This fund has built a strong track record since its launch in 2007. It also offers an attractive yield as well as providing direct exposure to faster-growing markets in Asia and elsewhere. This move was funded by reducing the investment in the Threadneedle UK Equity Income Fund.

We have been of the opinion for some time that equities are very attractively valued relative to bonds. We believe that the weakness seen in the world's stock markets over the summer period has strengthened this valuation argument. Indeed, at the time of writing, the dividend yield on the UK stock market is well above the yield on a 10-year gilt. This is a rare event and one that often signals outperformance from equities. As such, the portfolio retains a significant weighting in Threadneedle's equity funds, balanced by investments in selected bond funds.

22nd September 2011

C J Henderson
T N Gillbanks

The information at the back of this Interim Report and Accounts forms part of the Manager's Report.

Directors' Statement

In accordance with the requirements of the Financial Services Authority's Collective Investment Schemes (COLL) Sourcebook, we hereby certify the Interim Report & Accounts on behalf of the Directors of Threadneedle Investment Services Limited.

22nd September 2011

C J Henderson
T N Gillbanks

Managed Income Fund

Investment Objective and Policy

The Fund's investment objective and investment policy is to provide a growing income with capital growth prospects from investment in regulated collective investment schemes operated, managed or advised by Threadneedle Investment Services Limited (or any company within the Group of which it is a member).

This report covers the period from 26th February 2011 to 25th August 2011.

Performance

Over the six months to 25th August 2011, the offer price of Class A units for the Threadneedle Managed Income Fund has fallen from 62.21p to 57.69p.

Over the same period, the offer price of Class B units has fallen from 61.05p to 56.65p.

Looking at performance within its peer group, the total return on the Fund* for the period ending 31st August 2011, including net reinvested income, is -3.71% as compared to a median return of -4.65% over the same period. (For

information the FTSE All-Share Total Return Index returned -7.95%, whereas the FTA Government All Stocks Index returned 7.78% over the same period.)

In view of the nature of the Fund and its investment remit, there is no directly comparable market index.

The requirement to maintain a good level of income for investors means that a significant proportion of the portfolio continues to be held in funds with exposure to bonds.

*Refers to the Retail Class A shares

STATEMENT OF TOTAL RETURN

for the accounting period 26th February 2011 to 25th August 2011

	2011 £000	2010 £000
Income		
Net capital gains/(losses)	(6,527)	(5)
Revenue	2,332	2,617
Expenses	(121)	(121)
Finance costs: Interest	(1)	(2)
Net revenue before taxation	2,210	2,494
Taxation	(112)	(122)
Net revenue after taxation	2,098	2,372
Total return before distributions	(4,429)	2,367
Finance costs: Distributions	(1,662)	(1,794)
Change in net assets attributable to unitholders from investment activities	(6,091)	573

BALANCE SHEET

as at 25th August 2011

	2011 £000	February 2010 £000
Assets		
Investment assets	90,005	97,491
Debtors	594	1,058
Cash and bank balances	170	-
Total other assets	764	1,058
Total assets	90,769	98,549
Liabilities		
Creditors	(1,003)	(364)
Bank overdrafts	-	(431)
Distribution payable on income units	(276)	(1,235)
Total liabilities	(1,279)	(2,030)
Net assets attributable to unitholders	89,490	96,519

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 26th February 2011 to 25th August 2011

	2011 £000	2010 £000
Opening net assets attributable to unitholders	96,519	94,257
Movement due to sales and repurchases of units:		
Amounts receivable on the issue of units	4,382	2,211
Amounts payable on the cancellation of units	(4,780)	(6,358)
	(398)	(4,147)
Stamp duty reserve tax	(21)	(9)
Change in net assets attributable to unitholders from investment activities (see statement of total return above)	(6,091)	573
Unclaimed distributions	(519)	(649)
Closing net assets attributable to unitholders	89,490	90,025

The comparatives used within the Statement of Change in Net Assets Attributable to Unitholders are for the corresponding period of the previous year. Therefore the opening net assets attributable to unitholders for the current year are at 25th February 2011 whilst the figure disclosed in the comparatives' closing net assets attributable to unitholders is at 25th August 2010.

DISTRIBUTION TABLE

for the accounting period 26th February 2011 to 25th August 2011

Dividend distribution in pence per unit

Class A Units							
Net Income							
Distribution Period	Gross Revenue	Tax Credit	Net Revenue	Equalisation	Distribution Paid/Payable 2011	Distribution Paid 2010	
Group 1							
26/02/11 to 25/03/11	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/03/11 to 25/04/11	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/04/11 to 25/05/11	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/05/11 to 25/06/11	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/06/11 to 25/07/11	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/07/11 to 25/08/11	0.1889	0.0189	0.1700	-	0.1700	0.1700	
Total distributions in the period					1.0200	1.0200	
Class B Units							
Net Income							
Distribution Period	Gross Revenue	Tax Credit	Net Revenue	Equalisation	Distribution Paid/Payable 2011	Distribution Paid 2010	
Group 1							
26/02/11 to 25/03/11	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/03/11 to 25/04/11	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/04/11 to 25/05/11	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/05/11 to 25/06/11	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/06/11 to 25/07/11	0.1889	0.0189	0.1700	-	0.1700	0.1700	
26/07/11 to 25/08/11	0.1889	0.0189	0.1700	-	0.1700	0.1700	
Total distributions in the period					1.0200	1.0200	
Group 2: units purchased during a distribution period							
Group 2							
26/02/11 to 25/03/11	0.1884	0.0188	0.1696	0.0004	0.1700	0.1700	
26/03/11 to 25/04/11	-	-	-	0.1700	0.1700	0.1700	
26/04/11 to 25/05/11	-	-	-	0.1700	0.1700	0.1700	
26/05/11 to 25/06/11	-	-	-	0.1700	0.1700	0.1700	
26/06/11 to 25/07/11	-	-	-	0.1700	0.1700	0.1700	
26/07/11 to 25/08/11	-	-	-	0.1700	0.1700	0.1700	
Total distributions in the period					1.0200	1.0200	

Please refer to page 6 for comparative tables.

Managed Income Fund

Notes to the financial statements

for the accounting period 26th February 2011 to 25th August 2011

1 ACCOUNTING POLICIES

(1) Basis of accounting

The 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 (the 'SORP') for Financial Statements of Authorised Funds issued by the Investment Management Association (IMA) in October 2010.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 25th February 2011 and are described in those financial statements.

(2) Notes

In accordance with the guidelines of the SORP the fund has taken advantage of the facility not to provide further notes to the financial statements.

Portfolio statement

as at 25th August 2011

			% of
	Holding	Investment	Value Net Asset
			£000 Value
COLLECTIVE INVESTMENT SCHEMES			
(100.58%, February 2011 – 101.01%)			
UK Equity – 59.90%			
(February 2011 – 66.23%)			
	33,097,645	Threadneedle Monthly Extra Income Fund	17,542 19.60
	33,875,772	Threadneedle UK Equity Alpha Income Fund	14,770 16.51
	10,962,518	Threadneedle UK Equity Income Fund	6,694 7.48
	27,156,276	Threadneedle UK Monthly Income Fund	14,596 16.31
		Total UK Equity	53,602 59.90
UK Bond – 18.87%			
(February 2011 – 18.09%)			
	14,904,433	Threadneedle High Yield Bond Fund	5,974 6.68
	21,063,977	Threadneedle UK Corporate Bond Fund	10,913 12.19
		Total UK Bond	16,887 18.87
Overseas Equity – 21.81%			
(February 2011 – 16.69%)			
	10,843,227	Threadneedle Global Equity Income Fund	10,051 11.23
	15,483,010	Threadneedle Pan European Equity Dividend Fund	9,465 10.58
		Total Overseas Equity	19,516 21.81
		Total Collective Investment Schemes	90,005 100.58
		Total Value of Investments	90,005 100.58
		Net Other Liabilities	
		(February 2011 – (1.01%))	(515) (0.58)
		Net Assets	89,490 100.00

The calculation of the % Net Asset Value may not sum to 100% due to rounding.

Comparative Tables

Fund Size

For the year ended	Net Asset Value of Unit Class £	Net Asset Value per Unit	Units in issue
25th February 2009			
Class A – Net income units	70,774,636	44.12p	160,419,759
Class B – Net income units	12,454,209	44.75p	27,833,237
25th February 2010			
Class A – Net income units	79,971,266	53.67p	149,006,902
Class B – Net income units	14,285,841	54.55p	26,190,519
25th February 2011			
Class A – Net income units	82,101,317	59.13p	138,848,364
Class B – Net income units	14,418,076	60.24p	23,932,788
For the period ended			
25th August 2011			
Class A – Net income units	75,689,731	55.04p	137,518,895
Class B – Net income units	13,800,482	56.13p	24,585,473

Income and Price History

Calendar Year	Net income per unit p	Net income per £1,000 invested at 3rd January 2006 £	Highest offer price p	Lowest bid price p
2006				
Class A – Net income units	1.6865	27.90	67.17	56.79
Class B – Net income units	1.6340	27.89	65.32	57.29
2007				
Class A – Net income units	1.9285	31.91	69.87	60.98
Class B – Net income units	1.9527	33.33	67.98	61.68
2008				
Class A – Net income units	2.4421	40.41	69.16	44.13
Class B – Net income units	2.4633	42.05	67.39	44.75
2009				
Class A – Net income units	3.0876	51.09	57.19	41.87
Class B – Net income units	3.1332	53.49	55.96	42.47
2010				
Class A – Net income units	2.5094	41.52	62.49	51.52
Class B – Net income units	2.5577	43.66	61.29	52.41
2011				
†Class A – Net income units	1.9409	32.11	64.48	53.84
†Class B – Net income units	1.9936	34.03	63.30	54.93

†To 25th August 2011

Total Expense Ratio Summary

for the accounting period 26th February 2011 to 25th August 2011

Fund	Unit Class	August 2011*	February 2011
Managed Income Fund	Class A – Net income units	1.81%	1.82%
	Class B – Net income units	1.55%	1.56%

A Total Expense Ratio is a figure representing all operating charges and expenses as a percentage of the fund's value. It includes the annual management fee as well as all the administrative costs incurred by the fund itself together with its share of the costs of the underlying funds into which it invests.

The share of the costs of the underlying funds may fluctuate due to changes in investment decisions, which may be required as a result of changes in market conditions.

*Annualised ratio.

Total Purchases and Sales

for the accounting period 26th February 2011 to 25th August 2011

Managed Income Fund	August 2011 £000	February 2011 £000
Total purchases for the period	6,005	1,854
Total sales for the period	6,965	9,029

Further Information

The Fund is an Authorised Unit Trust Scheme within Section 243 of the Financial Services and Markets Act 2000 and is constituted pursuant to the Financial Services Authority's Collective Investment Schemes Sourcebook (COLL), as amended from time to time. The Trust is a UCITS scheme for the purpose of COLL.

The Prospectus, which describes each of the funds in the Managed Funds range in detail, is available on request from Threadneedle Investment Services Limited at our Swindon address.

Changes to the Prospectus

During the period 26th February 2011 to 25th August 2011 the main changes to the Prospectus of Threadneedle Managed Funds are as follows:

- Amendment of the investment policy to include investment, up to a maximum amount of no more than 20% of the value of the assets of the Fund, in collective investment schemes that do not restrict their use of derivatives to efficient portfolio management.
- Removal of the requirement for the underlying scheme to restrict the use of warrants to 5% of the value of the assets of the Fund.
- Change of method of price publication – Threadneedle may no longer publish prices in the Daily Telegraph.

In addition, drafting and wording changes were made to improve the clarity of the document and to update FSA rule references.

These prospectus changes were notified to all unitholders at the time they were made. Investors can request a copy of the new prospectus from Threadneedle Investment Services Limited or you can download it at www.threadneedle.com.

Charges and Prices

For the Threadneedle Managed Income Fund, two unit prices are quoted, the 'offer' price at which you buy units and the 'bid' price at which you sell them back to us. The difference between these two prices includes the initial charge and is called the bid/offer spread. The spread for all the Threadneedle Managed Funds is 3.75% of the offer price.

The fees and expenses of the Trustees, Registrars fees, Auditors fees and FSA authorisation fees are payable by the Fund.

SDRT Provision

Stamp Duty Reserve Tax (SDRT) is chargeable on the surrender (i.e. the redemption or switching) of units and on certain transfers of units in the Fund.

The liability for SDRT is calculated weekly by reference to unit sales and repurchases in that and the following week. The Trustee meets the SDRT liability from the property of the Fund.

SDRT liability is met directly by the Fund

It is not the Manager's intention to require the payment of a further provision for SDRT, however they reserve the right to do so in respect of large deals (as set out in the Prospectus).

Equalisation

Equalisation applies only to units purchased during the distribution period (Group 2 units). It is the average amount of income included in the purchase price of all Group 2 units and is refunded to the holders of these units as a return of capital.

Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes. This deduction does not apply to units held within an Individual Savings Account which are not subject to capital gains tax.

Individual Savings Accounts

Throughout the accounting period the Fund has satisfied the requirements of the Individual Savings Account Regulations 1998.

It is the Manager's intention that the Fund will be managed in such a way as to continue to meet this requirement.

UK Taxation

Equity dividends are paid with a 10% tax credit. This credit satisfies the tax liability of starter rate and basic rate taxpayers. Higher rate and additional rate taxpayers may have an additional tax liability. Non-taxpayers cannot reclaim this tax credit.

The amount of the distribution allocated to a unitholder which is a company subject to UK tax is separated into a franked and unfranked component. The unfranked part is treated as an annual payment, paid after deduction of tax at 20%. The unitholder will be subject to tax on the grossed up amount but will be entitled to a credit for the tax treated as paid. Whilst the amount can be set off against the corporation tax liability of the unitholder, the maximum amount of tax which can be repaid by HM Revenue and Customs to the unitholder is shown on the voucher. The franked part will be treated as a UK dividend.

Interest distributions

The Fund may choose to make interest distributions, where they have satisfied the qualifying investments test for a particular distribution period. For UK individuals and UK corporates, an interest distribution will usually have income tax taken at the savings rate when paying the interest distribution.

Corporate unitholders may be eligible for interest to be paid gross. The total interest payment including any income tax will be subject to income tax or corporation tax.

Individual unitholders who are subject to starting rate for savings income and non-taxpayers should be able to make a reclaim to HM Revenue & Customs for tax withheld.

Directory

Manager and Registrar

Threadneedle Investment Services Limited

Registered Office

60 St Mary Axe,
London, EC3A 8JQ

Client Services

P.O. Box 1331, Swindon, SN38 7TA
Telephone: 0800 068 3000*

Chairman and Chief Executive

C J Henderson

Other Directors

C D Fleming
T N Gillbanks
P J W Reed
N J Ring

Trustee

J.P. Morgan Trustee and Depository Company Limited
*(Authorised and regulated by the
Financial Services Authority (FSA))*
Chaseside
Bournemouth
Dorset, BH7 7DA

Independent Auditors

PricewaterhouseCoopers LLP
1 More London Riverside
London, SE1 2RT

Investment Adviser

Threadneedle Asset Management Limited
(Authorised and regulated by the FSA)
60 St Mary Axe
London, EC3A 8JQ

**Calls will be recorded*

Important Information

The value of investments can fall as well as rise and investors might not get back the sum originally invested, especially if investments are not held for the long term.

Where funds invest into other collective investment schemes, shareholders should look through them to the underlying assets when assessing their portfolio exposure.

Where investments are made in assets that are denominated in foreign currency, changes in exchange rates may affect the value of the investments.

The fund invests in securities whose value would be significantly affected if the issuer either refused to pay or was unable to pay.

Most bond funds offer limited capital growth potential and an income that is not linked to inflation. Therefore, inflation can affect the value of capital and income over time.

Changes in interest rates are likely to affect the fund's value. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. Duration is a measure of the extent to which this is the case, with a longer duration suggesting higher sensitivity to interest rate moves.

The fund may exhibit significant price volatility.

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