



Threadneedle
Focus Investment Funds ICVC

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Threadneedle Focus Investment Funds ICVC market a variety of share classes, offering a selection of net accumulation or gross accumulation of distributable income. Different classes or combinations of classes are available on different funds. The range of share classes that exists is as follows; Class 1, Class 1 Hedged, Class 2 and Class 2 Hedged.	
All share types and classes are covered in this Annual Report.	
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Company Information

Company

Threadneedle Focus Investment Funds ICVC
Registered Number IC000666

Registered Office

60 St Mary Axe, London EC3A 8JQ

Director

The Authorised Corporate Director ("ACD") is Threadneedle Investment Services Limited which is the sole director.

Board of Directors of the ACD

Chairman and Chief Executive

C J Henderson

Other Directors

J Devine (*Resigned – 1st December 2010*)

C D Fleming

T N Gillbanks

P J W Reed

N J Ring

Director's Report

This is the annual report and accounts for Threadneedle Focus Investment Funds ICVC, which reviews the performance of the Target Return Core Fund and the Credit Opportunities Fund over the 12 months to 21st January 2011.

2010 proved to be another positive year for global financial markets, with risk appetite supported by signs of a gradual economic recovery in the developed world, combined with ongoing strong growth in emerging markets and good operating performance from companies in a range of sectors.

Despite the generally positive tone, however, there were bouts of volatility due to concerns about the sustainability of the economic recovery and the ability of certain peripheral European nations to service their debts. These periodic setbacks highlighted the importance of flexibility, teamwork and rigorous risk control – all features that characterise the funds in this report.

We hope that you find this document 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.

A handwritten signature in black ink, appearing to read 'Crispin Henderson', with a horizontal line underneath.

Crispin Henderson
Director

Aggregated Financial Statements for Threadneedle Focus Investment Funds ICVC

STATEMENT OF TOTAL RETURN

for the accounting period 22nd January 2010 to 21st January 2011

	Notes	2011 £000	2010 £000
Income			
Net capital gains/(losses)	2	(1,297)	(446)
Revenue	3	4,740	1,083
Expenses	4	(1,737)	(352)
Finance costs:			
Foreign exchange gain/(loss) on distribution		33	(22)
Derivative expense		(68)	(30)
Interest		(2)	(2)
Net revenue/(expenses) before taxation		2,966	677
Taxation	5	(3)	1
Net revenue/(expenses) after taxation		2,963	678
Total return before distributions		1,666	232
Finance costs: Distributions		(3,935)	(796)
Change in net assets attributable to shareholders from investment activities		(2,269)	(564)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the accounting period 22nd January 2010 to 21st January 2011

	2011 £000	2010 £000
Opening net assets attributable to shareholders	37,604	15,145
Movement due to sales and repurchases of shares:		
Amounts receivable on the issue of shares	265,154	53,946
Amounts payable on the cancellation of shares	(55,887)	(31,690)
	209,267	22,256
Dilution adjustment	1,205	52
Change in net assets attributable to shareholders from investment activities (see statement of total return above)	(2,269)	(564)
Retained distribution on accumulation shares	3,743	715
Closing net assets attributable to shareholders	249,550	37,604

BALANCE SHEET

as at 21st January 2011

	Notes	2011 £000	2010 £000
Assets			
Investment assets		191,623	37,286
Debtors	6	34,239	868
Cash and bank balances		79,497	845
Total other assets		113,736	1,713
Total assets		305,359	38,999
Liabilities			
Derivative liabilities		(1,897)	(451)
Creditors	7	(52,529)	(210)
Bank overdrafts		(1,383)	(734)
Total other liabilities		(53,912)	(944)
Total liabilities		(55,809)	(1,395)
Net assets attributable to shareholders		249,550	37,604

The aggregated financial statements represent the sum of the individual funds within the umbrella company. Further analysis of the distribution and the net asset position can be found within the financial statements of the individual funds.

We hereby certify the Annual Report and Accounts on behalf of the Directors of Threadneedle Investment Services Limited.

C J Henderson
Director

T N Gillbanks
Director

7th March 2011

Notes to the Aggregated Financial Statements for Threadneedle Focus Investment Funds ICVC

Notes to the financial statements

for the accounting period 22nd January 2010 to 21st January 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. Previously the requirements of the SORP for Authorised Funds issued by the IMA in November 2008 had been applied. Apart from the removal of the Portfolio Turnover Rate Summary the adoption of the new SORP has led to no other changes in accounting policies or presentational changes to the financial statements.

(2) Aggregation

The aggregated financial statements represent the sum of the individual funds within the umbrella company. Further analysis of the distribution and the net asset position can be found within the financial statements of the individual funds.

(3) Recognition of revenue

Revenue is included in the Statement of Total Return on the following bases:

Interest and other revenue receivable includes any withholding taxes but excludes any other taxes such as attributable tax credits. Interest on debt securities and bank and short-term deposits is recognised on an earned basis.

In the case of debt securities any difference between acquisition cost and maturity value is recognised as revenue over the life of the security using the effective yield basis of calculating amortisation.

(4) Treatment of expenses (including management expenses)

All expenses, other than those relating to the purchase and sale of investments, are included in expenses in the Statement of Total Return.

Expenses are recognised on an accrual basis and include irrecoverable VAT where appropriate.

In addition, the ACD is entitled to receive a performance fee in the event of the NAV per share of the fund outperforming the relevant benchmark index.

Any fee arising as a result of outperformance is charged to capital. The performance fee is only chargeable at the end of any Performance Period ie 31 December, and will be paid within one month of that date. If no performance fee has been charged since the launch of the share class, no performance fee will be payable until such time as there is an Excess Return and there is a performance fee accrual at the end of the Performance Period. Further details including the relevant benchmark index, can be found within the "Expenses" note of the individual funds.

(5) Allocation of revenue and expenses to multiple share classes

The allocation of revenue and expenses to each share class is based upon the proportion of the fund's capital net assets attributable to each share class, on the day the revenue is earned or the expense is suffered. Annual management charge and registration fees are specific to each share class.

(6) Allocation of return on hedged share classes

Hedged share classes allow the ACD to use currency hedging transactions to reduce the effect of exchange rate fluctuations between the Reference Currency or Reference Currencies and the Hedged Currency (for further definitions refer to page 35). Where undertaken, the allocation of return in relation to hedging transactions is applied in respect of that hedged share class only.

(7) Distribution policy

In accordance with changes made to the Collective Investment Schemes Sourcebook at 6th March 2010, where the revenue from investments exceeds the expenses for any share class, a distribution will be made from that share class. Should expenses exceed revenue for any share class, there will be no distribution for that share class and the shortfall will be transferred to capital. Prior

to the change, a shortfall for any share class would have resulted in a restricted distribution or no distribution to all other share classes, irrespective of whether the revenue of those other share classes exceeded their expenses.

Revenue attributable to Accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of revenue.

(8) Basis of valuation of investments

The investments of the fund are valued at fair market prices at 12 noon (UK time), being the valuation point on the last working day of the accounting period.

Investments are stated as their fair value which generally is the bid valuation of each security. These bid values are sourced from independent pricing sources; to the extent that an independent pricing source is not available then quotes are obtained from a broker. Where the ACD deems that these valuations are unrepresentative of a fair valuation of the security, a fair valuation adjustment is applied based upon the ACD's opinion of fair value.

(9) Exchange rates

Assets and liabilities in foreign currencies are translated into the sub-fund's functional currency, in all instances Euro, at the exchange rate ruling at 12 noon (UK time), being the valuation point on the last working day of the accounting period. Revenue and expenses denominated in foreign currency are translated into the sub-fund's functional currency at the exchange rate ruling at the date of the transaction.

For reporting purposes, the presentational currency of the Company is Sterling. Foreign exchange translation adjustments arising from the translation of the sub-fund into the Company's reporting currency are included within "Other gains/(losses)" in the Net capital gains/(losses) note and within the Finance Cost note as a Foreign exchange gain/(loss) on distribution.

(10) Deferred tax

Deferred tax liabilities are provided in full, and deferred tax assets are recognised to the extent that they are considered recoverable, in respect of all items for which recognition falls in different accounting periods for accounting and taxation purposes. Further analysis of the deferred tax assets can be found within the financial statements of the individual funds.

(11) Derivatives

The total net return in respect of any derivative transactions entered into, is analysed between capital gain or loss, and revenue or expense. Any capital gains or losses are included within "Net capital gains/(losses)"; and any revenue or expense is included within "Revenue" or "Finance costs" respectively, in the Statement of Total Return.

The revenue return element in respect of Futures is calculated by reference to the quoted yield of the index upon which the Future is based compared to LIBOR. The revenue so calculated may represent revenue or expenses in a fund's accounts, in accordance with whether the fund has held a net long or short position, when considering the accounting period as a whole. The revenue or expense position is reversed where LIBOR exceeds the quoted yield of the relevant index.

Any positions open at the period end are reflected in the Balance Sheet at their market value, either using available market prices or the ACD's assessment of the fair value, based on counterparty valuations and appropriate pricing models. Cash held at futures brokers as margin is reflected separately within "Cash and bank balances".

Notes to the Aggregated Financial Statements for Threadneedle Focus Investment Funds ICVC

Notes to the financial statements (continued)

2 NET CAPITAL GAINS/(LOSSES)

Net capital gains/(losses) during the period comprise:

	2011 £000	2010 £000
Non-derivative securities	(1,915)	(722)
Derivative contracts	871	61
Forward currency contracts	(880)	161
Other gains/(losses)	641	64
Transaction costs	(14)	(10)
Net capital gains/(losses)	(1,297)	(446)

3 REVENUE

	2011 £000	2010 £000
Interest on debt securities	3,903	983
Interest on short term investments	22	5
Derivative revenue	770	77
Bank interest	45	18
Total revenue	4,740	1,083

4 EXPENSES

	2011 £000	2010 £000
Payable to the ACD or associates of the ACD, and the agents of either of them:		
Annual management charge	(649)	(172)
**Performance fee	(972)	(117)
Registration fees	(63)	(25)
	(1,684)	(314)
Payable to the depositary or associate of the depositary, and the agents of either of them:		
Depositary's fees	(15)	(8)
Safe custody fees	(4)	(1)
	(19)	(9)
Other expenses:		
Regulatory fee	(11)	(13)
Audit fee	(23)	(16)
	(34)	(29)
*Total expenses	(1,737)	(352)

*Including irrecoverable VAT where applicable.

** The ACD is entitled to receive a performance fee for the Credit Opportunities and Target Return Core Funds in the event of the NAV per Share of the Fund outperforming the relevant benchmark index (with revenue reinvested, calculated at market close) by the "hurdle rate" (as set by fund) or more over the performance period. The performance fee is set (by fund) as a percentage of the outperformance. The performance fee by its nature is a capital charge, and is therefore charged to capital for the purpose of the calculation of distribution.

5 TAXATION

	2011 £000	2010 £000
a) Analysis of charge in period		
Overseas taxes	(3)	1
Total current tax (note 5b)	(3)	1
Total taxation	(3)	1
b) Factors affecting taxation charge for period		
Net revenue before taxation	2,966	677
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	(593)	(135)
Overseas taxes	(3)	1
Excess expenses	(194)	(24)
Distributions treated as tax deductible	787	159
Current tax charge for period (note 5a)	(3)	1

6 DEBTORS

	2011 £000	2010 £000
Amounts receivable for the issue of shares	25,767	176
Sales awaiting settlement	5,133	15
Accrued revenue	3,339	677
Total debtors	34,239	868

7 CREDITORS

	2011 £000	2010 £000
Amounts payable for the cancellation of shares	(7,605)	(43)
Purchases awaiting settlement	(44,431)	(35)
Accrued expenses	(28)	(17)
Amounts payable to ACD	(138)	(22)
Accrued performance fee	(135)	(11)
Income tax payable	(192)	(82)
Total creditors	(52,529)	(210)

8 DILUTION ADJUSTMENT

Under certain circumstances the ACD has the power to charge a dilution adjustment on the purchase and/or redemption of shares. If charged, the dilution adjustment will be paid into the fund. Full details of the operation of the scheme can be found in the Prospectus.

9 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, as authorised corporate director (ACD), is a related party and acts as principal in respect of all transactions of shares in the funds. The aggregate monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Further analysis of the amounts due to or from, and payable to Threadneedle Investment Services Limited can be found within the financial statements of the individual funds. Threadneedle Investment Services Limited did not enter into securities transactions with the funds during the period. All transactions have been entered into the ordinary course of business on normal commercial terms.

10 SHARES

Funds currently may have up to four share classes, Class 1, Class 1 Hedged, Class 2 and Class 2 Hedged. Where a fund has more than one share class, each class may suffer different expenses. Consequently the level of net revenue attributable to each share class will differ. Further analysis of the management charge and registration fees on each share class can be found within the 'Shareholder Funds' note of the individual funds.

Notes to the Aggregated Financial Statements for Threadneedle Focus Investment Funds ICVC

Notes to the financial statements *(continued)*

11 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing their investment objectives, each of the funds may hold a number of financial instruments. These financial instruments comprise securities, derivatives and other investments, cash balances, debtors and creditors that arise directly from the funds' operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue.

The funds may also enter into a range of derivative transactions whose purpose is efficient portfolio management. In addition the funds only execute derivative contracts where both the derivative instrument and the counterparty have been approved by the ACD. A sensitivity analysis for the relevant funds is shown in their notes to the financial statements, contained within the full accounts, where derivative holdings could impact the fund significantly. The main risks arising from financial instruments and the ACD's policies for managing these risks are stated below. These policies have been applied throughout the period under review. These policies have been consistent for both the current and prior period to which these financial statements relate.

Market price risk

Market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the funds might suffer through holding market positions in the face of price movements. This means the value of an investor's holding may go down as well as up and an investor may not recover the amount invested. Bond funds hold a range of fixed interest instruments which may be difficult to value and/or liquidate. Investors should consider the degree of exposure of these funds in the context of all their investments.

The funds' investment portfolios are exposed to market price fluctuations, which are monitored by the ACD as per the policies as set out in the Prospectus. The investment guidelines and investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the Financial Services Authorities Collective Investment Schemes Sourcebook describe the nature of the market risk to which the fund will be exposed.

Liquidity risk

Liquidity risk is the risk that the fund can not raise sufficient cash to meet its liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised. Recent market issues following the credit crunch resulted in a significant reduction in liquidity of the bond markets and Floating Rate Notes ("FRN") markets in particular.

Under normal circumstances, the fund will remain close to fully invested. However, where circumstances require: either because a view of illiquid securities markets or high levels of redemptions in the fund, the fund may hold cash and/or more liquid assets.

Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of units.

The ACD manages the fund's cash to ensure it can meet its liabilities. The ACD receives daily reports of subscriptions and redemptions enabling the ACD to raise cash from the fund's portfolio in order to meet redemption requests. In addition the ACD monitors market liquidity of all securities, with particular focus on the FRN market, seeking to ensure the funds maintain sufficient liquidity to meet known and potential redemption activity. Fund cash balances are monitored daily by the ACD and Administrator. Where investments cannot be realised in time to meet any potential liability, the fund may borrow up to 10% of its value to ensure settlement. All of the fund's financial liabilities are payable on demand or in less than one year.

Credit risk

Credit risk arises from three main sources. Firstly, the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Secondly, for asset backed investments (including FRNs) there is the possibility of default of the issuer and default in the underlying assets meaning that the fund may not receive back the full principal originally invested. Thirdly, there is counterparty risk, which is the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the fund has fulfilled its responsibilities, which could result in the funds suffering a loss.

In order to manage credit risk the funds are subject to investment limits for issuers of securities. Issuer credit ratings are evaluated periodically and an approved issuer list is maintained and monitored. In addition the funds only buy and sell investments through brokers which have been approved by the ACD as an acceptable counterparty and limits are set and monitored to cover the exposure to any individual broker. Changes in brokers' financial ratings are periodically reviewed.

Some funds will invest in what are considered riskier bonds (below investment grade). This brings the potential for increased risk of default and could affect both the income and the capital value of the fund. Further details can be found in the sub-fund portfolio statements.

Interest rate risk

Interest rate risk is the risk that the value of the funds' investments will fluctuate as a result of changes in interest rates. All the funds invest in floating rate securities. The income of these funds may be affected by changes in interest rates relevant to particular securities or as a result of the ACD being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The interest rate risk profile for the relevant funds is shown in their notes to the financial statements, contained within the full accounts.

Foreign currency risk

Foreign currency risk is the risk that the value of the funds' investments will fluctuate as a result of changes in foreign currency exchange rates. For those funds where a proportion of the net assets of the fund are denominated in currencies other than the fund's base currency, the balance sheet can be affected by movements in exchange rates. The ACD monitors the foreign currency exposure of the funds and may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the value of investments that are priced in other currencies. The foreign currency risk profile for the relevant funds is shown in their notes to the financial statements, contained within the full accounts.

Credit Opportunities Fund

Investment Report

Investment Objective

The investment objective of the Credit Opportunities Fund is to achieve a total positive return in all market conditions.

Investment Policy

The ACD's investment policy is to invest the assets of the Fund to gain exposure to a range of credit related instruments, by investing directly or indirectly in such securities. These instruments generate returns from contracted income flows and changes in credit worthiness.

The ACD will invest primarily in corporate bonds, sovereign bonds and other debt securities including money market securities.

If the ACD considers it desirable it may further invest up to one third of the total assets of the Fund in other securities and deposits. For liquidity purposes it may further invest in cash and near cash.

In addition, the ACD may use derivatives and forward transactions. The ACD may take long and short positions through derivatives.

Performance of Gross Accumulation Class 1 Shares

Over the twelve months to 21st January 2011, the published share price of the Threadneedle Credit Opportunities Fund has risen from 1.0826 to 1.1550 euros.

The total return on the Fund for the twelve months ending 31st January 2011, including gross reinvested income in euros, is 6.31%.

For information the Citigroup EUR 1 Month Eurodeposit Total Return Index returned 0.43% over the same period.

Portfolio Activity

The Credit Opportunities Fund had a strong year and outperformed its benchmark. The core portfolio contributed significantly towards the Fund's performance, whilst directional and event strategies benefited the tactical overlay part of the Fund.

The market was turbulent throughout the year, with sovereign issues coming to the fore as well as peripheral euro concerns, which caused volatility in credit markets. Changes to banking regulation, such as Basel III, surprises in economic data releases

and an event heavy environment offered opportunities to the Fund.

The core part of the portfolio benefited from carry trades throughout the year; by investing in higher yielding and shorter dated bonds, the Fund was able to protect capital whilst boosting returns. The core portfolio contributed just under half of total performance.

The market became event heavy as the year passed with M+A and debt refinancing becoming key themes in quarters 3 and 4. The tactical overlay took advantage of this and posted impressive returns with event driven strategy as well as directional views on the market.

Investment grade and high yield both performed strongly in 2010; 2011 is expected to be a period of steady growth for both markets. As such, the driver of relative performance will be the effective analysis of company fundamentals and stock picking as well as the increased focus on "event" situations.

STATEMENT OF TOTAL RETURN

for the accounting period 22nd January 2010 to 21st January 2011

	Notes	29th Apr 2009 to 21st Jan	
		2011 £000	2010 £000
Income			
Net capital gains/(losses)	2	(316)	469
Revenue	3	4,411	437
Expenses	4	(1,642)	(185)
Finance costs:	6		
Foreign exchange gain/(loss) on distribution		32	(4)
Derivative expense		(50)	(30)
Interest		(2)	(1)
Net revenue/(expenses) before taxation		2,749	217
Taxation	5	(3)	1
Net revenue/(expenses) after taxation		2,746	218
Total return before distributions		2,430	687
Finance costs: Distributions	6	(3,718)	(288)
Change in net assets attributable to shareholders from investment activities		(1,288)	399

BALANCE SHEET

as at 21st January 2011

	Notes	2011 £000	2010 £000
Assets			
Investment assets		183,033	14,517
Debtors	7	33,987	425
Cash and bank balances	8	79,262	242
Total other assets		113,249	667
Total assets		296,282	15,184
Liabilities			
Derivative liabilities		(1,837)	(422)
Creditors	9	(52,442)	(79)
Bank overdrafts	8	(1,375)	(687)
Total other liabilities		(53,817)	(766)
Total liabilities		(55,654)	(1,188)
Net assets attributable to shareholders		240,628	13,996

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the accounting period 22nd January 2010 to 21st January 2011

	29th Apr 2009 to 21st Jan	
	2011 £000	2010 £000
Opening net assets attributable to shareholders	13,996	-
Movement due to sales and repurchases of shares:		
Amounts receivable on the issue of shares	254,376	13,568
Amounts payable on the cancellation of shares	(31,178)	(237)
	223,198	13,331
Dilution adjustment	1,177	14
Change in net assets attributable to shareholders from investment activities (see statement of total return above)	(1,288)	399
Retained distribution on accumulation shares	3,545	252
Closing net assets attributable to shareholders	240,628	13,996

DISTRIBUTION TABLE

for the accounting period 22nd January 2010 to 21st January 2011

Interest distribution in pence per share

Class 1 Shares

Gross Accumulation Distribution Period	Gross Revenue	Gross Revenue Accumulated 2010/2011	Gross Revenue Accumulated 2009/2010
22/01/10 to 21/01/11	1.3135	1.3135	2.0436
Total distributions in the period		1.3135	2.0436

Class 2 Shares

Gross Accumulation Distribution Period	Gross Revenue	Gross Revenue Accumulated 2010/2011	Gross Revenue Accumulated 2009/2010
22/01/10 to 21/01/11	1.2666	1.2666	0.3308
Total distributions in the period		1.2666	0.3308

Credit Opportunities Fund

DISTRIBUTION TABLE

(continued)

USD Hedged Class 1 Shares

Gross Accumulation

Distribution Period	Gross Revenue	Gross Revenue Accumulated 2010/2011	Gross Revenue Accumulated 2009/2010
22/01/10 to 21/01/11	4.4936	4.4936	1.5895
Total distributions in the period		4.4936	1.5895

GBP Hedged Class 1 Shares

Net Accumulation

Distribution Period	Gross Revenue	Income Tax	Net Revenue	Net Revenue Accumulated 2010/2011	Net Revenue Accumulated 2009/2010
22/01/10 to 21/01/11	2.3074	0.4615	1.8459	1.8459	2.0098
Total distributions in the period				1.8459	2.0098

GBP Hedged Class 2 Shares

Net Accumulation*

Distribution Period	Gross Revenue	Income Tax	Net Revenue	Net Revenue Accumulated 2010/2011	Net Revenue Accumulated 2009/2010
30/04/10 to 21/01/11	4.5034	0.9007	3.6027	3.6027	-
Total distributions in the period				3.6027	-

*GBP Hedged Class 2 Net Accumulation shares launched on 30th April 2010

Credit Opportunities Fund

Notes to the financial statements

for the accounting period 22nd January 2010 to 21st January 2011

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the aggregated financial statements on page 5.

2 NET CAPITAL GAINS/(LOSSES)

Net capital gains/(losses) during the period comprise:

	29th Apr 2009 to 21st Jan	
	2011	2010
	£000	£000
Non-derivative securities	(1,142)	434
Derivative contracts	896	32
Forward currency contracts	(874)	213
Other gains/(losses)	813	(206)
Transaction costs	(9)	(4)
Net capital gains/(losses)	(316)	469

3 REVENUE

	29th Apr 2009 to 21st Jan	
	2011	2010
	£000	£000
Interest on debt securities	3,587	352
Interest on short term investments	22	5
Derivative revenue	766	73
Bank interest	36	7
Total revenue	4,411	437

4 EXPENSES

	29th Apr 2009 to 21st Jan	
	2011	2010
	£000	£000
Payable to the ACD or associates of the ACD, and the agents of either of them:		
Annual management charge	(590)	(96)
**Performance fee	(971)	(70)
Registration fees	(50)	(9)
	(1,611)	(175)
Payable to the depositary or associate of the depositary, and the agents of either of them:		
Depositary's fees	(11)	(2)
Safe custody fees	(3)	-
	(14)	(2)
Other expenses:		
Regulatory fee	(4)	(1)
Audit fee	(13)	(7)
	(17)	(8)
*Total expenses	(1,642)	(185)

*Including irrecoverable VAT where applicable.

**The ACD is entitled to receive a performance fee in the event of the NAV per Share of the Fund outperforming the Citigroup EUR 1 Month Eurodeposit Index (with income reinvested, calculated at market close) by 1% (being the "hurdle rate") or more over the performance period. The performance fee is set at 20% of the outperformance. Performance fees are calculated on a calendar basis and may vary substantially from year to year depending on how a fund has performed against its benchmark. As the accounting period falls during the calculation period of the performance fee, the performance fees are accrued at that point in time, but may not represent the actual amount that will be paid. The performance fee by its nature is a capital charge, and is therefore charged to capital.

5 TAXATION

	29th Apr 2009 to 21st Jan	
	2011	2010
	£000	£000
a) Analysis of charge in period		
Overseas taxes	(3)	1
Total current tax (note 5b)	(3)	1
Total taxation	(3)	1
b) Factors affecting taxation charge for period		
Net revenue before taxation	2,749	217
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	(550)	(43)
Effects of:		
Overseas taxes	(3)	1
Excess expenses	(194)	(14)
Distributions treated as tax deductible	744	57
Current tax charge for period (note 5a)	(3)	1

The Fund has not recognised a deferred tax asset of £208,273 (2010: £14,133) arising as a result of having unutilised management expenses.

These expenses will only be utilised if the treatment of interest distributions made by the Fund or the nature of capital gains changes. Interest distributions have been made in respect of all distributions during the period. Income Tax at 20% will be accounted for on shareholders' behalf to HM Revenue & Customs.

6 FINANCE COSTS

Distributions and Interest

	29th Apr 2009 to 21st Jan	
	2011	2010
	£000	£000
Final	3,718	288
Net distribution for the period	3,718	288
Foreign exchange (gain)/loss on distribution	(32)	4
Derivative expense	50	30
Interest	2	1
Total finance costs	3,738	323
Net revenue after taxation	2,746	218
Performance fee charged to capital	971	70
Movement in revenue carried forward	1	-
Net distribution for the period	3,718	288

Details of the distribution per share are set out in the table on pages 8 and 9.

7 DEBTORS

	2011	2010
	£000	£000
Amounts receivable for the issue of shares	25,678	124
Sales awaiting settlement	5,107	-
Accrued revenue	3,202	301
Total debtors	33,987	425

Credit Opportunities Fund

Notes to the financial statements

(continued)

8 CASH AND BANK BALANCES

	2011 £000	2010 £000
Amounts held at futures clearing houses and brokers	196	70
Cash and bank balances	79,066	172
	79,262	242
Amounts due to futures clearing houses and brokers	(177)	(21)
Bank overdrafts	(1,198)	(666)
Total cash and bank balances	77,887	(445)

9 CREDITORS

	2011 £000	2010 £000
Amounts payable for the cancellation of shares	(7,588)	(11)
Purchases awaiting settlement	(44,397)	–
Accrued expenses	(16)	(8)
Amounts payable to ACD	(135)	(14)
Accrued performance fee	(133)	(9)
Income tax payable	(173)	(37)
Total creditors	(52,442)	(79)

10 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal in respect of all transactions of shares in the Fund.

The aggregate monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

Any amounts due to or from Threadneedle Investment Services Limited at the end of the accounting period are disclosed in Notes 7 and 9.

Amounts payable to Threadneedle Investment Services Limited in respect of fund management and registration services are disclosed in Note 4.

Threadneedle Investment Services Limited did not enter into securities transactions with the Fund during the period.

All transactions have been entered into in the ordinary course of business on normal commercial terms.

11 SHAREHOLDER FUNDS

Credit Opportunities Fund currently has four share classes; Class 1, Class 1 Hedged, Class 2 and Class 2 Hedged shares. The charges on each share class are as follows:

Annual management charge	
Class 1 shares	1.00%
Class 1 Hedged shares	1.25%
Class 2 shares	0.50%
Class 2 Hedged shares	0.65%
Registration fees	
Class 1 shares	0.110%
Class 1 Hedged shares	0.110%
Class 2 shares	0.035%
Class 2 Hedged shares	0.035%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on page 31. The distribution per share class is given in the distribution table on pages 8 and 9. All classes have the same rights on winding up.

12 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instruments risks on page 7.

Currency exposures

A proportion of the net assets of the Fund are denominated in currencies other than Euro, which is the base currency of the Fund. This has the effect that the balance sheet and total return can be affected by currency movements.

Net foreign currency assets

	Monetary exposures £000	Non- monetary exposures £000	Total £000
Currency 2011			
Norwegian Krone	36	(20)	16
Swiss Franc	14	–	14
UK Sterling	4,460	33,532	37,992
US Dollar	3,046	1,299	4,345
Currency 2010	£000	£000	£000
UK Sterling	322	7,454	7,776
US Dollar	(406)	1,184	778

Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 21st January 2011 was:

	Floating rate financial assets £000	Fixed rate financial assets £000	Financial assets not carrying interest £000	Total £000
Currency 2011				
Euro	54,411	150,404	36,246	241,061
Norwegian Krone	3,590	–	34	3,624
Swiss Franc	14	–	–	14
UK Sterling	54,385	24,769	823	79,977
US Dollar	34,183	21,751	790	56,724
Currency 2010	£000	£000	£000	£000
Euro	1,828	4,815	368	7,011
UK Sterling	158	7,471	197	7,826
US Dollar	2,035	1,163	33	3,231

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Financial liabilities not carrying interest £000	Total £000
Currency 2011				
Euro	–	–	(42,800)	(42,800)
Norwegian Krone	(3,608)	–	–	(3,608)
UK Sterling	(1,316)	(40,662)	(7)	(41,985)
US Dollar	(19,447)	(21,574)	(11,358)	(52,379)
Currency 2010	£000	£000	£000	£000
Euro	(517)	(889)	(163)	(1,569)
UK Sterling	–	–	(50)	(50)
US Dollar	(1,708)	(735)	(10)	(2,453)

Credit Opportunities Fund

Notes to the financial statements

(continued)

Currency	Fixed rate financial assets Weighted average interest rate		Fixed rate financial assets Weighted average period for which rate is fixed	
	2011	2010	2011	2010
Euro	6%	7%	2.84 years	6.31 years
UK Sterling	7%	7%	8.05 years	6.03 years
US Dollar	7%	7%	6.75 years	1.31 years

The fixed rate financial assets includes deposits which have a weighted average interest rate of 0.5% (2010: Nil).

Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

The only material amounts of non interest-bearing assets relate to forward foreign exchange contracts, credit default swaps and futures and options. Derivatives including forwards, credit default swaps, futures and options are used in this portfolio to take active positions in FX markets, interest rates and credit markets.

Derivatives are employed when they are the cheapest and most efficient method of gaining exposure. This increases the risk profile of the Fund and may result in a higher degree of volatility. All open positions are regularly reviewed by the fund manager. The Fund has entered into various futures and options contracts during this accounting period. Such contracts commit the Fund to future deliveries or receipts, typically three months forward, of assets and liabilities, at prices decided at the point of striking the contract. They therefore allow the fund manager to limit risk, or to enhance fund performance in return for the acceptance of greater risk.

At 21st January 2011, the Fund had outstanding open forward foreign exchange contracts, credit default swaps and futures and options as follows (2010: £36,000):

Forward Foreign Exchange Contracts

Trade Date	Settlement Date	Bought	Sold	Unrealised Profit/(Loss) £000
14/07/2010	18/04/2011	EUR 1,558,133	GBP 1,300,000	21
29/07/2010	18/04/2011	EUR 746,653	GBP 625,000	9
29/11/2010	01/03/2011	EUR 637,230	NOK 5,200,000	(16)
30/11/2010	15/02/2011	EUR 5,904,230	GBP 4,950,000	59
13/12/2010	15/03/2011	EUR 28,946,736	USD 38,445,000	407
13/12/2010	15/03/2011	EUR 37,399,298	GBP 31,545,597	176
21/12/2010	31/01/2011	GBP 32,851	EUR 38,628	-
21/12/2010	31/01/2011	GBP 1,561,986	EUR 1,836,680	4
21/12/2010	31/01/2011	GBP 12,627,918	EUR 14,906,530	(20)
21/12/2010	31/01/2011	GBP 16,878,534	EUR 19,924,137	(26)
21/12/2010	31/01/2011	USD 2,157,995	EUR 1,647,991	(43)
22/12/2010	31/01/2011	GBP 416,131	EUR 489,134	1
22/12/2010	15/02/2011	EUR 1,173,942	GBP 1,000,000	(4)
23/12/2010	31/01/2011	GBP 500,513	EUR 588,029	2
23/12/2010	31/01/2011	GBP 88,402	EUR 103,859	-
23/12/2010	15/02/2011	GBP 3,600,000	EUR 4,230,531	10
23/12/2010	15/03/2011	USD 550,000	EUR 419,931	(10)
24/12/2010	31/01/2011	GBP 133,483	EUR 157,146	-
24/12/2010	31/01/2011	GBP 38,936	EUR 45,839	-
29/12/2010	31/01/2011	GBP 143,115	EUR 167,876	1
30/12/2010	31/01/2011	EUR 253,868	GBP 218,033	(3)
30/12/2010	31/01/2011	GBP 127,205	EUR 148,111	1
30/12/2010	15/02/2011	EUR 873,810	GBP 750,000	(9)
30/12/2010	01/03/2011	NOK 100,000	EUR 12,761	-
31/12/2010	31/01/2011	GBP 24,855	EUR 28,831	1
04/01/2011	31/01/2011	EUR 36,513	GBP 31,305	-
04/01/2011	31/01/2011	GBP 865,915	EUR 1,009,981	9
05/01/2011	31/01/2011	GBP 1,711,377	EUR 2,016,125	-
05/01/2011	15/03/2011	EUR 2,931,798	USD 3,880,000	50
06/01/2011	31/01/2011	GBP 1,990	EUR 2,352	-
06/01/2011	31/01/2011	GBP 27,204	EUR 32,146	-
06/01/2011	01/03/2011	EUR 3,668,258	NOK 28,600,000	51

06/01/2011	15/03/2011	GBP 3,100,000	EUR 3,657,476	(3)
07/01/2011	31/01/2011	GBP 88,327	EUR 105,157	(1)
07/01/2011	31/01/2011	GBP 165,381	EUR 196,892	(2)
10/01/2011	31/01/2011	GBP 2,856	EUR 3,433	-
10/01/2011	31/01/2011	GBP 1,931,021	EUR 2,321,372	(39)
11/01/2011	31/01/2011	GBP 167,662	EUR 201,463	(3)
12/01/2011	31/01/2011	EUR 4,496	GBP 3,738	(1)
12/01/2011	31/01/2011	GBP 87,699	EUR 105,483	(2)
12/01/2011	15/03/2011	EUR 138,340	USD 180,000	4
13/01/2011	31/01/2011	EUR 20,934	GBP 17,450	1
13/01/2011	31/01/2011	GBP 216,978	EUR 260,292	(4)
14/01/2011	31/01/2011	GBP 1,726	EUR 2,047	-
14/01/2011	31/01/2011	GBP 70,216	EUR 83,294	(1)
14/01/2011	31/01/2011	USD 6,598	EUR 4,938	-
14/01/2011	15/03/2011	EUR 1,121,751	USD 1,500,000	10
17/01/2011	31/01/2011	GBP 148,705	EUR 177,709	(2)
18/01/2011	31/01/2011	GBP 97,210	EUR 116,048	(1)
18/01/2011	15/03/2011	EUR 1,493,867	USD 2,000,000	12
19/01/2011	31/01/2011	GBP 27,665	EUR 32,873	-
19/01/2011	31/01/2011	GBP 74,676	EUR 88,732	-
20/01/2011	31/01/2011	EUR 244,679	GBP 206,504	1
20/01/2011	15/03/2011	GBP 3,500,000	EUR 4,148,409	(19)
21/01/2011	15/03/2011	EUR 16,259,910	USD 22,000,000	(26)
				595

Credit Default Swaps and Future Contract

Holding	Security Name	Unrealised Profit/(Loss) £000
EUR (2,000,000)	Credit Default Swaps Continental AKT 20/09/2011 Spread 500	48
EUR (4,000,000)	Credit Default Swaps Continental Gummi Finance 20/03/2014 Spread 500	311
EUR (1,000,000)	Credit Default Swaps Continental Gummi Finance 20/09/2012 Spread 500	53
EUR (5,000,000)	Credit Default Swaps Continental Gummi Finance 20/12/2013 Spread 500	382
EUR 3,000,000	Credit Default Swaps Continental Gummi Finance 20/12/2015 Spread 500	(268)
EUR (1,000,000)	Credit Default Swaps DSG International 20/03/2011 Spread 500	6
EUR (2,000,000)	Credit Default Swaps EUR ArcelorMittal/MTNA 20/09/2011 Spread 100	5
EUR (2,250,000)	Credit Default Swaps EUR ArcelorMittal/MTNA 20/12/2015 Spread 100	(99)
EUR 500,000	Credit Default Swaps EUR Bank of Scotland 20/12/2016 Spread 100	55
EUR 5,000,000	Credit Default Swaps EUR Bank of Scotland 20/03/2016 Spread 300	104
EUR 1,000,000	Credit Default Swaps EUR Bank of Scotland 20/12/2016 Spread 300	26
EUR 2,500,000	Credit Default Swaps EUR Bank of Scotland 20/12/2016 Spread 300	66
EUR 500,000	Credit Default Swaps EUR BAT International Finance 20/12/2014 Spread 100	(9)
EUR (1,000,000)	Credit Default Swaps EUR BP 20/06/2011 Spread 100	3
EUR (1,000,000)	Credit Default Swaps EUR BP 20/09/2011 Spread 100	5
EUR (1,000,000)	Credit Default Swaps EUR BP 20/09/2015 Spread 100	5
EUR (2,000,000)	Credit Default Swaps EUR British Airways 20/09/2011 Spread 500	47
EUR (2,000,000)	Credit Default Swaps EUR British Airways 20/09/2015 Spread 500	90
EUR (1,500,000)	Credit Default Swaps EUR British Airways 20/12/2015 Spread 500	59

Credit Opportunities Fund

Notes to the financial statements

(continued)

Holding	Security Name	Unrealised Profit/(Loss) £000	Holding	Security Name	Unrealised Profit/(Loss) £000
Credit Default Swaps and Future Contract (continued)					
EUR 5,500,000	Credit Default Swaps EUR		EUR 1,500,000	Credit Default Swaps EUR	
	Citigroup 20/03/2014 Spread 100	39		Royal Bank of Scotland 20/09/2017 Spread 300	66
EUR (2,000,000)	Credit Default Swaps EUR		EUR 1,750,000	Credit Default Swaps EUR	
	Codere Finance Luxembourg 20/09/2015 Spread 500	40		Royal Bank of Scotland A 20/09/2017 Spread 300	78
EUR 1,500,000	Credit Default Swaps EUR		EUR 5,000,000	Credit Default Swaps EUR	
	Compass Group 20/09/2015 Spread 100	(31)		Royal Bank of Scotland 20/03/2016 Spread 500	(202)
EUR (1,000,000)	Credit Default Swaps EUR		EUR 1,000,000	Credit Default Swaps EUR	
	Consol Glass 20/06/2011 Spread 500	12		SABMiller 20/06/2015 Spread 100	(12)
EUR (2,500,000)	Credit Default Swaps EUR		EUR 1,500,000	Credit Default Swaps EUR	
	Fiat 20/09/2011 Spread 100	5		Safeway 20/09/2015 Spread 100	(19)
EUR (500,000)	Credit Default Swaps EUR		EUR (2,000,000)	Credit Default Swaps EUR	
	Glencore International 20/09/2011 Spread 100	1		Seat Pagine Gialle 20/12/2011 Spread 500	(209)
EUR (1,500,000)	Credit Default Swaps EUR		EUR (3,500,000)	Credit Default Swaps EUR	
	Glencore International 20/06/2011 Spread 100	24		Smurfit Kappa Funding 20/09/2013 Spread 500	192
EUR (2,500,000)	Credit Default Swaps EUR		EUR (2,500,000)	Credit Default Swaps EUR	
	Grohe Holding 20/09/2011 Spread 500	58		ThyssenKrupp 20/09/2011 Spread 100	11
EUR (2,000,000)	Credit Default Swaps EUR		EUR 2,250,000	Credit Default Swaps EUR	
	Grohe Holding 20/12/2011 Spread 500	59		ThyssenKrupp 20/12/2015 Spread 100	71
EUR (1,500,000)	Credit Default Swaps EUR		EUR (4,500,000)	Credit Default Swaps EUR	
	Heidelberg Cement 20/06/2011 Spread 500	25		TUI 20/03/2014 Spread 500	202
EUR (1,000,000)	Credit Default Swaps EUR		EUR (3,000,000)	Credit Default Swaps EUR	
	Imperial Tobacco 20/06/2015 Spread 100	10		TUI 20/12/2013 Spread 500	147
EUR (2,000,000)	Credit Default Swaps EUR		EUR 3,500,000	Credit Default Swaps EUR	
	Lafarge 20/09/2011 Spread 100	3		United Utilities 20/12/2015 Spread 100	(17)
EUR 6,000,000	Credit Default Swaps EUR		EUR (3,500,000)	Credit Default Swaps EUR	
	Markit ITRX 13X9 20/06/2015 Spread 500	(267)		Virgin Media Finance 20/12/2015 Spread 500	245
EUR 5,000,000	Credit Default Swaps EUR		EUR (3,500,000)	Credit Default Swaps EUR	
	Markit ITRX 14X6 20/12/2015 Spread 500	(136)		WPP 2005 20/12/2015 Spread 100	30
EUR 5,000,000	Credit Default Swaps EUR		EUR (1,000,000)	Credit Default Swaps EUR	
	Markit ITRX 14X7 20/12/2015 Spread 500	(135)		Xstrata 20/06/2011 Spread 100	3
EUR 5,000,000	Credit Default Swaps EUR		GBP 500,000	Credit Default Swaps	
	Markit ITRX 14X8 20/12/2015 Spread 500	(136)		Marks & Spencer 20/12/2012 Spread 100	(3)
EUR 3,500,000	Credit Default Swaps EUR		GBP 500,000	Credit Default Swaps	
	Marks & Spencer 20/12/2015 Spread 100	51		MM02 20/12/2011 Spread 100	(4)
EUR (5,000,000)	Credit Default Swaps EUR		EUR (2,000,000)	Credit Default Swaps	
	M-real 20/12/2015 Spread 500	175		Virgin Media 20/09/2015 Spread 500	138
EUR (3,500,000)	Credit Default Swaps EUR		GBP 500,000	Credit Default Swaps	
	National Grid 20/12/2015 Spread 100	35		GBP RSA Insurance Group 20/12/2019 Spread 100	12
EUR (3,000,000)	Credit Default Swaps EUR Norske		GBP 500,000	Credit Default Swaps	
	Skogindustrier 20/09/2011 Spread 500	55		GBP RSA Insurance Group A 20/12/2019 Spread 100	14
EUR (3,000,000)	Credit Default Swaps EUR Norske		USD 5,000,000	Credit Default Swaps USD Anadarko	
	Skogindustrier 20/12/2011 Spread 500	60		Petroleum 20/12/2015 Spread 100	51
EUR (3,500,000)	Credit Default Swaps EUR Norske		USD (5,000,000)	Credit Default Swaps USD Chesapeake	
	Skogindustrier 1JA 20/12/2011 Spread 500	68		Energy 20/12/2015 Spread 500	260
EUR (1,500,000)	Credit Default Swaps EUR Norske		USD 7,000,000	Credit Default Swaps USD ING Bank	
	Skogindustrier A 20/12/2011 Spread 500	26		20/03/2014 Spread 100	134
EUR (1,000,000)	Credit Default Swaps EUR Ono		USD 750,000	Credit Default Swaps USD TCNZ	
	Finance 20/09/2011 Spread 500	21		Finance 20/06/2015 Spread 100	(6)
EUR (500,000)	Credit Default Swaps EUR Philip		USD 2,750,000	Credit Default Swaps USD	
	Morris International 20/12/2014 Spread 100	8		UniCredit 20/09/2012 Spread 100	65
EUR 3,500,000	Credit Default Swaps EUR		GBP (8)	Long Gilt Future Expiring March 2011	21
	Publicis Groupe 20/12/2015 Spread 100	(49)			<u>2,183</u>
EUR (1,500,000)	Credit Default Swaps EUR				
	Renault 20/06/2011 Spread 100	2			
EUR (500,000)	Credit Default Swaps EUR				
	Rio Tinto 20/06/2011 Spread 200	3			

Credit Opportunities Fund

Notes to the financial statements

(continued)

Sensitivity analysis

Due to the use of derivatives, the percentage movement in the value of the Fund will be different from the percentage movement in the markets. The impact upon the Fund of the different market movement is illustrated below.

	Change in market value %	Change in fund value %
Interest Rates		
Increase in interest rate by:	0.50	(0.41)
	1.00	(0.81)
	2.00	(1.63)
Decrease in interest rate by:	0.50	0.41
	1.00	0.81
	2.00	1.63
Credit Swaps		
Widening of credit spread by:	0.50	(0.82)
	1.00	(1.64)
	2.00	(3.28)
Tightening of credit spread by:	0.50	0.82
	1.00	1.64
	2.00	3.28

13 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities and commitments outstanding (2010: Nil).

14 PORTFOLIO TRANSACTION COSTS

The purchases and sales are not subject to portfolio transaction costs.

The total cost of purchases during the period was £313,412,806 and proceeds received from sales were £146,173,754.

Target Return Core Fund

Investment Report

Investment Objective

The investment objective of the Target Return Core Fund is to achieve a total positive return in Euro in all market conditions.

Investment Policy

The ACD's investment policy is to invest the assets of the Fund to gain exposure to global bond, money market and currency markets.

The ACD will invest in derivatives, cash and near cash, collective investment schemes, fixed interest securities, index linked securities, money market instruments and deposits. At times the portfolio may be concentrated in any one or a combination of such assets. The ACD may take long and short positions through derivatives in such issues. The ACD may invest in both Euro and non-Euro denominated instruments listed above and may choose to hedge non-Euro investments into Euro but is not required to do so.

Performance of Net Accumulation

Class 1 Shares

Over the twelve months to 21st January 2011,

the published share price of the Threadneedle Target Return Core Fund has risen from 1.0560 to 1.0601 euros.

The total return on the Fund for the twelve months ending 31st January 2011, including net reinvested income in euros, is 0.18%.

For information the Euro Overnight Index Average Total Return Index returned 0.46% over the same period.

Portfolio Activity

The Fund returned an absolute profit but underperformed relative to the benchmark over the year. The Fund performed solidly in the first and second quarter before tailing off towards the end of the year.

The first quarter was challenging as bond markets traded within tight ranges. Given this, the bond markets did not allow for great conviction to be made when positioning the Fund. Overall, we sought to invest in high quality and short dated securities to allow us to react to adverse moves in markets.

The second quarter was also a challenging period as the extended period of low interest rates depressed yields. We sought to benefit

from the depreciation of the Euro versus the US Dollar through FX options.

The third quarter saw a return to quantitative easing in both the US and Japan following unexpectedly weak data, which saw outflows from Dollars and Yen into emerging markets and Euros, which hit our long Dollar versus South African Rand position.

The fourth quarter was a period of volatility as sovereign and peripheral debt issues resurfaced, which impacted on our long position in US long term bonds. We favoured emerging market currencies and expressed this through options on the Chinese Renminbi and Korean Won. We also held exposure to the credit markets through selling protection on 'Crossover'.

Growth momentum and rising commodity prices are putting pressure on inflation leading to increased speculation of interest-rate hikes, although the US appears content to keep rates low, and the expiry of quantitative easing in the middle of the year is likely to be the main focus for a change in monetary policy there.

Measures to contain Europe's sovereign-debt problems are likely to emerge gradually. This could lead to volatility in yield spreads.

STATEMENT OF TOTAL RETURN

for the accounting period 22nd January 2010 to 21st January 2011

	Notes	2011 £000	2010 £000
Income			
Net capital gains/(losses)	2	(981)	(915)
Revenue	3	329	646
Expenses	4	(95)	(167)
Finance costs:	6		
Foreign exchange gain/(loss) on distribution		1	(18)
Derivative expenses		(18)	–
Interest		–	(1)
Net revenue/(expenses) before taxation		217	460
Taxation	5	–	–
Net revenue/(expenses) after taxation		217	460
Total return before distributions		(764)	(455)
Finance costs: Distributions	6	(217)	(508)
Change in net assets attributable to shareholders from investment activities		(981)	(963)

BALANCE SHEET

as at 21st January 2011

	Notes	2011 £000	2010 £000
Assets			
Investment assets		8,590	22,769
Debtors	7	252	443
Cash and bank balances	8	235	603
Total other assets		487	1,046
Total assets		9,077	23,815
Liabilities			
Derivative liabilities		(60)	(29)
Creditors	9	(87)	(131)
Bank overdrafts	8	(8)	(47)
Total other liabilities		(95)	(178)
Total liabilities		(155)	(207)
Net assets attributable to shareholders		8,922	23,608

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the accounting period 22nd January 2010 to 21st January 2011

	2011 £000	2010 £000
Opening net assets attributable to shareholders	23,608	15,145
Movement due to sales and repurchases of shares:		
Amounts receivable on the issue of shares	10,778	40,378
Amounts payable on the cancellation of shares	(24,709)	(31,453)
	(13,931)	8,925
Dilution adjustment	28	38
Change in net assets attributable to shareholders from investment activities (see statement of total return above)	(981)	(963)
Retained distribution on accumulation shares	198	463
Closing net assets attributable to shareholders	8,922	23,608

DISTRIBUTION TABLE

for the accounting period 22nd January 2010 to 21st January 2011

Interest distribution in pence per share

Class 1 Shares				Net Revenue	Net Revenue
Net Accumulation				Accumulated	Accumulated
Distribution Period	Gross Revenue	Income Tax	Net Revenue	2010/2011	2009/2010
22/01/10 to 21/01/11	8.8099	1.7620	7.0479	7.0479	1.1136
Total distributions in the period				7.0479	1.1136
Class 2 Shares				Net Revenue	Net Revenue
Net Accumulation				Accumulated	Accumulated
Distribution Period	Gross Revenue	Income Tax	Net Revenue	2010/2011	2009/2010
22/01/10 to 21/01/11	2.0959	0.4192	1.6767	1.6767	1.6266
Total distributions in the period				1.6767	1.6266

Target Return Core Fund

DISTRIBUTION TABLE

(continued)

Class 1 Shares

Gross Accumulation

Distribution Period	Gross Revenue	Gross Revenue Accumulated 2010/2011	Gross Revenue Accumulated 2009/2010
22/01/10 to 21/01/11	1.5323	1.5323	1.6222
Total distributions in the period		1.5323	1.6222

Class 2 Shares

Gross Accumulation

Distribution Period	Gross Revenue	Gross Revenue Accumulated 2010/2011	Gross Revenue Accumulated 2009/2010
22/01/10 to 21/01/11	1.7218	1.7218	2.5799
Total distributions in the period		1.7218	2.5799

Target Return Core Fund

Notes to the financial statements

for the accounting period 22nd January 2010 to 21st January 2011

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the aggregated financial statements on page 5.

2 NET CAPITAL GAINS/(LOSSES)

Net capital gains/(losses) during the period comprise:

	2011 £000	2010 £000
Non-derivative securities	(773)	(1,156)
Derivative contracts	(25)	29
Forward currency contracts	(6)	(52)
Other gains/(losses)	(172)	270
Transaction costs	(5)	(6)
Net capital gains/(losses)	(981)	(915)

3 REVENUE

	2011 £000	2010 £000
Interest on debt securities	316	631
Derivative revenue	4	4
Bank interest	9	11
Total revenue	329	646

4 EXPENSES

	2011 £000	2010 £000
Payable to the ACD or associates of the ACD, and the agents of either of them:		
Annual management charge	(59)	(76)
**Performance fee	(1)	(47)
Registration fees	(13)	(16)
	(73)	(139)
Payable to the depository or associate of the depository, and the agents of either of them:		
Depository's fees	(4)	(6)
Safe custody fees	(1)	(1)
	(5)	(7)
Other expenses:		
Regulatory fee	(7)	(12)
Audit fee	(10)	(9)
	(17)	(21)
*Total expenses	(95)	(167)

*Including irrecoverable VAT where applicable.

**The ACD is entitled to receive a performance fee in the event of the NAV per Share of the Fund outperforming the EONIA[®] Index (with income reinvested, calculated at market close) by 1% (being the "hurdle rate") or more over the performance period. The performance fee is set at 20% of the outperformance. Performance fees are calculated on a calendar basis and may vary substantially from year to year depending on how a fund has performed against its benchmark. As the accounting period falls during the calculation period of the performance fee, the performance fees are accrued at that point in time, but may not represent the actual amount that will be paid. The performance fee by its nature is a capital charge, and is therefore charged to capital.

5 TAXATION

	2011 £000	2010 £000
a) Analysis of charge in period		
Total current tax (note 5b)	-	-
Total taxation	-	-
b) Factors affecting taxation charge for period		
Net revenue before taxation	217	460
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	(43)	(92)
Effects of:		
Excess expenses	-	(10)
Distributions treated as tax deductible	43	102
Current tax charge for period (note 5a)	-	-

The Fund has not recognised a deferred tax asset of £12,506 (2010: £12,402) arising as a result of having unutilised management expenses.

These expenses will only be utilised if the treatment of interest distributions made by the Fund or the nature of capital gains changes. Interest distributions have been made in respect of all distributions during the period. Income Tax at 20% will be accounted for on shareholders' behalf to HM Revenue & Customs.

6 FINANCE COSTS

Distributions and Interest	2011 £000	2010 £000
Final	217	508
Net distribution for the period	217	508
Foreign exchange (gain)/loss on distribution	(1)	18
Derivative expense	18	-
Interest	-	1
Total finance costs	234	527
Net revenue after taxation	217	460
Performance fee charged to capital	1	47
Movement in revenue carried forward	(1)	1
Net distribution for the period	217	508

Details of the distribution per share are set out in the table on pages 15 and 16.

7 DEBTORS

	2011 £000	2010 £000
Amounts receivable for the issue of shares	89	52
Sales awaiting settlement	26	15
Accrued revenue	137	376
Total debtors	252	443

Target Return Core Fund

Notes to the financial statements

(continued)

8 CASH AND BANK BALANCES

	2011 £000	2010 £000
Amounts held at futures clearing houses and brokers	27	160
Cash and bank balances	208	443
	235	603
Amounts due to futures clearing houses and brokers	(5)	(47)
Bank overdraft	(3)	–
Total cash and bank balances	227	556

9 CREDITORS

	2011 £000	2010 £000
Amounts payable for the cancellation of shares	(17)	(32)
Purchases awaiting settlement	(34)	(35)
Accrued expenses	(12)	(9)
Amounts payable to ACD	(3)	(8)
Accrued performance fee	(2)	(2)
Income tax payable	(19)	(45)
Total creditors	(87)	(131)

10 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal in respect of all transactions of shares in the Fund.

The aggregate monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

Any amounts due to or from Threadneedle Investment Services Limited at the end of the accounting period are disclosed in Notes 7 and 9.

Amounts payable to Threadneedle Investment Services Limited in respect of fund management and registration services are disclosed in Note 4.

Threadneedle Investment Services Limited did not enter into securities transactions with the Fund during the period.

All transactions have been entered into in the ordinary course of business on normal commercial terms.

11 SHAREHOLDER FUNDS

Target Return Core Fund currently has two share classes; Class 1 and Class 2 shares. The charges on each share class are as follows:

Annual management charge	
Class 1 shares	0.40%
Class 2 shares	0.25%
Registration fees	
Class 1 shares	0.110%
Class 2 shares	0.035%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on page 32. The distribution per share class is given in the distribution table on pages 15 and 16. All classes have the same rights on winding up.

12 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instruments risks on page 7.

Currency exposures

A proportion of the net assets of the Fund are denominated in currencies other than Euro, which is the base currency of the Fund. This has the effect that the balance sheet and total return can be affected by currency movements.

Net foreign currency assets

	Monetary exposures £000	Non- monetary exposures £000	Total £000
Currency 2011			
Chinese Yuan Renminbi	–	417	417
Hungarian Forint	–	(65)	(65)
Japanese Yen	11	(87)	(76)
Malaysian Ringgit	–	(88)	(88)
New Zealand Dollar	–	(1)	(1)
Singapore Dollar	–	88	88
South Africa Rand	(3)	–	(3)
South Korean Won	–	88	88
Swiss Franc	–	(97)	(97)
UK Sterling	8	100	108
US Dollar	33	(357)	(324)
Currency 2010	£000	£000	£000
Australian Dollar	(9)	–	(9)
Turkish Lira	1	–	1
UK Sterling	110	(3)	107
US Dollar	(28)	4	(24)

Target Return Core Fund

Notes to the financial statements

(continued)

Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 21st January 2011 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
Currency 2011	£000	£000	£000	£000
Chinese Yuan Renminbi	417	–	–	417
Euro	1,850	7,643	286	9,779
Japanese Yen	11	–	–	11
Singapore Dollar	88	–	–	88
South Korean Won	88	–	–	88
UK Sterling	8	–	101	109
US Dollar	32	–	51	83
Currency 2010	£000	£000	£000	£000
Euro	4,269	18,951	450	23,670
Turkish Lira	1	–	–	1
UK Sterling	110	–	–	110
US Dollar	–	–	24	24

	Floating rate financial liabilities	Fixed rate financial liabilities	Financial liabilities not carrying interest	Total
Currency 2011	£000	£000	£000	£000
Euro	(821)	–	(83)	(904)
Hungarian Forint	(65)	–	–	(65)
Japanese Yen	(87)	–	–	(87)
Malaysian Ringgit	(88)	–	–	(88)
New Zealand Dollar	(1)	–	–	(1)
South Africa Rand	(3)	–	–	(3)
Swiss Franc	(97)	–	–	(97)
UK Sterling	–	–	(1)	(1)
US Dollar	–	–	(407)	(407)
Currency 2010	£000	£000	£000	£000
Australian Dollar	(9)	–	–	(9)
Euro	–	–	(137)	(137)
UK Sterling	–	–	(3)	(3)
US Dollar	(28)	–	(20)	(48)

Currency	Fixed rate financial assets Weighted average interest rate		Fixed rate financial assets Weighted average period for which rate is fixed	
	2011	2010	2011	2010
Euro	2%	3%	0.31 years	2.23 years

Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

The only material amounts of non interest-bearing assets relate to forward foreign exchange contracts, credit default swaps and futures and options. Derivatives including forwards, credit default swaps, futures and options are used in this portfolio to take active positions in FX markets, interest rates and credit markets.

Derivatives are employed when they are the cheapest and most efficient method of gaining exposure. This increases the risk profile of the Fund and may result in a higher degree of volatility. All open positions are regularly reviewed by the fund manager. The Fund has entered into various futures and options contracts during this accounting period. Such contracts commit the Fund to future deliveries or receipts, typically three months forward, of assets and liabilities, at prices decided at the point of striking the contract. They therefore allow the fund manager to limit risk, or to enhance fund performance in return for the acceptance of greater risk.

At 21st January 2011, the Fund had outstanding open forward foreign exchange contracts, credit default swaps and futures and options as follows (2010: £2,000):

Forward Foreign Exchange Contracts

Trade Date	Settlement Date	Bought	Sold	Unrealised
				Profit/(Loss) £000
10/12/2010	26/01/2011	USD 100,000	HUF 21,093,000	(2)
15/12/2010	26/01/2011	USD 90,000	EUR 67,533	(1)
20/12/2010	26/01/2011	GBP 100,000	CHF 149,441	3
05/01/2011	26/01/2011	USD 200,000	ZAR 1,349,380	7
12/01/2011	26/01/2011	EUR 68,919	USD 90,000	1
13/01/2011	16/02/2011	AUD 140,000	NZD 181,776	1
13/01/2011	18/01/2011	CNY 1,608,250	USD 250,000	(3)
14/01/2011	16/02/2011	NZD 180,166	AUD 140,000	(2)
14/01/2011	26/01/2011	ZAR 1,349,380	USD 194,667	(3)
20/01/2011	30/01/2011	CNY 2,717,820	USD 420,000	(3)
20/01/2011	26/04/2011	KRW 157,850,000	USD 140,000	–
20/01/2011	26/04/2011	SGD 180,012	USD 140,000	–
20/01/2011	26/04/2011	USD 140,000	JPY 11,492,600	1
20/01/2011	26/04/2011	USD 140,000	MYR 430,500	–
				(1)

Target Return Core Fund

Notes to the financial statements

(continued)

Credit Default Swaps and Options

Holding	Security Name	Unrealised Profit/(Loss) £000
EUR 800,000	Credit Default Swaps EUR Markt ITRX 14S 20/12/2015 Spread 100	22
EUR (250,000)	Credit Default Swaps EUR Markt ITRX 14XA 20/12/2015 Spread 500	7
USD 100,000	Credit Default Swaps USD Abu Dhabi 1CA 20/03/2016 Spread 100	–
USD 100,000	Credit Default Swaps USD Abu Dhabi C 20/03/2016 Spread 100	–
USD (1,000,000)	Credit Default Swaps USD French Republic 1KA 20/03/2016 Spread 25	(16)
USD (100,000)	Credit Default Swaps USD State of Qatar 1CB 20/03/2016 Spread 100	1
USD (100,000)	Credit Default Swaps USD State of Qatar C 20/03/2016 Spread 100	1
EUR 15	3 Month Euribor Future Expiring June 2012	(5)
EUR (40)	Euribor 3 Month Put Option Expiring June 2011 Strike 98.5	(8)
EUR 40	Euribor 3 Month Put Option Expiring June 2011 Strike 98.75	15
EUR 3	Euro-Bund Future Expiring March 2011	(3)
EUR (6)	Euro-Schatz Future Expiring March 2011	4
EUR 780,000	FX Put Option EUR/CHF 1.1495% 22/03/2011	–
EUR (780,000)	FX Put Option EUR/CHF 1.1495% 22/03/2011	–
EUR 780,000	FX Put Option EUR/CHF 1.2195% 22/03/2011	2
EUR 400,000	FX Put Option EUR/USD 1.32% 19/04/2011	6
GBP (5)	90 Day Sterling Future Expiring December 2012	1
GBP 5	90 Day Sterling Future Expiring June 2013	(1)
USD (8)	90 Day Euro Future Expiring September 2011	(1)
USD (21)	90 Day Euro Future Expiring June 2012	3
USD 400,000	FX Put Option USD/CNY 6.63% 24/03/2011	2
USD (8)	Imm Euro Put Option Expiring June 2012 Strike 98.25	(3)
USD 8	Imm Euro Put Option Expiring June 2012 Strike 99.25	7
USD 30	Imm Euro Put Option Expiring March 2011 Strike 99.625	1
USD (12)	Imm Euro Put Option Expiring March 2012 Strike 98.75	(5)
USD 12	Imm Euro Put Option Expiring March 2012 Strike 99.25	6
USD (16)	USD 10 Year Put Option Expiring March 2011 Strike 117	(2)
USD 16	USD 10 Year Put Option Expiring March 2011 Strike 119	6
USD 20	USD 2 Year Put Option Expiring March 2011 Strike 109.25	2
USD (5)	USD 5 Year Future Expiring March 2011	(2)
		40

Cash balances are held in floating rate accounts where interest is calculated with reference to prevailing market rates.

Sensitivity analysis

Due to the use of derivatives, the percentage movement in the value of the Fund will be different from the percentage movement in the markets. The impact upon the Fund of the different market movement is illustrated below.

	Change in market value %	Change in fund value %
Interest Rates		
Increase in interest rate by:	0.50	(0.41)
	1.00	(0.82)
	2.00	(1.63)
Decrease in interest rate by:	0.50	0.41
	1.00	0.82
	2.00	1.63
Credit Swaps		
Widening of credit spread by:	0.50	(0.04)
	1.00	(0.08)
	2.00	(0.16)
Tightening of credit spread by:	0.50	0.04
	1.00	0.08
	2.00	0.16

13 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities and commitments outstanding (2010: Nil).

14 PORTFOLIO TRANSACTION COSTS

The purchases and sales are not subject to portfolio transaction costs.

The total cost of purchases during the period was £13,537,689 and proceeds received from sales were £26,699,093.

Statement of Authorised Corporate Director's (ACD) Responsibilities in relation to the Financial Statements of the Company

The Open-Ended Investment Companies Regulations 2001 and the Collective Investment Schemes Sourcebook (COLL), as issued (and amended) by the Financial Services Authority (FSA), require the ACD to prepare financial statements for each annual accounting period which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Company and of each sub-fund and its net revenue/(expenses) and the net gains/(losses) on the property of the Company and each sub-fund for the period. In preparing the financial statements the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA) in October 2010;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records, which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The ACD is required to keep proper accounting records and to manage the Company in accordance with the Collective Investment Schemes Sourcebook, the Instrument of Incorporation and the Prospectus. The ACD is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Depositary's Responsibilities and Report of the Depositary to the Shareholders of the Threadneedle Focus Investment Funds ICVC

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed by the Authorised Corporate Director in accordance with the Financial Services Authority's Collective Investment Scheme Sourcebook ("the COLL Sourcebook"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) ("the OEIC Regulations") and the Company's Instrument of Incorporation and Prospectus, as appropriate, in relation to the pricing of, and dealings in, shares in the Company; the application of revenue of the Company; and the investment and borrowing powers of the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue in accordance with the COLL Sourcebook and, where applicable, the OEIC Regulations and the Company's Instrument of Incorporation and Prospectus; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

J.P. Morgan Trustee and Depositary Company Limited
Bournemouth

7th March 2011

Independent Auditors' Report to the Members of Threadneedle Focus Investment Funds ICVC

We have audited the financial statements of the Threadneedle Focus Investment Funds ICVC ("the Company") for the year ended 21st January 2011 which comprise the aggregated statement of total return, the aggregated statement of change in net assets attributable to shareholders, the aggregated balance sheet and related notes and, for each of the Company's sub-funds, the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, the related notes and the distribution table. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of director and auditors

As explained more fully in the Authorised Corporate Director's Responsibilities Statement, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds at 21st January 2011 and of the net revenue and the net losses of the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

London
7th March 2011

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors

The financial statements are published at threadneedle.com, which is a website maintained by Threadneedle Investment Services Limited. The maintenance and integrity of the website maintained by Threadneedle Investment Services Limited, so far as it relates to the Threadneedle Focus Investment Funds ICVC, is the responsibility of Threadneedle Investment Services Limited. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Credit Opportunities Fund

Portfolio statement

as at 21st January 2011

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
AUSTRIA (3.47%, January 2010 – 0.00%)				ITALY (0.00%, January 2010 – 2.94%)			
	B+ (3.47%, January 2010 – 0.00%)				AA- (0.00%, January 2010 – 2.94%)		
USD 13,000,000	Sappi Papier Holding 6.75% 15/06/2012	8,360	3.47		Total Italy	-	-
	Total Austria	8,360	3.47				
AUSTRALIA (0.00%, January 2010 – 3.27%)				LUXEMBOURG (4.32%, January 2010 – 2.92%)			
	B (0.00%, January 2010 – 3.27%)			USD 2,750,000	UniCredito Luxembourg Finance 5.584% 13/01/2017	1,666	0.69
	Total Australia	-	-		Ba1 (3.63%, January 2010 – 2.92%)		
CAYMAN ISLANDS (0.89%, January 2010 – 0.74%)				EUR 10,000,000	Prologis International 7.625% 23/10/2014	8,743	3.63
	AA- (0.00%, January 2010 – 0.74%)				Total Luxembourg	10,409	4.32
	Not Rated (0.89%, January 2010 – 0.00%)			NETHERLANDS (10.15%, January 2010 – 6.23%)			
USD 3,500,000	PSOS Finance 12% 06/10/2015	2,131	0.89	USD 15,000,000	Intned 0.50281% 03/07/2017	8,128	3.38
	Total Cayman Islands	2,131	0.89		BBB+ (0.00%, January 2010 – 1.06%)		
DENMARK (0.00%, January 2010 – 9.66%)					BB- (0.95%, January 2010 – 0.00%)		
	BB- (0.00%, January 2010 – 7.79%)			EUR 2,574,000	Heidelberg Cement Finance 7.625% 25/01/2012	2,290	0.95
	B (0.00%, January 2010 – 1.87%)				CCC (0.00%, January 2010 – 1.86%)		
	Total Denmark	-	-	EUR 6,350,985	Art Five 6.47223% 16/12/2014	5,578	2.32
FINLAND (0.00%, January 2010 – 3.09%)				EUR 7,305,049	Boats Investment Netherlands 11% 13/03/2017	5,656	2.35
	CCC+ (0.00%, January 2010 – 3.09%)			USD 4,350,000	Rabobank Nederland 8.375% 31/12/2049	2,770	1.15
	Total Finland	-	-		Total Netherlands	24,422	10.15
FRANCE (5.26%, January 2010 – 6.16%)				NORWAY (3.55%, January 2010 – 0.00%)			
	AA- (0.00%, January 2010 – 2.19%)			USD 1,297,000	Norske Skogindustrier 7.625% 15/10/2011	828	0.34
	BB+ (0.00%, January 2010 – 3.23%)				Not Rated (3.21%, January 2010 – 0.00%)		
EUR 6,222,379	Rhodia 3.748% 15/10/2013	5,280	2.19	NOK 32,500,000	Sevan Drilling 7.84% 07/12/2012	3,588	1.49
	BB- (0.00%, January 2010 – 0.74%)			USD 7,300,000	Sevan Marine 3.44281% 14/05/2013	4,136	1.72
	B+e (0.36%, January 2010 – 0.00%)				Total Norway	8,552	3.55
EUR 1,000,000	Labco 8.5% 15/01/2018	862	0.36	REPUBLIC OF IRELAND (1.05%, January 2010 – 2.43%)			
	Not Rated (2.71%, January 2010 – 0.00%)			EUR 2,050,000	Bank of Ireland Mortgage Bank 3.25% 22/06/2015	1,322	0.55
EUR 7,450,000	Cma Cgm 5.5% 16/05/2012	6,519	2.71		BBB+ (0.14%, January 2010 – 2.43%)		
	Total France	12,661	5.26	EUR 400,000	Leaseplan Finance 1.268% 17/02/2011	339	0.14
GERMANY (0.32%, January 2010 – 11.37%)				EUR 1,000,000	Ono Finance II 8% 16/05/2014	861	0.36
	BBB (0.32%, January 2010 – 0.00%)				Total Republic of Ireland	2,522	1.05
EUR 1,000,000	Deutsche Pfandbriefbank 1.939% 18/09/2012	777	0.32				
	Baa3 (0.00%, January 2010 – 2.45%)						
	B+ (0.00%, January 2010 – 4.24%)						
	B (0.00%, January 2010 – 2.28%)						
	CCC+ (0.00%, January 2010 – 2.40%)						
	Total Germany	777	0.32				

Credit Opportunities Fund

Portfolio statement

(continued)

Holding		Investment	Value £000	% of Net Asset Value	Holding		Investment	Value £000	% of Net Asset Value
UNITED KINGDOM (26.25%, January 2010 – 38.76%)					UNITED STATES OF AMERICA (18.88%, January 2010 – 12.88%)				
AAA (4.33%, January 2010 – 2.59%)					A– (1.96%, January 2010 – 0.00%)				
USD	550,000	Nationwide Building Society 5.5% 18/07/2012	364	0.15	EUR	6,000,000	Citigroup Inc 3.625% 30/11/2017	4,720	1.96
GBP	6,000,000	Perma 6 5A2 5.16625% 10/06/2042	5,920	2.46	BBB (0.00%, January 2010 – 2.48%)				
EUR	6,000,000	Royal Bank of Scotland 4.5% 28/01/2016	4,143	1.72	BBB– (2.28%, January 2010 – 0.00%)				
A+ (0.95%, January 2010 – 0.00%)					EUR	820,000	SLM 1.379% 26/04/2011	684	0.28
GBP	2,247,000	HSBC Bank 5.75% 27/06/2017	2,296	0.95	EUR	3,500,000	SLM 3.125% 17/09/2012	2,858	1.19
A (1.35%, January 2010 – 5.78%)					USD	3,000,000	SLM 5.125% 27/08/2012	1,937	0.81
USD	850,000	Barclays 0.47781% 23/03/2017	495	0.21	BB+ (1.33%, January 2010 – 0.00%)				
USD	4,550,000	Barclays Bank 0.50281% 27/06/2016	2,756	1.14	USD	5,000,000	International Lease Finance 5.3% 01/05/2012	3,194	1.33
A– (2.39%, January 2010 – 5.37%)					BB (1.94%, January 2010 – 0.00%)				
GBP	500,000	MMO2 7.625% 25/01/2012	523	0.22	GBP	4,650,000	AES 8.375% 01/03/2011	4,672	1.94
EUR	4,000,000	Prudential 5.75% 19/12/2021	3,362	1.40	BB– (0.00%, January 2010 – 3.22%)				
USD	3,000,000	Standard Chartered Bank 0.60219% 09/06/2016	1,850	0.77	B (4.43%, January 2010 – 3.19%)				
BBB+ (0.48%, January 2010 – 7.93%)					USD	800,000	American General Finance 5.625% 17/08/2011	501	0.21
GBP	1,000,000	RSA Insurance Group 9.375% 20/05/2039	1,145	0.48	EUR	11,940,000	GMAC 5.375% 06/06/2011	10,159	4.22
BBB (2.47%, January 2010 – 2.37%)					B2 (0.00%, January 2010 – 3.99%)				
GBP	3,042,000	Anglian Water 7.882% 30/07/2037	3,238	1.35	B– (4.20%, January 2010 – 0.00%)				
USD	5,500,000	Royal Bank of Scotland 0.49188% 29/08/2017	2,702	1.12	EUR	4,265,000	Huntsman International 6.875% 15/11/2013	3,695	1.54
BBB– (3.17%, January 2010 – 6.30%)					EUR	7,430,000	Kronos International 6.5% 15/04/2013	6,399	2.66
EUR	10,500,000	HBOS 1.223% 21/03/2017	7,100	2.95	B3 (2.74%, January 2010 – 0.00%)				
GBP	500,000	Marks & Spencer Finance 6.875% 13/12/2037	529	0.22	EUR	8,000,000	American General Finance 4.625% 22/06/2011	6,599	2.74
BB+ (0.78%, January 2010 – 0.00%)					Total United States of America				
GBP	1,850,000	Allied Domecq Financial Service 6.625% 18/04/2011	1,865	0.78				45,418	18.88
BB (0.44%, January 2010 – 0.00%)									
GBP	1,000,000	Daily Mail & General Trust 7.5% 29/03/2013	1,054	0.44					
BB– (4.12%, January 2010 – 2.29%)									
EUR	8,000,000	FCE Bank 7.125% 16/01/2012	7,023	2.92					
GBP	2,900,000	FCE Bank 7.875% 15/02/2011	2,899	1.20					
B+ (1.50%, January 2010 – 1.58%)									
EUR	2,437,500	Eco Bat Finance 10.125% 31/01/2013	2,079	0.86					
GBP	1,450,000	Taylor Wimpey 10.375% 31/12/2015	1,547	0.64					
B (3.54%, January 2010 – 4.55%)									
EUR	9,076,000	ISS Financing 11% 15/06/2014	8,524	3.54					
CCC (0.73%, January 2010 – 0.00%)									
EUR	2,000,000	Ono Finance 10.5% 15/05/2014	1,752	0.73					
Total United Kingdom			63,166	26.25					

Credit Opportunities Fund

Portfolio statement

(continued)

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
DERIVATIVES (1.16%, January 2010 – 0.26%)				EUR (500,000)	Credit Default Swaps EUR Glencore International 20/09/2011 Spread 100	1	–
Credit Default Swaps (0.91%, January 2010 – 0.47%)				EUR (1,500,000)	Credit Default Swaps EUR Glencore International 20/06/2011 Spread 100	24	0.01
EUR (2,000,000)	Credit Default Swaps Continental AKT 20/09/2011 Spread 500	48	0.02	EUR (2,500,000)	Credit Default Swaps EUR Grohe Holding 20/09/2011 Spread 500	58	0.02
EUR (4,000,000)	Credit Default Swaps Continental Gummi Finance 20/03/2014 Spread 500	311	0.13	EUR (2,000,000)	Credit Default Swaps EUR Grohe Holding 20/12/2011 Spread 500	59	0.03
EUR (1,000,000)	Credit Default Swaps Continental Gummi Finance 20/09/2012 Spread 500	53	0.02	EUR (1,500,000)	Credit Default Swaps EUR Heidelberg Cement 20/06/2011 Spread 500	25	0.01
EUR (5,000,000)	Credit Default Swaps Continental Gummi Finance 20/12/2013 Spread 500	382	0.16	EUR (1,000,000)	Credit Default Swaps EUR Imperial Tobacco 20/06/2015 Spread 100	10	–
EUR 3,000,000	Credit Default Swaps Continental Gummi Finance 20/12/2015 Spread 500	(268)	(0.11)	EUR (2,000,000)	Credit Default Swaps EUR Lafarge 20/09/2011 Spread 100	3	–
EUR (1,000,000)	Credit Default Swaps DSG International 20/03/2011 Spread 500	6	–	EUR 6,000,000	Credit Default Swaps EUR Markit ITRX 13X9 20/06/2015 Spread 500	(267)	(0.11)
EUR (2,000,000)	Credit Default Swaps EUR ArcelorMittal/MTNA 20/09/2011 Spread 100	5	–	EUR 5,000,000	Credit Default Swaps EUR Markit ITRX 14X6 20/12/2015 Spread 500	(136)	(0.06)
EUR (2,250,000)	Credit Default Swaps EUR ArcelorMittal/MTNA 20/12/2015 Spread 100	(99)	(0.04)	EUR 5,000,000	Credit Default Swaps EUR Markit ITRX 14X7 20/12/2015 Spread 500	(135)	(0.06)
EUR 500,000	Credit Default Swaps EUR Bank of Scotland 20/12/2016 Spread 100	55	0.02	EUR 5,000,000	Credit Default Swaps EUR Markit ITRX 14X8 20/12/2015 Spread 500	(136)	(0.06)
EUR 5,000,000	Credit Default Swaps EUR Bank of Scotland 20/03/2016 Spread 300	104	0.04	EUR 3,500,000	Credit Default Swaps EUR Marks & Spencer 20/12/2015 Spread 100	51	0.02
EUR 1,000,000	Credit Default Swaps EUR Bank of Scotland 20/12/2016 Spread 300	26	0.01	EUR (5,000,000)	Credit Default Swaps EUR M-real 20/12/2015 Spread 500	175	0.07
EUR 2,500,000	Credit Default Swaps EUR Bank of Scotland 20/12/2016 Spread 300	66	0.03	EUR (3,500,000)	Credit Default Swaps EUR National Grid 20/12/2015 Spread 100	35	0.02
EUR 500,000	Credit Default Swaps EUR BAT International Finance 20/12/2014 Spread 100	(9)	–	EUR (3,000,000)	Credit Default Swaps EUR Norske Skogindustrier 20/09/2011 Spread 500	55	0.02
EUR (1,000,000)	Credit Default Swaps EUR BP 20/06/2011 Spread 100	3	–	EUR (3,000,000)	Credit Default Swaps EUR Norske Skogindustrier 20/12/2011 Spread 500	60	0.03
EUR (1,000,000)	Credit Default Swaps EUR BP 20/09/2011 Spread 100	5	–	EUR (3,500,000)	Credit Default Swaps EUR Norske Skogindustrier 1 A 20/12/2011 Spread 500	68	0.03
EUR (1,000,000)	Credit Default Swaps EUR BP 20/09/2015 Spread 100	5	–	EUR (1,500,000)	Credit Default Swaps EUR Norske Skogindustrier A 20/12/2011 Spread 500	26	0.01
EUR (2,000,000)	Credit Default Swaps EUR British Airways 20/09/2011 Spread 500	47	0.02	EUR (1,000,000)	Credit Default Swaps EUR Ono Finance 20/09/2011 Spread 500	21	0.01
EUR (2,000,000)	Credit Default Swaps EUR British Airways 20/09/2015 Spread 500	90	0.04	EUR (500,000)	Credit Default Swaps EUR Philip Morris International 20/12/2014 Spread 100	8	–
EUR (1,500,000)	Credit Default Swaps EUR British Airways 20/12/2015 Spread 500	59	0.03	EUR 3,500,000	Credit Default Swaps EUR Publicis Groupe 20/12/2015 Spread 100	(49)	(0.02)
EUR 5,500,000	Credit Default Swaps EUR Citigroup 20/03/2014 Spread 100	39	0.02	EUR (1,500,000)	Credit Default Swaps EUR Renault 20/06/2011 Spread 100	2	–
EUR (2,000,000)	Credit Default Swaps EUR Codere Finance Luxembourg 20/09/2015 Spread 500	40	0.02	EUR (500,000)	Credit Default Swaps EUR Rio Tinto 20/06/2011 Spread 200	3	–
EUR 1,500,000	Credit Default Swaps EUR Compass Group 20/09/2015 Spread 100	(31)	(0.01)	EUR 1,500,000	Credit Default Swaps EUR Royal Bank of Scotland 20/09/2017 Spread 300	66	0.03
EUR (1,000,000)	Credit Default Swaps EUR Consol Glass 20/06/2011 Spread 500	12	0.01	EUR 1,750,000	Credit Default Swaps EUR Royal Bank of Scotland A 20/09/2017 Spread 300	78	0.03
EUR (2,500,000)	Credit Default Swaps EUR Fiat 20/09/2011 Spread 100	5	–				

Credit Opportunities Fund

Portfolio statement

(continued)

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
EUR 5,000,000	Credit Default Swaps EUR Royal Bank of Scotland 20/03/2016 Spread 500	(202)	(0.08)		Forward Foreign Exchange Contracts (0.24%, January 2010 – (0.07%))		
EUR 1,000,000	Credit Default Swaps EUR SABMiller 20/06/2015 Spread 100	(12)	(0.01)		Sell GBP 1,300,000		
EUR 1,500,000	Credit Default Swaps EUR Safeway 20/09/2015 Spread 100	(19)	(0.01)		Buy EUR 1,558,133	21	0.01
EUR (2,000,000)	Credit Default Swaps EUR Seat Pagine Gialle 20/12/2011 Spread 500	(209)	(0.09)		Sell GBP 625,000		
EUR (3,500,000)	Credit Default Swaps EUR Smurfit Kappa Funding 20/09/2013 Spread 500	192	0.08		Buy EUR 746,653	9	–
EUR (2,500,000)	Credit Default Swaps EUR ThyssenKrupp 20/09/2011 Spread 100	11	0.01		Sell NOK 5,200,000		
EUR 2,250,000	Credit Default Swaps EUR ThyssenKrupp 20/12/2015 Spread 100	71	0.03		Buy EUR 637,230	(16)	(0.01)
EUR (4,500,000)	Credit Default Swaps EUR TUI 20/03/2014 Spread 500	202	0.08		Sell GBP 4,950,000		
EUR (3,000,000)	Credit Default Swaps EUR TUI 20/12/2013 Spread 500	147	0.06		Buy EUR 5,904,230	59	0.03
EUR 3,500,000	Credit Default Swaps EUR United Utilities 20/12/2015 Spread 100	(17)	(0.01)		Sell USD 38,445,000		
EUR (3,500,000)	Credit Default Swaps EUR Virgin Media Finance 20/12/2015 Spread 500	245	0.10		Buy EUR 28,946,736	407	0.17
EUR (3,500,000)	Credit Default Swaps EUR WPP 2005 20/12/2015 Spread 100	30	0.01		Sell GBP 31,545,597		
EUR (1,000,000)	Credit Default Swaps EUR Xstrata 20/06/2011 Spread 100	3	–		Buy EUR 37,399,298	176	0.07
GBP 500,000	Credit Default Swaps Marks & Spencer 20/12/2012 Spread 100	(3)	–		Sell EUR 38,628		
GBP 500,000	Credit Default Swaps MM02 20/12/2011 Spread 100	(4)	–		Buy GBP 32,851	–	–
EUR (2,000,000)	Credit Default Swaps Virgin Media 20/09/2015 Spread 500	138	0.06		Sell EUR 1,836,680		
GBP 500,000	Credit Default Swaps GBP RSA Insurance Group 20/12/2019 Spread 100	12	0.01		Buy GBP 1,561,986	4	–
GBP 500,000	Credit Default Swaps GBP RSA Insurance Group A 20/12/2019 Spread 100	14	0.01		Sell EUR 14,906,530		
USD 5,000,000	Credit Default Swaps USD Anadarko Petroleum 20/12/2015 Spread 100	51	0.02		Buy GBP 12,627,918	(20)	(0.01)
USD (5,000,000)	Credit Default Swaps USD Chesapeake Energy 20/12/2015 Spread 500	260	0.11		Sell EUR 19,924,137		
USD 7,000,000	Credit Default Swaps USD ING Bank 20/03/2014 Spread 100	134	0.06		Buy GBP 16,878,534	(26)	(0.01)
USD 750,000	Credit Default Swaps USD TCNZ Finance 20/06/2015 Spread 100	(6)	–		Sell EUR 1,647,991		
USD 2,750,000	Credit Default Swaps USD UniCredit 20/09/2012 Spread 100	65	0.03		Buy USD 2,157,995	(43)	(0.02)
	Futures and Options (0.01%, January 2010 – (0.14%))				Sell EUR 489,134		
GBP (8)	Long Gilt Future Expiring March 2011	21	0.01		Buy GBP 416,131	1	–
					Sell GBP 1,000,000		
					Buy EUR 1,173,942	(4)	–
					Sell EUR 588,029		
					Buy GBP 500,513	2	–
					Sell EUR 103,859		
					Buy GBP 88,402	–	–
					Sell EUR 4,230,531		
					Buy GBP 3,600,000	10	–
					Sell EUR 419,931		
					Buy USD 550,000	(10)	–
					Sell EUR 157,146		
					Buy GBP 133,483	–	–
					Sell EUR 45,839		
					Buy GBP 38,936	–	–
					Sell EUR 167,876		
					Buy GBP 143,115	1	–
					Sell GBP 218,033		
					Buy EUR 253,868	(3)	–
					Sell EUR 148,111		
					Buy GBP 127,205	1	–
					Sell GBP 750,000		
					Buy EUR 873,810	(9)	–
					Sell EUR 12,761		
					Buy NOK 100,000	–	–
					Sell EUR 28,831		
					Buy GBP 24,855	1	–
					Sell GBP 31,305		
					Buy EUR 36,513	–	–
					Sell EUR 1,009,981		
					Buy GBP 865,915	9	–
					Sell EUR 2,016,125		
					Buy GBP 1,711,377	–	–
					Sell USD 3,880,000		
					Buy EUR 2,931,798	50	0.02
					Sell EUR 2,352		
					Buy GBP 1,990	–	–
					Sell EUR 32,146		
					Buy GBP 27,204	–	–

Credit Opportunities Fund

Portfolio statement

(continued)

Holding	Investment	% of		Holding	Investment	% of	
		Value £000	Net Asset Value			Value £000	Net Asset Value
	Sell NOK 28,600,000						
	Buy EUR 3,668,258	51	0.02				
	Sell EUR 3,657,476						
	Buy GBP 3,100,000	(3)	–				
	Sell EUR 105,157						
	Buy GBP 88,327	(1)	–				
	Sell EUR 196,892						
	Buy GBP 165,381	(2)	–				
	Sell EUR 3,433						
	Buy GBP 2,856	–	–				
	Sell EUR 2,321,372						
	Buy GBP 1,931,021	(39)	(0.02)				
	Sell EUR 201,463						
	Buy GBP 167,662	(3)	–				
	Sell GBP 3,738						
	Buy EUR 4,496	(1)	–				
	Sell EUR 105,483						
	Buy GBP 87,699	(2)	–				
	Sell USD 180,000						
	Buy EUR 138,340	4	–				
	Sell GBP 17,450						
	Buy EUR 20,934	1	–				
	Sell EUR 260,292						
	Buy GBP 216,978	(4)	–				
	Sell EUR 2,047						
	Buy GBP 1,726	–	–				
	Sell EUR 83,294						
	Buy GBP 70,216	(1)	–				
	Sell EUR 4,938						
	Buy USD 6,598	–	–				
	Sell USD 1,500,000						
	Buy EUR 1,121,751	10	–				
	Sell EUR 177,709						
	Buy GBP 148,705	(2)	–				
	Sell EUR 116,048						
	Buy GBP 97,210	(1)	–				
	Sell USD 2,000,000						
	Buy EUR 1,493,867	12	0.01				
	Sell EUR 32,873						
	Buy GBP 27,665	–	–				
	Sell EUR 88,732						
	Buy GBP 74,676	–	–				
	Sell GBP 206,504						
	Buy EUR 244,679	1	–				
	Sell EUR 4,148,409						
	Buy GBP 3,500,000	(19)	(0.01)				
	Sell USD 22,000,000						
	Buy EUR 16,259,910	(26)	(0.01)				
	Total Derivatives	2,778	1.16				
	Total Value of Investments	181,196	75.30				
	Net Other Assets/(Liabilities) (January 2010 – (0.71%))	59,432	24.70				
	Net Assets	240,628	100.00				

ANALYSIS OF INVESTMENTS BY ASSET CLASS		
Fixed Interest	121,350	66.97
Floating Rate Notes	57,068	31.50
Derivatives	2,778	1.53
Total Value of Investments	181,196	100.00

ANALYSIS OF INVESTMENTS BY CREDIT RATINGS		
	Value	
	£000	
AAA	10,427	
A+	2,296	
A1	1,322	
A	11,379	
A–	12,121	
BBB+	1,484	
BBB	6,717	
BBB–	13,108	
BB+	5,059	
Ba1	8,743	
BB	11,006	
BB–	12,212	
B+	11,986	
B+e	862	
B	19,184	
B–	10,922	
B3	6,599	
CCC	2,613	
Not Rated	30,378	
Total Bonds	178,418	
Derivatives	2,778	
Total Value of Investments	181,196	

At 21st January 2011, there were investments totalling £28,102,908 (11.68% of the NAV of the Fund) which were valued using a quote from a single broker. These investments trade in a limited market and may not be able to be immediately liquidated at these estimated fair values.

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

Target Return Core Fund

Portfolio statement

as at 21st January 2011

Holding	Investment	Value £000	% of Net Asset Value
AUSTRALIA (1.43%, January 2010 – 3.90%)			
AA (1.43%, January 2010 – 2.79%)			
EUR	150,000 Westpac Banking 4.625% 14/03/2011	128	1.43
A (0.00%, January 2010 – 1.11%)			
Total Australia		128	1.43
AUSTRIA (10.97%, January 2010 – 3.74%)			
AAA (10.97%, January 2010 – 3.74%)			
EUR	650,000 KA Finanz 2.375% 12/05/2011	553	6.20
EUR	500,000 Raiffeisen Zentralbank Österreich 2.5% 04/05/2011	426	4.77
Total Austria		979	10.97
DENMARK (0.00%, January 2010 – 2.23%)			
AAA (0.00%, January 2010 – 2.23%)			
Total Denmark		-	-
FINLAND (0.00%, January 2010 – 1.49%)			
AAA (0.00%, January 2010 – 1.49%)			
Total Finland		-	-
FRANCE (9.54%, January 2010 – 9.00%)			
AAA (7.15%, January 2010 – 6.21%)			
EUR	500,000 Cie Financement Foncier 3.875% 11/02/2011	425	4.76
EUR	250,000 Dexia Municipal Agency 5.25% 21/02/2011	213	2.39
Aaa (0.00%, January 2010 – 1.86%)			
A+ (2.39%, January 2010 – 0.93%)			
EUR	250,000 Societe Generale 1.796% 18/08/2011	213	2.39
Total France		851	9.54
GERMANY (15.36%, January 2010 – 14.54%)			
AAA (4.83%, January 2010 – 12.13%)			
EUR	500,000 IKB Deutsche Industriebank 2.875% 27/01/2012	431	4.83
Aaa (6.72%, January 2010 – 0.00%)			
EUR	300,000 Bayerische Landesbank 5.375% 12/07/2011	259	2.90
EUR	250,000 HSH Nordbank 2% 11/05/2011	213	2.39
EUR	150,000 Landesbank Baden-Württemberg 3.75% 10/03/2011	127	1.43
AA- (3.81%, January 2010 – 0.56%)			
EUR	400,000 NRW Bank 1.625% 16/11/2011	340	3.81
AA-e (0.00%, January 2010 – 1.48%)			
A+ (0.00%, January 2010 – 0.37%)			
Total Germany		1,370	15.36

Holding	Investment	Value £000	% of Net Asset Value
ITALY (10.43%, January 2010 – 1.49%)			
AAA (0.00%, January 2010 – 1.49%)			
Not Rated (10.43%, January 2010 – 0.00%)			
EUR	200,000 Buoni Ordinari Del Tes 0% 14/10/2011	168	1.88
EUR	550,000 Buoni Ordinari Del Tes 0% 15/03/2011	466	5.22
EUR	350,000 Buoni Ordinari Del Tes 0% 31/01/2011	297	3.33
Total Italy		931	10.43
LUXEMBOURG (0.00%, January 2010 – 1.91%)			
AAA (0.00%, January 2010 – 1.91%)			
Total Luxembourg		-	-
NETHERLANDS (25.39%, January 2010 – 11.23%)			
AAA (24.44%, January 2010 – 7.17%)			
EUR	500,000 Bank Nederlandse Gemeenten 2.75% 27/01/2011	424	4.75
EUR	100,000 Bank Nederlandse Gemeenten 5.25% 04/07/2011	86	0.96
EUR	700,000 Dutch Treasury Certificate 0% 31/01/2011	594	6.66
EUR	250,000 Neder Waterschapsbank 4.625% 25/07/2011	216	2.42
EUR	200,000 Neder Waterschapsbank 5.125% 19/04/2011	171	1.92
EUR	300,000 NIBC Bank 3.625% 19/12/2011	260	2.92
EUR	500,000 Rabobank Nederland 3.625% 15/07/2011	429	4.81
A+ (0.95%, January 2010 – 1.11%)			
EUR	100,000 ING Bank 1.791% 22/08/2011	85	0.95
A- (0.00%, January 2010 – 2.95%)			
Total Netherlands		2,265	25.39
NEW ZEALAND (0.00%, January 2010 – 2.58%)			
A+ (0.00%, January 2010 – 2.58%)			
Total New Zealand		-	-
NORWAY (0.00%, January 2010 – 2.27%)			
AAA (0.00%, January 2010 – 2.27%)			
Total Norway		-	-
REPUBLIC OF IRELAND (0.00%, January 2010 – 11.33%)			
AAA (0.00%, January 2010 – 4.48%)			
AA+ (0.00%, January 2010 – 0.94%)			
AA (0.00%, January 2010 – 3.71%)			
A (0.00%, January 2010 – 2.20%)			
Total Republic of Ireland		-	-

Target Return Core Fund

Portfolio statement

(continued)

Holding		Investment	Value £000	% of Net Asset Value	Holding		Investment	Value £000	% of Net Asset Value
SWEDEN (10.94%, January 2010 – 7.25%)					Futures and Options (0.28%, January 2010 – 0.01%)				
AAA (4.76%, January 2010 – 4.67%)									
EUR	500,000	Swedbank 2.375% 24/03/2011	425	4.76	EUR	15	3 Month Euribor Future Expiring June 2012	(5)	(0.06)
Aaa (0.00%, January 2010 – 0.74%)					EUR	(40)	Euribor 3 Month Put Option Expiring June 2011 Strike 98.5	(8)	(0.09)
A+ (6.18%, January 2010 – 1.84%)					EUR	40	Euribor 3 Month Put Option Expiring June 2011 Strike 98.75	15	0.17
EUR	650,000	Swedish Housing Finance 1.5% 14/02/2011	551	6.18	EUR	3	Euro-Bund Future Expiring March 2011	(3)	(0.03)
Total Sweden			976	10.94	EUR	(6)	Euro-Schatz Future Expiring March 2011	4	0.04
SWITZERLAND (0.00%, January 2010 – 1.49%)					EUR	780,000	FX Put Option EUR/CHF 1.1495% 22/03/2011	-	-
A+ (0.00%, January 2010 – 1.49%)					EUR	(780,000)	FX Put Option EUR/CHF 1.1495% 22/03/2011	-	-
Total Switzerland			-	-	EUR	780,000	FX Put Option EUR/CHF 1.2195% 22/03/2011	2	0.02
UNITED KINGDOM (11.11%, January 2010 – 14.45%)					EUR	400,000	FX Put Option EUR/USD 1.32% 19/04/2011	6	0.07
AAA (7.29%, January 2010 – 10.38%)					GBP	(5)	90 Day Sterling Future Expiring December 2012	1	0.01
EUR	500,000	Barclays Bank 4.25% 27/10/2011	434	4.87	GBP	5	90 Day Sterling Future Expiring June 2013	(1)	(0.01)
EUR	250,000	Lloyds TSB Bank 3.75% 17/11/2011	216	2.42	USD	(8)	90 Day Euro Future Expiring September 2011	(1)	(0.01)
A+ (0.00%, January 2010 – 2.21%)					USD	(21)	90 Day Euro Future Expiring June 2012	3	0.03
A- (3.82%, January 2010 – 1.86%)					USD	400,000	FX Put Option USD/CNY 6.63% 24/03/2011	2	0.02
EUR	400,000	Tesco 3.875% 24/03/2011	341	3.82	USD	(8)	Imm Euro Put Option Expiring June 2012 Strike 98.25	(3)	(0.03)
Total United Kingdom			991	11.11	USD	8	Imm Euro Put Option Expiring June 2012 Strike 99.25	7	0.08
UNITED STATES OF AMERICA (0.00%, January 2010 – 7.41%)					USD	30	Imm Euro Put Option Expiring March 2011 Strike 99.625	1	0.01
AAA (0.00%, January 2010 – 0.76%)					USD	(12)	Imm Euro Put Option Expiring March 2012 Strike 98.75	(5)	(0.06)
A+ (0.00%, January 2010 – 1.48%)					USD	12	Imm Euro Put Option Expiring March 2012 Strike 99.25	6	0.07
A (0.00%, January 2010 – 4.06%)					USD	(16)	USD 10 Year Put Option Expiring March 2011 Strike 117	(2)	(0.02)
A-e (0.00%, January 2010 – 1.11%)					USD	16	USD 10 Year Put Option Expiring March 2011 Strike 119	6	0.07
Total United States of America			-	-	USD	20	USD 2 Year Put Option Expiring March 2011 Strike 109.25	2	0.02
DERIVATIVES (0.44%, January 2010 – 0.01%)					USD	(5)	USD 5 Year Future Expiring March 2011	(2)	(0.02)
Credit Default Swaps (0.16%, January 2010 – 0.00%)									
EUR	800,000	Credit Default Swaps EUR Markit ITRX 14S 20/12/2015 Spread 100	22	0.24					
EUR	(250,000)	Credit Default Swaps EUR Markit ITRX 14XA 20/12/2015 Spread 500	7	0.08					
USD	100,000	Credit Default Swaps USD Abu Dhabi 1CA 20/03/2016 Spread 100	-	-					
USD	100,000	Credit Default Swaps USD Abu Dhabi C 20/03/2016 Spread 100	-	-					
USD	(1,000,000)	Credit Default Swaps USD French Republic 1KA 20/03/2016 Spread 25	(16)	(0.18)					
USD	(100,000)	Credit Default Swaps USD State of Qatar 1CB 20/03/2016 Spread 100	1	0.01					
USD	(100,000)	Credit Default Swaps USD State of Qatar C 20/03/2016 Spread 100	1	0.01					

Comparative Tables

	Net asset value of share class £000	Net asset value per share	Shares in issue	Calendar Year	Net income per share p	Net income per £1,000 invested at launch* £
Credit Opportunities Fund				2009		
for the period ended 21st January 2010				Class 1 – Gross accumulation shares	–	–
Class 1 – Gross accumulation shares	3,812	93.77p	4,064,641	Class 1 – USD Hedged gross accumulation shares	–	–
Class 1 – USD Hedged gross accumulation shares	677	67.51p	1,003,000	Class 1 – GBP Hedged net accumulation shares	–	–
Class 1 – GBP Hedged net accumulation shares	7,932	108.55p	7,307,192	§Class 2 – Gross accumulation shares	–	–
Class 2 – Gross accumulation shares	1,575	89.84p	1,752,772	2010		
for the year ended 21st January 2011				Class 1 – Gross accumulation shares	2.0436	22.79
Class 1 – Gross accumulation shares	57,361	97.69p	58,717,725	Class 1 – USD Hedged gross accumulation shares	1.5895	23.55
Class 1 – USD Hedged gross accumulation shares	624	73.55p	848,024	Class 1 – GBP Hedged net accumulation shares	2.0098	20.10
Class 1 – GBP Hedged net accumulation shares	20,774	116.58p	17,818,936	§Class 2 – Gross accumulation shares	0.3308	3.78
Class 2 – Gross accumulation shares	151,307	93.85p	161,213,296	**Class 2 – GBP Hedged net accumulation shares	–	–
Class 2 – GBP Hedged net accumulation shares	10,562	104.36p	10,120,679	2011		
				†Class 1 – Gross accumulation shares	1.3135	14.65
				†Class 1 – USD Hedged gross accumulation shares	4.4936	66.57
				†Class 1 – GBP Hedged net accumulation shares	1.8459	18.46
				§†Class 2 – Gross accumulation shares	1.2666	14.49
				**†Class 2 – GBP Hedged net accumulation shares	3.6027	36.03

*Launch date – 29th April 2009

†To 21st January 2011

§Class 2 Gross accumulation shares commenced 7th September 2009

**Class 2 GBP Hedged net accumulation shares commenced 30th April 2010

Accumulation shares only available

	Net asset value of share class €000	Net asset value per share	Shares in issue	Calendar Year	Net income per share cents	Net income per €1,000 invested at launch* €	Highest share price cents	Lowest share price cents
Credit Opportunities Fund				2009				
for the period ended 21st January 2010				Class 1 – Gross accumulation shares	–	–	107.93	99.76
Class 1 – Gross accumulation shares	4,378	107.70c	4,064,641	Class 1 – USD Hedged gross accumulation shares	–	–	76.18	70.60
Class 1 – USD Hedged gross accumulation shares	778	77.54c	1,003,000	Class 1 – GBP Hedged net accumulation shares	–	–	122.75	111.30
Class 1 – GBP Hedged net accumulation shares	9,110	124.67c	7,307,192	§Class 2 – Gross accumulation shares	–	–	103.52	100.00
Class 2 – Gross accumulation shares	1,809	103.19c	1,752,772	2010				
for the year ended 21st January 2011				Class 1 – Gross accumulation shares	2.3471	23.47	115.41	107.43
Class 1 – Gross accumulation shares	67,603	115.13c	58,717,725	Class 1 – USD Hedged gross accumulation shares	1.8255	18.26	94.19	75.16
Class 1 – USD Hedged gross accumulation shares	735	86.69c	848,024	Class 1 – GBP Hedged net accumulation shares	2.3083	23.08	139.29	120.32
Class 1 – GBP Hedged net accumulation shares	24,483	137.40c	17,818,936	§Class 2 – Gross accumulation shares	0.3799	3.80	110.83	102.91
Class 2 – Gross accumulation shares	178,322	110.61c	161,213,296	**Class 2 – GBP Hedged net accumulation shares	–	–	124.86	114.25
Class 2 – GBP Hedged net accumulation shares	12,448	122.99c	10,120,679	2011				
				†Class 1 – Gross accumulation shares	1.5481	15.48	116.14	114.81
				†Class 1 – USD Hedged gross accumulation shares	5.2960	52.96	91.43	87.32
				†Class 1 – GBP Hedged net accumulation shares	2.1755	21.76	140.94	136.33
				§†Class 2 – Gross accumulation shares	1.4927	14.93	111.58	110.29
				**†Class 2 – GBP Hedged net accumulation shares	4.2459	42.46	126.41	122.27

*Launch date – 29th April 2009

†To 21st January 2011

§Class 2 Gross accumulation shares commenced 7th September 2009

**Class 2 GBP Hedged net accumulation shares commenced 30th April 2010

Accumulation shares only available

Comparative Tables

	Net asset value of share class £000	Net asset value per share	Shares in issue	Calendar Year	Net income per share p	Net income per £1,000 invested at launch* £
Target Return Core Fund				2008		
for the period ended 21st January 2009				Class 1 – Net accumulation shares	–	–
Class 1 – Net accumulation shares	4,868	96.90p	5,023,347	Class 2 – Net accumulation shares	–	–
Class 2 – Net accumulation shares	10,277	96.96p	10,599,375	2009		
for the year ended 21st January 2010				Class 1 – Net accumulation shares	1.6454	20.59
Class 1 – Net accumulation shares	7,685	91.87p	8,364,841	Class 2 – Net accumulation shares	1.0146	12.70
Class 2 – Net accumulation shares	4,965	92.11p	5,390,040	§Class 1 – Gross accumulation shares	–	–
§Class 1 – Gross accumulation shares	3,224	89.21p	3,614,631	§Class 2 – Gross accumulation shares	–	–
§Class 2 – Gross accumulation shares	7,734	89.40p	8,651,019	2010		
for the year ended 21st January 2011				Class 1 – Net accumulation shares	1.1136	13.94
Class 1 – Net accumulation shares	491	89.88p	546,508	Class 2 – Net accumulation shares	1.6266	20.36
Class 2 – Net accumulation shares	2,080	90.26p	2,304,223	§Class 1 – Gross accumulation shares	1.6222	17.36
§Class 1 – Gross accumulation shares	1,921	87.41p	2,197,298	§Class 2 – Gross accumulation shares	2.5799	27.61
§Class 2 – Gross accumulation shares	4,430	87.82p	5,044,207	2011		
				†Class 1 – Net accumulation shares	7.0479	88.21
				†Class 2 – Net accumulation shares	1.6767	20.98
				§†Class 1 – Gross accumulation shares	1.5323	16.40
				§†Class 2 – Gross accumulation shares	1.7218	18.43

*Launch date – 9th June 2008
†To 21st January 2011
§Gross accumulation shares commenced 26th January 2009
Accumulation shares only available

	Net asset value of share class €000	Net asset value per share	Shares in issue	Calendar Year	Net income per share cents	Net income per €1,000 invested at launch* €	Highest share price cents	Lowest share price cents
Target Return Core Fund				2008				
for the period ended 21st January 2009				Class 1 – Net accumulation shares	–	–	103.27	99.92
Class 1 – Net accumulation shares	5,183	103.17c	5,023,347	Class 2 – Net accumulation shares	–	–	103.32	99.91
Class 2 – Net accumulation shares	10,942	103.23c	10,599,375	2009				
for the year ended 21st January 2010				Class 1 – Net accumulation shares	1.7519	17.52	105.71	102.94
Class 1 – Net accumulation shares	8,826	105.51c	8,364,841	Class 2 – Net accumulation shares	1.0803	10.80	105.96	102.99
Class 2 – Net accumulation shares	5,702	105.79c	5,390,040	§Class 1 – Gross accumulation shares	–	–	102.56	100.00
§Class 1 – Gross accumulation shares	3,704	102.45c	3,614,631	§Class 2 – Gross accumulation shares	–	–	102.74	100.00
§Class 2 – Gross accumulation shares	8,883	102.68c	8,651,019	2010				
for the year ended 21st January 2011				Class 1 – Net accumulation shares	1.2790	12.79	106.30	105.36
Class 1 – Net accumulation shares	579	105.92c	546,508	Class 2 – Net accumulation shares	1.8682	18.68	106.69	105.63
Class 2 – Net accumulation shares	2,451	106.38c	2,304,223	§Class 1 – Gross accumulation shares	1.8631	18.63	103.35	102.30
§Class 1 – Gross accumulation shares	2,264	103.02c	2,197,298	§Class 2 – Gross accumulation shares	2.9630	29.63	103.72	102.51
§Class 2 – Gross accumulation shares	5,221	103.50c	5,044,207	2011				
				†Class 1 – Net accumulation shares	8.3065	83.07	106.05	105.87
				†Class 2 – Net accumulation shares	1.9762	19.76	106.50	106.32
				§†Class 1 – Gross accumulation shares	1.8060	18.06	103.14	102.97
				§†Class 2 – Gross accumulation shares	2.0291	20.29	103.61	103.44

*Launch date – 9th June 2008
†To 21st January 2011
§Gross accumulation shares commenced 26th January 2009
Accumulation shares only available

Performance Summary for the year ended 31/01/2011 – UK Universe

Funds	Fund Sector	Net Tax Return Class 1 %	Net Tax Return Class 2 %	Index** Total Return %
Credit Opportunities Fund‡	Absolute Return	6.96	N/A	0.43
Target Return Core Fund*	N/A	-1.15	-0.98	-0.86

All fund and peer group data sourced from Morningstar.

The Fund Sector is taken from the UK Unit Trusts/OEICs universe. Comparing the fund's performance to this Fund Sector is only relevant for UK Investors.

Unless otherwise stated, all of the above returns are quoted net of fees, in Sterling and on a bid to bid basis with net income reinvested for a UK basic rate taxpayer. Index returns are gross. These returns are also after annual management charges have been deducted.

*These funds do not currently display a sector median return because the Fund Sector (as defined by the Investment Management Association) is not felt to be representative.

**Index for the Credit Opportunities (GBP Hedged) Fund is the Citigroup WMMI Euro Deposit EMU GBP (1 month). Index for the Target Return Core Fund is the Euro Overnight Index Average.

‡GBP Hedged Shareclass shown. Class 2 Shareclass launch date – 30th April 2010.

Performance Summary for the year ended 31/01/2011 – Offshore Universe

Funds	Fund Sector	Performance Share Class 1 %	Index* Total Return %	Performance Share Class 2 %	Currency
Credit Opportunities Fund	Absolute Return	6.31	0.43	7.02	EUR
Target Return Core Fund	Absolute Return	0.35	0.46	0.60	EUR

Morningstar, Offshore Territories, NAV to NAV in fund currency, net of fees with gross income reinvested. Data reflects current management and other charges, but does not consider the effect of initial charges applicable to new investments. All index returns are gross.

*Index for the Credit Opportunities Fund is the Citigroup Euro Deposit (1 month). Index for the Target Return Core Fund is the Euro Overnight Index Average.

Total Expense Ratio Summary

for the accounting period 22nd January 2010 to 21st January 2011

Fund	Share Class	Excluding Performance Fees		Including Performance Fees	
		2011	2010	2011	2010
*Credit Opportunities Fund	Class 1 – Gross accumulation shares	1.14%	1.24%	2.70%	4.00%
	Class 1 – GBP Hedged net accumulation shares	1.41%	1.49%	1.41%	1.49%
	Class 1 – USD Hedged gross accumulation shares	1.41%	1.51%	1.41%	1.51%
	Class 2 – Gross accumulation shares	0.56%	0.69%	2.18%	5.11%
	**Class 2 – GBP Hedged net accumulation shares	0.72%	N/A	0.72%	N/A
*Target Return Core Fund	Class 1 – Net accumulation shares	0.61%	0.60%	0.60%	0.74%
	Class 1 – Gross accumulation shares	0.63%	0.61%	0.64%	0.85%
	Class 2 – Gross accumulation shares	0.40%	0.40%	0.41%	0.63%
	Class 2 – Net accumulation shares	0.40%	0.40%	0.40%	0.54%

A Total Expense Ratio is a figure representing all operating charges and expenses as a percentage of a fund's value. It includes the annual management fee as well as all the administrative costs incurred by the fund.

*The IMA have provided guidelines for the calculation of the "Total Expense Ratio" (TER). Under these guidelines we are required to disclose the TER including and excluding the performance fees. Performance fees are calculated on a calendar basis and may vary substantially from year to year depending on how a fund has performed against its benchmark. As the accounting period falls during the calculation period of the performance fee, the performance fees are accrued at that point in time, but may not represent the actual amount that will be paid. Therefore, previously accrued amounts may be required to be reversed.

**Class 2 GBP hedged net accumulation shares launched on 30th April 2010

Shares Issued and Redeemed Summary

for the accounting period 22nd January 2010 to 21st January 2011

Fund	Number Issued	Number Redeemed
Credit Opportunities Fund	266,972,198	(32,381,143)
Target Return Core Fund	11,877,520	(27,805,815)

Further Information

Threadneedle Focus Investment Funds ICVC (the "Company") is an open-ended investment company with variable capital incorporated in England and Wales under registered number IC000666 and authorised by the FSA with effect from 2nd June 2008. The Company is an umbrella company for the purposes of the Open-Ended Investment Companies Regulations 2001 (as amended) and has no fixed duration.

The Company has been certified by the FSA as eligible to enjoy the rights conferred by the Undertakings for Collective Investment in Transferable Securities Directive (85/611/EEC), as amended by directives 2001/107/EC and 2001/108/EC (the "UCITS Directive"). Accordingly, the Company is a UCITS scheme for the purposes of the FSA Rules.

Shareholders of the Company are not liable for the debts of the Company.

The Company is structured as an umbrella company in that different funds may be established from time to time by the ACD with the approval of the FSA and the agreement of the Depositary. The Company currently consists of two sub-funds (the "Funds"). Each Fund is charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund.

Prospectus

A Prospectus, which describes each Fund in detail, is available from Threadneedle Investment Services Limited, Client Services, P.O. Box 1457, Swindon, SN1 1FP.

As a Fund is not a legal entity, if the assets attributable to any Fund were insufficient to meet the liabilities attributable to it, the shortfall would have to be met out of the assets attributable to one or more other Funds of the Company.

Other funds may be launched in the future.

Changes to the Prospectus

During the period 22nd January 2010 to 21st January 2011 the main changes to the Prospectus of the Company are as follows:

- update of the ACD's contact details to reflect an additional address for non-UK investors;
- the Settlement Periods of the bond funds has been amended so that, with effect from 6th December 2010 bond funds will change from settling on the dealing day plus two business days to the dealing day plus four business days;
- the wording concerning the potential suspension of dealing in the Company has been amended to bring it into line with the FSA Rules;
- the Publication of Prices section has been updated to reflect the fact that from 21st November 2010 the price of shares may not be published in the Financial Times Newspaper and from June 2010 the prices of shares may not be published in the De Tijd and the Milano Finanza;
- the details of the directors have been updated to reflect the resignation of Tom Challenor as a director and the appointment of Nick Ring and Campbell Fleming as directors;
- addition of wording to clarify that Class X shares pay the Registrar Fee at the same rate as Class 2 shares;
- the Performance Fee wording has been revised with effect from 1st January 2010. The amendment is to the benefit of investors as it ensures that any underperformance in previous years is recovered by the Funds before a Performance Fee is paid;
- the section on Taxation has been updated to reflect the changes in personal allowances and the like;
- the section on "Stocklending" has been updated to reflect new arrangements and fee structure;
- Appendix IV and V updated to show the latest figures and confirm that the latest figures on dilution adjustment and performance are available at www.threadneedle.com;
- Appendix VI amended to reflect the launch of Class 2 Shares in the Credit Opportunities Fund; and
- Appendix VII updated to reflect the launch of a Class 2 GBP Hedged Share Class in the Credit Opportunities Fund.

Types of share available

Several classes of share may be issued in respect of each Fund, distinguished by their criteria for subscription and fee structure.

Details of the investment criteria for Class 1 Shares and Class 2 Shares are set out in the Prospectus. Typically, Class 1 Shares are available to retail investors seeking income or growth (or a combination of these) over the medium to long-term and Class 2 Shares are available to non-retail investors only and will accommodate an alternative charging structure. The level of net income attributable to each share class will differ.

Hedged Share Classes ("HSCs")

HSCs use currency hedging transactions to try and reduce the exposure to the Reference Currency and replace it with an exposure to the Hedged Currency. The terms Reference and Hedged Currency are defined as follows:

- "Reference Currency" or "Reference Currencies" means the currency or currencies against which the currency hedging transaction will be applied; and
- "Hedged Currency" is the currency in which the Hedged Share Class is denominated.

These HSCs should not be confused with other share classes that may be denominated in other currencies but will not be hedged. For full details of the HSCs available, including details of the Reference Currency of each Fund where HSCs are available, please refer to the latest version of the Prospectus.

SDRT Provision

SDRT is chargeable on the surrender, and certain transfers of shares in the Funds. The current rate of SDRT is 0.5%.

The liability for SDRT is calculated weekly by reference to share sales and repurchases in that and the following week but is reduced proportionately to the extent that the investments held by the Fund are exempt investments, which essentially are any assets other than United Kingdom equities and other collective investment schemes that are not exempt from SDRT. Any fund which only invests in exempt investments, i.e. holds no United Kingdom equities, will therefore be wholly exempt from SDRT.

How it affects shareholders and potential shareholders:

The ACD meets the SDRT liability from the property of the Company. It is not the ACD's intention to require the payment of a further provision for SDRT, however, it reserves the right to do so in respect of large deals (as set out in the Prospectus).

Neither Fund has suffered any SDRT in the current reporting period.

Income Equalisation

When the first income distribution is received it may include an amount known as equalisation. The amount representing the income equalisation in the Share's price is a return of capital and is not taxable in the hands of Shareholders. This amount should be deducted from the cost of income Shares in computing capital gains realised on their disposal.

Performance

For the period under review, where applicable, fund performance has been compared to the relevant peer group. We show a peer group comparison as this more accurately reflects the way the funds are managed. We continue to show stock market indices for information purposes and for those funds where the Investment Management Association sector is not felt to be a representative peer group. Audited peer group information is only available from Morningstar's Fund Services at month end points.

Report and Accounts

Investors will receive a report on Threadneedle Focus Investment Funds ICVC twice a year. This will be a short form version and a report containing the full accounts will be available from Threadneedle Investment Services Limited, Client Services, P.O. Box 1457, Swindon SN1 1FP. The report will provide information on the performance of the Funds, the market background, and details of each of the portfolios. The annual accounting period for the Funds shall end on 21st January and the interim reporting period shall end on 21st July.

Directory

Registered Office

60 St Mary Axe
London EC3A 8JQ

Authorised Corporate Director (ACD)

Threadneedle Investment Services Limited
60 St Mary Axe
London EC3A 8JQ

Registrar

Threadneedle Investment Services Limited
60 St Mary Axe
London EC3A 8JQ

Investment Adviser

Threadneedle Asset Management Limited
60 St Mary Axe
London EC3A 8JQ

Depository

J.P. Morgan Trustee and Depository Company Limited
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Chaseside
Bournemouth
Dorset BH7 7DA

Legal Advisers

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85 Queen Victoria Street
London EC4V 4JL

Baum Financial Services Law Team
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20148 Hamburg
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Independent Auditors

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London SE1 2RD

Client Services

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Website:

threadneedle.co.uk (for UK investors only)

Non-UK Investors

Tel: 0044 1793 363 900*

Website:

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*Calls may be recorded

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1210 Brussels
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Paying and Information Agent in France

BNP Paribas Securities Services
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75009 Paris
France

Paying and Information Agent in Germany

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Paying and Information Agent in Italy

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Allfunds Bank S.A. (filiale di Milano)
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20159 Milano

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20123 Milano

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L-1855 Luxembourg

Paying and Information Agent in the Netherlands

Fortis Intertrust
Rokin 55
1012 KK Amsterdam
The Netherlands

Important Information

References in this document to any fund do not constitute an offer or invitation to subscribe to shares in such a fund. We recommend you obtain detailed information before the purchase of shares. Subscriptions to a fund may only be made on the basis of the current Prospectus or Simplified Prospectus and the latest annual or interim reports, which can be obtained free of charge on request. Please refer also to the Risk Factors in the Prospectus.

Past performance is not a guide to future returns. The value of investments and any income from them is not guaranteed and may fall as well as rise and the investor may not get back the original investment. Exchange rate movements could increase or decrease the value of underlying investments/holdings. The dealing price of the Funds may include a dilution adjustment. Further details are available in the Prospectus.

The mention of any specific shares or bonds should not be taken as a recommendation to deal and anyone considering dealing in these financial instruments should consult a stockbroker or financial adviser. The research and analysis included in this document has been produced by Threadneedle for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions expressed are made as at the date of publication but are subject to change without notice. Information obtained from external sources is believed to be reliable but its accuracy or completeness cannot be guaranteed.

The Target Return Core Fund and the Credit Opportunities Fund do not offer any form of guarantee with respect to investment performance, and no form of capital protection will apply. In addition, the Funds may use derivatives for short selling and leverage, which will increase the risk profile of the Funds and may carry a higher degree of volatility than a fund that does not gain short exposure. Leverage has the overall effect of increasing positive returns, but causes a faster decrease in the value of assets if prices fall. The Funds may hold up to 100% in cash or money securities which means that the Funds may not participate fully in a rise in the market values of asset classes the Funds would otherwise invest in. The interest rate on corporate bonds and most government bonds will not increase in line with inflation. Thus, over time, the real value of an investor's income could fall.

The Credit Opportunities Fund invests in high yield and emerging market bonds which may carry increased risk to capital through default (where bond issuers either fail to pay the interest or capital repayment due at maturity).

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