



**Threadneedle**  
**Managed Funds**

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**Important: if you are in any doubt about the contents of this Prospectus you should consult your financial adviser.**

## **Prospectus for Threadneedle Managed Funds**

Threadneedle Investment Services Limited, the Authorised Unit Trust Manager (the 'Manager'), is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by the FSA Rules (as defined below) to be included in it. Threadneedle Investment Services Limited accepts responsibility accordingly.

This document constitutes the Prospectus for the Threadneedle Global Equity Fund, the Threadneedle Global Equity & Bond Fund, the Threadneedle Equity & Bond Fund, the Threadneedle Defensive Equity & Bond Fund, the Threadneedle Defensive Fund and the Threadneedle Managed Income Fund (each a 'Trust' and together the 'Trusts') and has been prepared in accordance with the FSA Rules. The Trusts are subject to trust law requirements.

The Prospectus is dated and is valid as at June 2011 and replaces any previous Prospectus issued by the Manager.

Copies of this Prospectus have been sent to the FSA and the Trustee.

No person has been authorised by the Trusts or the Manager to give any information or to make any representations in connection with the offering of Units other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been made by the Trusts or the Manager. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Units shall not, under any circumstances, create any implication that the affairs of the Trusts have not changed since the date hereof.

The distribution of this Prospectus and the offering of Units in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Trusts and the Manager to inform themselves about and to observe any such restrictions.

This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

References to times in this Prospectus are to UK times unless otherwise stated.

Units in the Trusts have not and will not be registered in the United States of America under any applicable legislation. Units are not available for offer or sale in any state in the United States of America or its territories or possessions, or to persons (including companies, partnerships, Trusts or other entities) who are "US Persons" as defined in Rule 902 of Regulation S under the US Securities Act of 1933, as amended), nor may Units be owned or otherwise held by such persons. Accordingly, this Prospectus may not be distributed in the United States or to a US Person. The Manager reserves the right to give notice to any Unitholder that is or that subsequently becomes incorporated in the United States or to a US Person to (i) transfer the Units to a person that is not a US Person or (ii) request a redemption or cancellation of the Units and the Manager may redeem or cancel the Units if the Unitholder fails to make such transfer or request within 30 days of that notice provided by the Manager.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Units.

The provisions of the Trust Deeds relating to each Trust are binding on each of its Unitholders (who are taken to have notice of them). A copy of each Trust Deed is available on request from the Manager.

This Prospectus has been approved for the purpose of section 21 of the Financial Services and Markets Act 2000 (the 'Act') by the Manager.

This Prospectus is based on information, law and practice at the date hereof. The Trusts and the Manager cannot be bound by an out-of-date Prospectus when it has issued a new Prospectus or addendum and investors should check with the Manager that this is the most recently published Prospectus.

Copies of this Prospectus can be provided in large print or electronic format.

## Definitions

'Accumulation Units' Units (of whatever Class) in the Trusts as may be in issue from time to time in respect of which income allocated thereto is credited periodically to capital pursuant to the FSA Rules

'Approved Bank' one of certain institutions as defined in the glossary to the FSA Handbook

'Base Currency' for all of the Trusts is Pound Sterling and is the currency in which the accounts of the Trusts are to be prepared. Certain of the Trusts may invest in assets which have a base currency which is not Sterling

'Class' or 'Classes' in relation to Units, means (according to the context) all of the Units related to a single Trust or a particular class or classes of Unit related to a single Trust

'COLL' refers to the appropriate chapter or rule in the FSA Rules

'Dealing Day' Monday to Friday excluding public and bank holidays in England and Wales and other days at the Manager's discretion

'EEA State' a member state of the European Union and any other state which is within the European Economic Area

'Eligible Institution' one of certain credit institutions as defined in the glossary to the FSA Handbook

'EPM' Efficient Portfolio Management means the use of techniques and instruments which relate to transferable securities and approved money-market instruments and which fulfil the following criteria:

- (a) they are economically appropriate in that they are realised in a cost effective way; and
- (b) they are entered into for one or more of the following specific aims:
  - reduction of risk;
  - reduction of cost;
  - generation of additional capital or income for the scheme with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules laid down in COLL

'Fraction' a smaller denomination Unit (on the basis that ten-thousand smaller denomination Units make one larger denomination Unit)

'FSA' the Financial Services Authority

'FSA Handbook' the FSA Handbook of Rules and Guidance

'FSA Rules' the rules contained in the FSA Handbook which shall, for the avoidance of doubt, not include guidance or evidential requirements contained therein

'Group' in relation to a company, that company, any subsidiary or holding company from time to time of that company, and any subsidiary from time to time of a holding company of that company where holding company and subsidiary have the meaning given them in section 1159 of the Companies Act 2006

'HMRC' HM Revenue and Customs

'Income Units' Units (of whatever Class) in the Trusts as may be in issue from time to time in respect of which income allocated thereto is distributed periodically to the holders pursuant to the FSA Rules

'Investment Adviser' Threadneedle Asset Management Limited, the investment adviser to the Trusts

'Manager' Threadneedle Investment Services Limited, the authorised unit trust manager of the Trusts

'NAV' net asset value

'OECD' Organisation for Economic Co-operation and Development

'Offshore Income Gains' gains arising on the disposal of holdings in overseas collective investment schemes which do not have distributing/reporting fund status

'Scheme Property' the property of the Trusts required under the FSA Rules to be given for safe-keeping to the Trustee

'SDRT' Stamp Duty Reserve Tax

'Switch' the exchange of Units of one Class or Trust for Units of another Class or Trust

'Trust' refers to any one or more of the unit trusts listed on page 2 under the heading Prospectus for Managed Funds

'Trust Property' the assets of each Trust managed in accordance with each Trust Deed

'Trust Deed' the instrument establishing each Trust, as amended from time to time in accordance with the FSA Rules

'Trustee' J.P. Morgan Trustee and Depository Company Limited, the Trustee of the Trusts

'Unit' or 'Units' a Unit or Units in the Trusts (including larger denomination Units and Fractions)

'Unitholder' a holder for the time being of the Units

## Details of the Trusts

### General

The Threadneedle Global Equity Fund, the Threadneedle Global Equity & Bond Fund, the Threadneedle Equity & Bond Fund, the Threadneedle Defensive Equity & Bond Fund, the Threadneedle Defensive Fund and the Threadneedle Managed Income Fund are authorised unit trust schemes that have been prepared in accordance with the rules contained in COLL. All the Trusts are authorised unit trusts operating under Chapter 5 of the COLL Rules. The date on which each Trust was authorised by the FSA is set out in the Investment Objectives and Policy section.

The Trusts have 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 and to be replaced by directive 2009/65/EC with effect from 1 July 2011 (the 'UCITS Directive').

Accordingly, the Trusts are UCITS schemes for the purposes of the FSA Rules.

Unitholders of the Trusts are not liable for the debts of the Trusts.

Manager's Head office: 60 St Mary Axe, London EC3A 8JQ

Address for service: The head office is the address of the place in the United Kingdom for service on the Trusts of notices or other documents required or authorised to be served on it.

Units in the Trusts can be marketed in other EEA States if the Manager so decides and complies with applicable local laws and regulations.

### The Structure of the Trusts

Investment of the assets of each Trust must comply with the FSA Rules and the investment objective and policy of the relevant Trust.

Details of the Trusts including their investment objective and policy, are set out below. A detailed statement of the general investment and borrowing powers in respect of the Trusts is set out in Appendix I.

The eligible securities and eligible derivatives markets on which the Trust may invest are set out in Appendix II.

### Characteristics of Units in the Trusts

All the Trust Deeds provide for the issue of two types of Units, Income Units and accumulation Units. The basic difference between the types of Units is that income Unitholders have their net income distributed to them on fixed dates while accumulation Unitholders have their income automatically rolled up in the Trust after basic rate tax deduction.

The Trust Deeds allow gross income and gross accumulation Units to be issued, as well as net income and net accumulation Units, but currently only net income and net accumulation Units are issued.

Net Units are Units in respect of which income allocated to them is distributed periodically to the relevant Unitholders (in the case of Income Units) or credited periodically to capital (in the case of accumulation Units), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Trust. Gross Units are income or accumulation Units where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Trust. All references in this Prospectus are to net Units unless otherwise stated.

Threadneedle Managed Income Fund has Income Units only. The other Trusts issue accumulation Units only.

The Trust Deeds provide for additional Unit classes to be issued. Currently Class A Units and Class B Units are available in each of the Trusts.

The availability of Unit classes in each Trust is set out in Appendix IV.

Where the Trust has different classes, each class may attract different charges and so monies may be deducted from the Trust Property attributable to such classes in unequal proportions. In these circumstances, the proportionate interests of the classes will be adjusted accordingly.

Each Unitholder is entitled to participate in the property of the Trust in which units are held in the proportion that the value of the units bears to the value of the property of that Trust. This applies irrespective of the type of the unit held.

Title to the units purchased is evidenced by an entry on the Register of Unitholders, maintained by the Registrar. Certificates will not be issued.

The nature of the right represented by units is that of a beneficial interest under a trust.

## ISA Compliance

For the purposes of the Individual Savings Accounts Regulations 1998 (as amended) the Trusts satisfy the eligibility requirements to be qualifying investments for an Individual Savings Account.

## Investment objectives, policies and other details of each Trust

Investment of the Trust Property must comply with the FSA Rules and the investment objective and policy of the relevant Trust. Details of these investment objectives and policies are set out below, together with the relevant investor profile and the specific risks which apply to each Trust. A detailed statement of the general investment and borrowing powers, including a full list of eligible and investment restrictions is set out in Appendix II. A detailed statement of all general and specific risk factors for the Trusts is set out below.

The investment policy of a Trust may mean that at times it is appropriate not to be fully invested but to hold cash or near cash. Investors should refer to the 'Risk factors' section of this Prospectus and to the circumstances when this may occur which are set out in Appendix I.

Where the investment policy of a Trust contains words such as 'primarily', 'principally' or 'mainly' in the description of its investment policy, the relevant Trusts will invest not less than two-thirds of the value of the property of that Trust in the specified kind of assets.

As described above, the principal aim of the Trusts is to invest in units in collective investment schemes and accordingly the Trusts invest a substantial proportion of their assets in other collective investment schemes. The maximum level of management fees that may be charged to the Trusts and to the collective investment schemes in which it invests will not exceed 5%.

## Threadneedle Global Equity Fund

### Investment objective and policy

To provide above average capital growth from investment in regulated collective investment schemes managed, operated, or advised by Threadneedle Investment Services Limited (or any company within the Group of which it is a member).

The Trust will invest internationally and will invest primarily in collective investment schemes that invest in equities. With effect from 1 October 2011 the Trust may also invest in collective investment schemes that do not restrict their use of derivatives to efficient portfolio management up to a maximum amount of no more than 20% of the value of the Scheme Property. Further the Trust may also invest directly in cash, near cash and/or money market instruments.

### Investor Profile

The Trust may be suitable for investors with a long term investment horizon seeking above average capital growth who are prepared to tolerate large price fluctuations. If investors are uncertain if the Trust is suitable for them, they are advised to contact a financial adviser.

### Specific Risk Factors

Investors should note the 'Risk Factors' section of this Prospectus in terms of risks applicable to investing in the Trust. The key specific risks associated with an investment in the Fund are:

The value of investments may fall as well as rise and investors may not get back the original investments.

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

As a result of the Trust investing in assets denominated in different currencies, investors may be exposed to underlying exchange rate risks despite paying and receiving monies in the same currency.

These 'Risk Factors' must be understood before investing in the Trust.

### Date of Authorisation

4 August 1997

## Threadneedle Global Equity & Bond Fund

### Investment objective and policy

To provide capital growth with some income from investment in regulated collective investment schemes operated, managed or advised by Threadneedle Investment Services Limited (or any company within the Group of which it is a member).

The Trust will invest internationally and will invest primarily in collective investment schemes that invest in equities, and/or fixed income securities. With effect from 1 October 2011 the Trust may also invest in collective investment schemes that do not restrict their use of derivatives to efficient portfolio management up to a maximum amount of no more than 20% of the value of the Scheme Property. Further the Trust may also invest directly in cash, near cash and/or money market instruments.

### Investor Profile

The Trust may be suitable for investors with a long term investment horizon seeking capital growth with some income who are prepared to tolerate large price fluctuations. If

investors are uncertain if the Trust is suitable for them, they are advised to contact a financial adviser.

### Specific Risk Factors

Investors should note the 'Risk Factors' section of this Prospectus in terms of risks applicable to investing in the Trust. The key specific risks associated with an investment in the Fund are:

The value of investments may fall as well as rise and investors may not get back the original investments.

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

As a result of the Trust investing in assets denominated in different currencies, investors may be exposed to underlying exchange rate risks despite paying and receiving monies in the same currency.

Corporate bonds and most government bonds have limited capital growth after paying interest, and thus their NAV will not increase in line with inflation. Over time, the real value of both the investor's capital and income is likely to fall.

In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. Interest rate risk is commonly measured by the bond's duration (the higher the duration, the higher the impact of changes in/sensitivity to interest rates).

These 'Risk Factors' must be understood before investing in the Trust.

### Date of Authorisation

4 August 1997

## Threadneedle Equity & Bond Fund

### Investment objective and policy

To provide a return by way of capital growth and income from defensively managed investment in regulated collective investment schemes operated, managed or advised by Threadneedle Investment Services Limited (or any company within the Group of which it is a member).

The Trust may invest internationally and will invest primarily in collective investment schemes that invest in equities, fixed interest securities, cash or near cash. With effect from 1 October 2011 the Trust may also invest in collective investment schemes that do not restrict their use of derivatives to efficient portfolio management up to a maximum amount of no more than 20% of the value of the Scheme Property. Further the Trust may also invest directly in cash, near cash and/or money market instruments.

### Investor Profile

The Trust may be suitable for investors with a long term investment horizon seeking capital growth and income who are prepared to tolerate moderate price fluctuations. If investors are uncertain if the Trust is suitable for them, they are advised to contact a financial adviser.

### Specific Risk Factors

Investors should note the 'Risk Factors' section of this Prospectus in terms of risks applicable to investing in the Trust. The key specific risks associated with an investment in the Fund are:

The value of investments may fall as well as rise and investors may not get back the original investments.

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

As a result of the Trust investing in assets denominated in different currencies, investors may be exposed to underlying exchange rate risks despite paying and receiving monies in the same currency.

Corporate bonds and most government bonds have limited capital growth after paying interest, and thus their NAV will not increase in line with inflation. Over time, the real value of both the investor's capital and income is likely to fall.

In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. Interest rate risk is commonly measured by the bond's duration (the higher the duration, the higher the impact of changes in/sensitivity to interest rates).

These 'Risk Factors' must be understood before investing in the Trust.

### Date of Authorisation

4 August 1997

## Threadneedle Defensive Equity & Bond Fund

### Investment objective and policy

To provide a return by way of capital growth and income from a defensively managed investment in regulated collective investment schemes operated, managed or advised by Threadneedle Investment Services Limited (or any company within the Group of which it is a member).

The Trust may invest internationally and will invest primarily in collective investment schemes that invest in (i) fixed interest securities and/or (ii) equities of companies that are domiciled in the UK or have significant UK operations. With effect from

1 October 2011 the Trust may also invest in collective investment schemes that do not restrict their use of derivatives to efficient portfolio management up to a maximum amount of no more than 20% of the value of the Scheme Property. Further the Trust may also invest directly in cash, near cash and/or money market instruments.

### Investor Profile

The Trust may be suitable for investors with a long term investment horizon seeking capital growth and income who are prepared to tolerate moderate price fluctuations. If investors are uncertain if the Trust is suitable for them, they are advised to contact a financial adviser.

### Specific Risk Factors

Investors should note the 'Risk Factors' section of this Prospectus in terms of risks applicable to investing in the Trust. The key specific risks associated with an investment in the Fund are:

The value of investments may fall as well as rise and investors may not get back the original investments.

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

As a result of the Trust investing in assets denominated in different currencies, investors may be exposed to underlying exchange rate risks despite paying and receiving monies in the same currency.

Corporate bonds and most government bonds have limited capital growth after paying interest, and thus their NAV will not increase in line with inflation. Over time, the real value of both the investor's capital and income is likely to fall.

In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. Interest rate risk is commonly measured by the bond's duration (the higher the duration, the higher the impact of changes in/sensitivity to interest rates).

This 'Risk Factor' must be understood before investing in the Trust.

### Date of Authorisation

12 September 2002

## Threadneedle Defensive Fund

### Investment objective and policy

To provide a total return primarily by way of income from a defensively managed investment in regulated collective investment schemes operated, managed or advised by

Threadneedle Investment Services Limited (or any company within the Group of which it is a member).

The Trust may invest internationally and will invest primarily in collective investment schemes that invest in fixed interest securities, cash or near cash. The Trust may also invest in collective investment schemes that invest in equities, and these collective investment schemes will not normally represent more than 20% of the portfolio. With effect from 1 October 2011 the Trust may also invest in collective investment schemes that do not restrict their use of derivatives to efficient portfolio management up to a maximum amount of no more than 20% of the value of the Scheme Property. Further the Trust may also invest directly in cash, near cash and/or money market instruments

### Investor Profile

The Trust may be suitable for investors with a medium term investment horizon seeking a total return who are prepared to tolerate moderate price fluctuations. If investors are uncertain if the Trust is suitable for them, they are advised to contact a financial adviser.

### Risk Factors

Investors should note the 'Risk Factors' section of this Prospectus in terms of risks applicable to investing in the Trust. The key specific risks associated with an investment in the Fund are:

The value of investments may fall as well as rise and investors may not get back the original investments.

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

As a result of the Trust investing in assets denominated in different currencies, investors may be exposed to underlying exchange rate risks despite paying and receiving monies in the same currency.

Corporate bonds and most government bonds have limited capital growth after paying interest, and thus their NAV will not increase in line with inflation. Over time, the real value of both the investor's capital and income is likely to fall.

In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. Interest rate risk is commonly measured by the bond's duration (the higher the duration, the higher the impact of changes in/sensitivity to interest rates).

This 'Risk Factor' must be understood before investing in the Trust.

### Date of Authorisation

12 September 2002

## Threadneedle Managed Income Fund

### Investment objective and policy

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

The Trust may invest internationally and will invest primarily in collective investment schemes that invest in equities, fixed interest securities, cash or near cash. With effect from 1 October 2011 the Trust may also invest in collective investment schemes that do not restrict their use of derivatives to efficient portfolio management up to a maximum amount of no more than 20% of the value of the Scheme Property. Further the Trust may also invest directly in cash, near cash and/or money market instruments.

### Investor Profile

The Trust may be suitable for investors with a long term investment horizon seeking a growing income with capital growth, who are prepared to tolerate large price fluctuations. If investors are uncertain if the Trust is suitable for them, they are advised to contact a financial adviser.

### Risk Factors

Investors should note the 'Risk Factors' section of this Prospectus in terms of risks applicable to investing in the Trust. The key specific risks associated with an investment in the Fund are:

The value of investments may fall as well as rise and investors may not get back the original investments.

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

As a result of the Trust investing in assets denominated in different currencies, investors may be exposed to underlying exchange rate risks despite paying and receiving monies in the same currency.

Corporate bonds and most government bonds have limited capital growth after paying interest, and thus their NAV will not increase in line with inflation. Over time, the real value of both the investor's capital and income is likely to fall.

In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. Interest rate risk is commonly measured by the bond's duration (the higher the duration, the higher the impact of changes in/sensitivity to interest rates).

These 'Risk Factors' must be understood before investing in the Trust.

### Date of Authorisation

12 September 2002

## Buying, selling and switching Units

The dealing office of the Manager is open from 8.00 am until 5.00 pm UK time on each Dealing Day to receive requests for the issue, redemption and switching of Units. The Manager may vary these times at its discretion. In particular, dealing on the last working day before Christmas may cease at 12.00 pm.

In addition, the Manager may from time to time make arrangements to allow Units to be bought or sold online or through other communication media but the manager has no current plans to do so.

**THE MANAGER IS UNDER NO OBLIGATION TO ACCOUNT TO THE TRUSTEE OR TO THE UNITHOLDERS FOR ANY PROFIT IT MAKES ON THE ISSUE OF UNITS OR ON THE RE-ISSUE OR CANCELLATION OF THE UNITS WHICH IT HAS REDEEMED.**

Deals will always be placed at the next price calculated after receipt of the instruction (i.e. forward priced).

Prices for the available Trusts are calculated every Dealing Day at 12 noon UK time. Units in the Trust purchased or sold before 12 noon will obtain the price calculated on that Dealing Day. Units in the Trust purchased or sold after 12 noon will obtain the price calculated at 12 noon the following Dealing Day.

### Buying Units Procedure:

Units can be bought either by sending a completed application form to the Manager or by telephoning the Manager on 0800 068 3000\*. For non-UK residents, the initial purchase must be accompanied by a completed application form. Application forms may be obtained from the Manager. Subsequent investments can be made by telephone on (+44) 1793 363900\*, but still require written confirmation. The Manager will supply a Form of Renunciation on request. Unless dictated otherwise, all deals will be processed on receipt and payment immediately becoming due.

\*Please note that calls may be recorded.

As part of its credit control policy, the Manager reserves the right to cancel without notice any contract for which payment has not been received by the relevant settlement date and to recover any losses incurred. The Manager reserves the right to charge interest on late settlement. During an Initial Offer Period, the Manager may require cash settlement before arranging for the issue of Units.

The Manager has the right to reject, on reasonable grounds, any application for Units in whole or part, and in this event the Manager will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of Units has been issued will not be returned to the applicant. Instead, Fractions will be issued in such circumstances.

A purchase of Units in writing or by telephone or any other communication media made available is a legally binding contract. Applications to purchase, once made are, except in the case where cancellation rights are applied, irrevocable. However, subject to its obligations under the FSA Rules, the Manager has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Units in whole or part, and in this event the Manager will return any money sent, or the balance of such monies, at the risk of the applicant.

Applicants who have received advice may have the right to cancel their application to buy Units at any time during the 14 days after the date on which they receive a cancellation notice from the Manager. If an applicant decides to cancel the contract, and the value of the investment has fallen at the time the Manager receives the completed cancellation notice, they will not receive a full refund as an amount equal to any fall in value will be deducted from the sum originally invested. The Manager may extend cancellation rights to other investors but is under no obligation to do so.

Client money – In the event that you are not allocated shares within 24 hours of your payment being received for your purchase or a cheque or electronic funds transfer in satisfaction of the redemption monies is not issued within four business days of receipt by the Manager of the fully authorised form of renunciation (or other sufficient written instructions), we will treat the relevant sum as client money as defined under the FSA Rules so that the money is held in an account separate from that the Manager uses to hold its own money. The Manager will not calculate or pay to you any interest that might arise on those monies.

### Documents the purchaser will receive:

A contract note giving details of the Units purchased and the price obtained will be issued by the end of the business day following the later of receipt of the application to purchase Units or the valuation point by reference to which the purchase price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

Certificates will not be issued in respect of Units. Ownership of Units will be evidenced by an entry on the Trust's register of Unitholders. Statements in respect of periodic distributions will show the number of Units held or accumulated by the recipient.

Individual statements of a Unitholder's (or, when Units are jointly held, the first-named holder's) Units will also be issued at any time on request by the registered holder.

### Minimum subscriptions and holdings per Trust:

Units	Minimum Investment	Subsequent Investment	Minimum Holding
<b>Class A</b>	<b>£2,000</b>	<b>£1,000</b>	<b>£500</b>
<b>Class B</b>	<b>£5,000,000</b>	<b>£10,000</b>	<b>£500</b>

The Manager may at its discretion accept subscriptions lower than the minimum amount. If a holding is below the minimum holding the Manager has the discretion to require redemption of the entire holding.

### Initial Offer Period

The Manager may arrange for there to be an Initial Offer Period in respect of any newly-established Trust, commencing on the date of launch of the relevant Trust. During that period, the price at which Units in that Trust can be bought will be as fixed by the Manager and notified to the Trustee at or before the start of that period.

### Selling Units Procedure:

Every Unitholder has the right to require that the Trusts redeem his Units on any Dealing Day unless the value of Units which a Unitholder wishes to redeem will mean that the Unitholder will hold Units with a value less than the required minimum holding for the Trust concerned, in which case the Unitholder may be required to redeem his entire holding.

Requests to redeem Units may be made to the Manager by telephone on 0800 068 3000\* for UK investors and on (+44) 1793 363900\* for non-UK investors (with written confirmation), by fax or in writing to the Manager.

\*Please note that calls may be recorded.

Cheques or electronic Trusts transfer in satisfaction of the redemption monies will be issued or made within four business Days.

A redemption instruction in respect of Units in writing or by telephone or any other communication media made available is a legally binding contract. However, an instruction to the Manager to redeem Units, although irrevocable, may not be settled by the Manager if the redemption represents Units where the money due on the earlier purchase of those Units has not yet been received or if insufficient documentation or anti-money laundering information has been received by the Manager.

**Documents the seller will receive:**

A contract note giving details of the number and price of Units redeemed will be sent to the redeeming Unitholder (or the first named Unitholder, in the case of joint Unitholders) together with (if sufficient written instructions have not already been given) a form of renunciation for completion and execution by the Unitholder (or, in the case of a joint holding, by all the joint Unitholders) no later than the end of the business day following the later of the request to redeem Units or the Valuation Point by reference to which the price is determined.

**Minimum redemption:**

Part of a Unitholder's holding may be redeemed but the Manager reserves the right to refuse a redemption request if the value of the Units of any Trust to be redeemed is less than £500.

**Switching**

Unitholders are, subject to minimum holding requirements, entitled to exchange all or part of their Units for Units within a different Trust, or for Units of another Class within the same Trust. There may be tax and other consequences of switching in this way.

Where more than one Trust exists, a holder of Units in a Trust may at any time Switch all or some of his Units of one Class or Trust ('Original Units') for Units of another Class or Trust ('New Units'). The number of New Units issued will be determined by reference to the respective prices of New Units and Original Units at the valuation point applicable at the time the Original Units are repurchased and the New Units are issued.

Switching may be effected either by telephone on 0800 068 3000\* for UK investors and on (+44) 1793 363900\* for non-UK investors (with written confirmation), by fax or in writing to the Manager and the Unitholder(s) may be required to complete a switching form.

\* Please note that calls may be recorded.

The Manager may at its discretion charge a fee on the switching of Units between Trusts. These fees are set out in the section 'Dealing charges'. There is no fee on a Switch between Classes of the same Trust.

If the Switch would result in the Unitholder holding a number of Original Units or New Units of a value which is less than the minimum holding in the Class or Trust concerned, the Manager may, if it thinks fit, convert the whole of the applicant's holding of Original Units to New Units or refuse to effect any Switch of the Original Units. No Switch will be made during any period when the right of Unitholders to require the redemption of their Units is suspended. The general provisions on procedures relating to redemption will apply equally to a Switch. A duly completed switching form must be received by the Manager

before the valuation point on a Dealing Day in the Trust or Trusts concerned to be dealt with at the prices at those valuation points on that Dealing Day, or at such other date as may be approved by the Manager. Switching requests received after a valuation point will be held over until the next Dealing Day in the relevant Trust or Trusts.

The Manager may adjust the number of New Units to be issued to reflect the imposition of any switching fee together with any other charges or levies in respect of the issue or sale of the New Units or repurchase or cancellation of the Original Units as may be permitted pursuant to the FSA Rules.

Please note that a Switch of Units in one Trust for Units in any other Trust is treated as a redemption and sale and therefore may have tax implications for Unitholders. For persons subject to UK taxation it will be a disposal for the purposes of capital gains taxation.

**A Unitholder who Switches Units in one Trust for Units in any other Trust will not be given a right by law to withdraw from or cancel the transaction.**

**Dealing charges**

The price per Unit at which Units are bought, redeemed or switched is calculated in accordance with the FSA Rules.

**Initial charge:**

The initial charge is 3.75% for all Class A Units and zero for all Class B units.

The initial charge is payable by the Unitholder to the Manager and may be used to remunerate intermediaries. To the extent permitted by the FSA Rules, the Manager may agree to waive or reduce the initial charge at its discretion, in respect of a subscription by any person, including a holder of Units in any other collective investment scheme operated by the Manager, where such subscription is at or about the same time as the redemption of units or Units (or other interests) in that other collective investment scheme and thereby represents a 'Switch' to the Trusts.

**Redemption charge:**

The Manager may make a charge on the redemption of Units. At present no redemption charge is levied by the Manager on the redemption of Units. Units issued while this Prospectus is in force will not be subject to any redemption charge in the future.

A redemption charge can only be introduced by the Manager in accordance with the requirements of the FSA Rules.

**Switching fee:**

On the switching of Units of one Trust for Units of another Trust the Trust Deed authorises the Trusts to impose a switching fee. The switching fee is payable to the Manager. There is currently

no fee charged on a Switch from one Class in a Trust to another Class in the same Trust. The introduction by the Manager of a fee on a Switch from one Class in a Trust to another Class in the same Trust would need to comply with the requirements of the FSA Rules. Unless otherwise notified in writing by the Manager to the Unitholders not less than 60 days in advance, the switching fee will be an amount equal to the then prevailing initial charge for the Class into which the Units are being switched (as that initial charge is set out in the table above).

### **Dilution:**

In order to protect investors from the possible dilution effects of large individual and/or aggregate deals into or out of the funds on a daily basis, the prices of the underlying funds in which the manager invests may be adjusted. Alternatively, where this adjustment is not made at the underlying fund level the price of the Trust may be adjusted to recoup this where appropriate.

Where the Trust invest into underlying funds that do not have a 12 noon GMT valuation point, the last available price will be used (but may be adjusted to reflect subsequent market movements) when pricing the Trust.

### **Stamp Duty Reserve Tax:**

SDRT is charged on the surrender of Units to the Trust and on certain transfers of Units. The SDRT due is calculated at the rate of 0.5 per cent. of the market value of the Units surrendered. This charge is subject to reduction in accordance with reliefs available from time to time.

The Manager intends that any SDRT chargeable on surrenders of Units in a Trust will in general be paid out of the Trust and an SDRT provision will not normally be levied directly on the redeeming Unitholder whatever the size of the deal. It is not anticipated that the Manager will impose a provision for SDRT on redeeming Unitholders in the future.

For more details on this please see the section headed 'Stamp Duty Reserve tax' on page 24 of this prospectus.

### **Restrictions and compulsory transfer and redemption**

The Manager may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that Units are not directly or indirectly acquired or held by any person in breach of any law or governmental rule or regulation (or any interpretation of a law or governmental rule or regulation by a competent authority or entity with equivalent status) of any country or territory, or which would (or would if other Units were acquired or held in like circumstances) result in the Trusts incurring any liability to taxation which the Trusts are not able to recoup themselves or suffering any other adverse consequence, including a requirement to register under any

securities or investment or similar laws or governmental regulation of any country or territory

If Units ('affected Units') are directly or indirectly owned, acquired or controlled in any of the circumstances described above, or if the Manager believes this to be the case, the Manager may give notice to the holder(s) of the affected Units requiring (i) the transfer of such Units to a person who is qualified or entitled to own them without causing any of the adverse consequences outlined above or (ii) that a request in writing be given for the redemption or cancellation of such Units in accordance with the FSA Rules. If the recipient of such a notice does not within 30 days after the date of receipt of such notice so transfer his affected Units to a person qualified to own them without causing any of the adverse consequences outlined above, or establish to the satisfaction of the Manager (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Units without causing any of the adverse consequences outlined above, the Manager will compulsorily redeem the affected Units having relied on the failure to respond to the notice as a request in writing to redeem or cancel all of the affected Units pursuant to the FSA Rules and from that date, such person will no longer be the beneficial owner of the Units.

A person who becomes aware that he has directly or indirectly acquired or holds affected Units in a manner that may cause one of the adverse consequences outlined above, shall forthwith, unless he has received a notice from the Manager as aforesaid, either forthwith transfer all his affected Units to a person qualified to own them without causing any of the adverse consequences outlined above or give a request in writing for the redemption or cancellation of all his affected Units pursuant to the FSA Rules.

For the avoidance of doubt, and by way of example only, the rights afforded to the Manager as set out above apply in the event that a person that holds Units (beneficially or otherwise) is, or is reasonably believed by the Manager to be, a 'US Person' (as that term is defined in rule 902 of Regulation S under the US Securities Act of 1933, as amended) at any time during the life of the investment. Accordingly, the Manager reserves the right to give notice to such Unitholders to request a transfer of the Units, or the redemption or cancellation of the Units. The Manager further reserves the right to compulsorily redeem such Units 30 days after giving notice to the Unitholder that he is required to transfer or redeem or cancel the Units.

### **In specie redemptions**

Where a Unitholder requests a redemption or cancellation of units the Manager may provide that the Unitholder will receive in place of payment for the units in cash, Scheme Property. Such Scheme Property will have been chosen by the Manager by a notice of election on the Unitholder. Alternatively if

requested by the Unitholder, the Unitholder may receive the net proceeds of sale of the selected Scheme Property.

Before the proceeds of the cancellation of Units become payable, the Manager must give written notice to the Unitholder that the Scheme Property or the proceeds of sale of the Scheme Property will be transferred to that Unitholder.

The Manager will select the Scheme Property to be transferred in consultation with the Trustee. They must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the Unitholder requesting cancellation/redemption than to the continuing Unitholders.

### **Issue of Units in exchange for in specie assets**

The Manager may arrange for the Trusts to issue Units in exchange for assets other than money, but will only do so where the Trustee has taken reasonable care to determine that the Trusts' acquisition of those assets in exchange for the Units concerned is not likely to result in any material prejudice to the interests of the Unitholders or potential Unitholders.

The Manager will ensure that the beneficial interest in the assets is transferred to the Trusts with effect from the issue of the Units.

The Manager will not issue Units in any Trust in exchange for assets the holding of which would be inconsistent with the investment objective of that Trust.

### **Suspension of dealings in the Trusts**

The Manager may, with the prior agreement of the Trustee, and must without delay if the Trustee so requires temporarily suspend the issue, cancellation, sale and redemption of Units in a Trust where due to exceptional circumstances it is in the interests of all the Unitholders in that Trust.

The Manager and the Trustee must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of Unitholders.

The Manager or the Trustee (as appropriate) will immediately inform the FSA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it to the FSA and the regulator in each EEA state where the Trust is offered for sale.

The Manager will notify Unitholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving Unitholders details of how to find further information about the suspension.

Where such suspension takes place, the Manager will publish details on its website or other general means, sufficient details to keep Unitholders appropriately informed about the suspension, including, if known, its possible duration.

During the suspension none of the obligations in COLL 6.2 (Dealing) will apply but the Manager will comply with as much of COLL 6.3 (Valuation and Pricing) during the period of suspension as is practicable in light of the suspension.

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the Manager and the Trustee will formally review the suspension at least every 28 days and will inform the FSA of the review and any change to the information given to Unitholders.

The Manager may agree during the suspension to deal in Units in which case all deals accepted during and outstanding prior to the suspension will be undertaken at a price calculated at the first Valuation Point after the restart of dealings in Units.

## **Money laundering**

Deals in Units and deals otherwise in connection with the Trusts will be covered by United Kingdom statutory and other requirements, including but not limited to the Criminal Justice Act 2003, the Proceeds of Crime Act 2002, the Money Laundering Regulations 2007, the relevant regulations made by the FSA and the Guidance Notes for The Financial Sector, as amended from time to time (the 'UK Money Laundering Requirements'), and investors may be asked to assist the Manager in its efforts to ensure compliance by the Trusts and the Manager with the UK Money Laundering Requirements.

Until satisfactory proof of identity is provided (as stipulated by the UK Money Laundering Requirements) the Manager reserves the right to refuse to sell Units or to delay processing and/or withhold any payments due to investors in respect of their investment and to discontinue any deals it is conducting on behalf of these investors.

## **Privacy statement**

### **Your data controller**

For the purposes of the UK Data Protection Act 1998, the data controller in respect of any personal information provided is Threadneedle Investment Services Limited. In this privacy statement 'we', 'us' and 'our' means Threadneedle Investment Services Limited.

### **Uses made of your personal information**

The personal information that you provide to us will be used for a number of different purposes including: to manage and administer your account; to offer you investment products and

services (except where you have asked us not to do so) and to help us develop new ones; to contact you with details of changes to the products you have bought; for internal analysis and research; to comply with legal or regulatory requirements; and to identify you when you contact us. We may use external third parties to process your personal information on our behalf in accordance with these purposes.

### Sharing of your personal information

Where you have notified us of your adviser, the personal information provided may be shared with such adviser. You must notify us in writing if you no longer wish us to share your personal information with your adviser or of any change to your adviser. Your adviser should have its own arrangements with you about its use of your personal information. The personal information provided may also be shared with other organisations in order for us to comply with any legal or regulatory requirements. In addition, we may share your personal information with the companies within the Threadneedle group, including Threadneedle Portfolio Services Limited, for the purposes set out in this privacy statement.

### Business changes

If we or the Threadneedle group undergoes a group reorganisation or is sold to a third party, the personal information provided to us may be transferred to that reorganised entity or third party and used for the purposes highlighted above.

### Overseas transfers

We may transfer your personal information to countries located outside of the European Economic Area (the EEA), this may happen when our servers, suppliers and/or, service providers are based outside of the EEA. The data protection laws and other laws of these countries may not be as comprehensive as those that apply within the EEA – in these instances we will take steps to ensure that your privacy rights are respected. Details of the countries relevant to you will be provided upon request.

### Access to/correction of your information

With limited exceptions, you have the right to ask for a copy of the information that we hold on you. There may be a charge for this (if a charge is permitted). If any of the information that we hold about you is wrong, please tell us and we will put it right. You can write to us at Threadneedle Investment Services Limited, PO Box 1331, Swindon SN38 7TA.

### Governing law

All deals in Units are governed by English law.

## Valuation of Property

### General

The property of each of the Trusts is currently valued at 12 noon on any Dealing Day (the “Valuation Point”) for the purpose of determining prices at which units in that Trust may be purchased from or redeemed by the Manager in accordance with the FSA Rules then currently in force.

### Calculation of the Value

The Manager may at any time during a business day carry out an additional valuation of the property of a Trust if the Manager considers it desirable to do so. The Manager shall inform the Trustee of any decision to carry out any such additional valuation.

Valuations may be carried out for effecting a scheme of amalgamation or reconstruction which do not create a Valuation Point for the purposes of dealings.

For the purpose of the creation of units, the property of each Trust is normally valued on an offer (buying) basis; for the purpose of the liquidation of units the property of each Trust is valued on a bid (selling) basis. For the purpose of the Manager’s Report and Accounts the property of each Trust is valued on a mid market basis i.e. an arithmetic average of the balanced offer price. For the purpose of calculating the investment limits the property of each Trust is valued on a bid basis.

To the extent permitted by the FSA and subject to appropriate controls, the Manager may use a technique known as ‘fair value pricing’ to adjust underlying security prices of the applicable collective investment scheme by reference to external price indicators and appropriate trigger levels so that the valuation of the Trusts will more accurately reflect market developments on any given dealing day.

### Pricing basis

The Manager deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after the purchase or redemption is deemed to be accepted by the Manager.

### Publication of prices

The cancellation price last notified to the Trustee is available from the Manager upon request. The units in the Trusts are not listed or dealt in on any investment exchange. Please note that from 1 October 2011, the price of Shares may not be published in the Daily Telegraph newspaper. Existing investors will be informed of the change in the method of publication of prices in accordance with the FSA Rules. In addition the prices of the Units will be published electronically on a daily basis on [www.threadneedle.com](http://www.threadneedle.com). Alternatively, Unitholders can

telephone the Manager on 0800 0683000 to obtain the Unit price.

Investors will be informed in accordance with the FSA Rules of changes in the method of publication of prices.

## Risk factors

Potential investors should consider the following risk factors before investing in the Trusts. Please also note the specific risk factors which apply to each Trust, as set out in the 'Investment Objectives and other details of the Trust' section of this Prospectus.

### 1. General

The investments of the Trusts are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount invested in the Trusts. Past performance is not indicative of future performance. There is no assurance that the investment objective of any Trust will actually be achieved.

### 2. Effect of initial charge

Where an initial charge is imposed, an investor who realises his Units after a short period may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested. Therefore, the Units should be viewed as a mid to long-term investment.

### 3. Suspension of dealings in Units

Investors are reminded that in certain circumstances their right to request the Trusts to redeem Units may be suspended (see 'Suspension of dealings in the Trusts' in the section 'Buying, selling and switching Units').

### 4. Valuation point

Although the value of the Trust is calculated at 12 noon UK time on each Dealing Day, details on the daily creation or liquidation of Trust Units is not available to the Manager until later in the day.

The Manager has introduced controls to mitigate the impact of this delay on the Trusts, however there is a risk that during periods of high market volatility a Trust may be affected if the market prices of the assets dealt in the Trust are significantly different from the prices used to price the Trust. Price movements between the time of pricing and dealing may adversely or positively impact the effective value of shares in the Trust at the time of investment. In normal market conditions, it is expected that such price differentials would be minimal.

### 5. Currency exchange rates

When investing in the Trusts, currency fluctuations may adversely affect the value of an investment and the level of income.

### 6. Liabilities of the Trusts

Although each Trust (or Unit class) so far as possible will be treated as bearing the liabilities, expenses, costs and charges attributable to it, if its assets are not sufficient the Manager may re-allocate assets, liabilities, expenses, costs and charges between the Trusts in a manner which is fair to the Unitholders of the Trusts generally. The Manager would normally expect any such re-allocation to be effected on a pro rata basis having regard to the value of the relevant Trusts. If there is any such re-allocation the Manager will advise Unitholders of it in the next succeeding annual or half-yearly report to Unitholders.

Unitholders are not, however, liable for the debts of the Trusts. A Unitholder is not liable to make any further payment to the Trusts after he has paid the purchase price of the Units.

### 7. Regulatory

The Trusts are resident in the United Kingdom and non-United Kingdom investors should note that the regulatory protections provided by the regulatory authorities in their country of domicile may not apply. Investors should consult their financial advisors for further information in this area.

### 8. Investment objectives

Investors should be aware of the investment policies of the Trusts as these may state that the Trusts may invest on a limited basis into markets not naturally associated with the name of the Trust. These other markets may act with more or less volatility than the core investment area and performance will be in part dependent on these investments. Investors should ensure (prior to any investment being made) that they are satisfied with the risk profile of the overall objectives disclosed.

### 9. Warrants

When a Trust invests in warrants, the price per Unit of the Trust may fluctuate more than if the Trust was investing in the underlying security(ies) because of the greater volatility of the warrant price.

### 10. Cash Concentration

Some Trusts may at any one time hold a substantial proportion of its assets in cash, near cash or money market instruments, and in exceptional circumstances, up to 100% of the Scheme Property of the Trust may be invested in this way. It might not, under such circumstances, participate fully in a rise in market values of the asset classes the Trust would otherwise invest in. Investors should refer to paragraph 26 of Appendix I.

## 11. Risk to capital growth

All or part of the Manager's fee, as well as all or part of other fees and expenses of the Trust, may be charged against capital instead of against income. The Trust will charge such fees and expenses to capital in order to manage the level of income paid and/or available to Unitholders. This may result in capital erosion or may constrain capital growth.

## 12. Taxation

Unitholders should be aware that gains made by the Trusts on the disposal of investments in overseas collective investment schemes which are not approved by HMRC as distributing/reporting funds may be treated as offshore income gains and as such included in the taxable income of the Trusts. A Trust will be subject to UK tax, currently at the rate of 20%, on its taxable income in excess of relievables expenses,

Tax law and practice in certain countries into which some of the funds in which the Trust invest are invested (in particular in the emerging markets) is not clearly established. It is possible therefore that the current interpretation of the law or understanding of practice might change, or that the law might be changed with retrospective effect. It is therefore possible that the Trusts could become subject to additional taxation in such countries that is not anticipated either at the date of the Prospectus or when investments are made, valued or disposed of.

## 13. Investments in collective investment schemes

The Trusts will invest all or part of their assets in collective investment schemes, subject to the FSA Rules and the Trust Deed, and as otherwise provided herein. Investors are therefore exposed to the risk of investing in the underlying assets of those collective investment schemes and should consider that exposure in the context of all of their investments.

## 14. Investments in derivatives and forward transactions

**The FSA Rules for "UCITS Schemes" permit the use of derivatives and forward transactions for EPM and also for investment purposes including short selling and leverage.** Investors should consider potential exposure to derivatives in the context of all their investments. The Trusts do not invest in derivatives for investment purposes but do invest in other collective investment schemes which invest in derivatives for investment purposes. Investors should therefore be aware of the risk of investing in derivatives set out below.

Each Trust is permitted by the FSA Rules to use derivatives for the purposes of EPM.

**The use of derivatives and forward transactions for the purposes of EPM will not increase the risk profile of the Trusts.** It does however allow the Trusts to manage various

risks including the following: default risk, market risk, interest rate or duration risk, currency risk and curve risk. A brief description of the Manager's interpretation of each of these risks is set out below.

Default risk is the risk that the issuer fails to pay.

Market risk is the risk that general market conditions impact the price of the bond owned by the Trust.

Interest rate or duration risk is the risk that the price of a bond is sensitive to a change in its yield.

Currency risk is the risk that can arise when bonds are denominated in a currency that is not the Trust Currency.

Curve risk recognises that the shape of both the credit yield curve and maturity yield curve can change significantly over time.

The Trust may take collateral from counterparties with whom they have an OTC derivative position and use that collateral to net off against the exposure they have to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread limits.

The Investment Adviser maintains a 'Risk Management Process' in respect of the measurement and monitoring of risks attached to financial derivative instrument positions entered into by the Trusts. This policy document has been sent to the Trustee and to the FSA and is available upon request. The use of the Risk Management Process does not guarantee that the derivative strategies will work in every instance.

## 15. Emerging Markets

Some of the funds in which the Trusts invest may invest in Emerging Markets. These investments may carry risks associated with failed or delayed settlement of market transactions and with the registration and custody of securities.

Investment in emerging markets may involve a higher than average risk. In addition, an investment in emerging market currencies and debt may involve higher risk than an investment in debt and currencies issued in more developed markets.

Companies in emerging markets may not be subject to:

- (a) accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in major markets;
- (b) the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets.

Accordingly, certain emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions:

- (a) Restrictions on foreign investment in emerging markets may preclude investment in certain securities by certain Trusts and, as a result, limit investment opportunities for the Trusts. Substantial government involvement in, and influence on, the economy may affect the value of securities in certain emerging markets.
- (b) The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investments.
- (c) Lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging markets may mean that from time to time the Manager may experience more difficulty in purchasing or selling holdings of securities than it would in a more developed market. The proceeds for illiquid securities that form part of the redemption will in these circumstances be paid in cash once the proceeds become available. Please see section "In Specie redemption".
- (d) Economic and/or political instability could lead to legal, fiscal and regulatory changes or the reversal of legal/fiscal regulation/market reforms. Assets could be compulsorily acquired without adequate compensation.
- (e) Fund registration services, whilst appropriately licensed in Russia, may not be subject to such tight controls as those in more developed countries. This may mean that the Investment Adviser may not secure good title to the Russian securities held.
- (f) Higher volatility than in the more developed markets of the world. The paucity of accurate and meaningful information, and inefficiencies in distribution, can leave emerging markets prone to sudden and unpredictable changes in sentiment. The resultant investment flows can trigger significant volatility in these relatively small and illiquid markets. At the same time, this lack of liquidity together with low dealing volumes can restrict the Investment Advisers ability to execute deals.
- (g) Some emerging markets countries may restrict investment into securities and/or currency and therefore the Manager may seek exposure to emerging markets through securities and derivatives that invest in underlying emerging markets currencies and securities. These securities and derivatives may be less liquid than a direct investment in the underlying security or currency.

## 16. High Yield Bond

Where a Trust invests in a fund whose investment policy is to invest in higher risk fixed interest securities, many of the investments will be in 'below investment grade' securities (generally defined as below BBB – by leading rating agencies). Investment in such securities brings an increased risk of default on repayment and therefore increases the risk that the income and capital of the Trust will be affected.

As a general rule, fixed interest securities with an above average yield tend to be less liquid than securities issued by issuers with a higher investment grade. Furthermore, the solvency of issuers of such fixed interest securities may not be guaranteed in respect of either the principal claim or regarding the interest payments and it may not be excluded that such issuers may become insolvent. Investors should be fully aware of such risks.

## 17. No Guarantee of Capital

Investors should note that the Trusts do not offer any form of guarantee with respect to investment performance and no form of capital protection will apply.

## 18. Fixed Income Funds

The interest rate on corporate bonds and most government bonds will not increase in line with inflation. Thus, over time, the real value of investor's income could fall.

## 19. Credit Risk

The value of a Trust may be adversely affected if any of the institutions with which the cash is invested or deposited suffers insolvency or other financial difficulties

# Management and administration

## The Manager

The Trusts are managed by Threadneedle Investment Services Limited (the "Manager") whose registered office and head office is:

60 St Mary Axe  
London  
EC3A 8JQ

The Manager is a limited company, incorporated in England and Wales on 26 January 1999, with an issued and paid up share capital of £17.02 million.

The directors of the Manager are: Mr Crispin Henderson, Mr Tim Gillbanks, Mr Nick Ring, Mr Campbell Fleming and Mr Philip Reed. The directors act as directors of companies other than the Manager (including companies that are within the same group of companies as the Manager) but do not engage in business activities that are not connected with the Company

that would be 'significant' to the Company's business in terms of the FSA Rules.

The Manager is authorised and regulated by the FSA.

The Manager is the authorised corporate director of Threadneedle Investment Funds ICVC, Threadneedle Specialist Investment Funds ICVC, Threadneedle Focus Investment Funds ICVC and Threadneedle Portfolio Advantage Fund ICVC. A separate prospectus is available for each of these companies. The Manager is the manager of the Threadneedle UK Property Trust.

The Manager is responsible for managing and administering the Trust's affairs in compliance with the FSA Rules. The Manager may delegate its management and administration functions, but not responsibility, to third parties, including associates subject to the rules in the FSA Rules.

Third party administrative functions, such as customer applications and record keeping, dealing with subscriptions, switching, withdrawals and terminations, and all communication centred activity in relation to the Trust, have been delegated by the Manager to Bank of New York Mellon Asset Servicing Limited (formerly the Bank of New York Europe Limited), ('BNYM').

Further certain administrative and ancillary services in relation to the Trust have been delegated by the Manager to JPMorgan Chase Bank N.A. ("JPM").

The Manager also acts as Registrar. It delegates this function to BNYM.

The Manager will satisfy itself on an ongoing basis that BNYM and JPM are competent to carry out these functions and associated responsibilities.

## The Trustee

J.P. Morgan Trustee and Depository Company Limited is the Trustee of the Trusts.

The Trustee is authorised and regulated by the FSA.

The Trustee is a private company limited by shares, whose principal business activity is acting as trustee and depository of regulated collective investment schemes and was incorporated in England and Wales on 7 May 1986.

The Trustee is responsible for the safekeeping of all the Scheme Property of the Trusts and has a duty to take reasonable care to ensure that the Trusts is managed in accordance with the provisions of the FSA Rules relating to the pricing of, and dealing in, Units and relating to the income of

the Trusts. It is a private company incorporated in England and Wales under the Companies Acts 1985 on 7 May 1986.

The Trustee was appointed on 30 July 1997 in relation to Threadneedle Global Equity Fund, Threadneedle Global Equity and Bond Fund, Threadneedle Equity and Bond Fund and Threadneedle Managed Income Fund. It was appointed on 10 September 2002 in relation to Threadneedle Defensive Equity and Bond Fund and Threadneedle Defensive Fund.

## Registered office:

125 London Wall, London EC2Y 5AJ

## Head office:

Chaseside, Bournemouth BH7 7DA

## Ultimate holding company:

JPMorgan Chase & Co. incorporated in Delaware, USA

## Principal business activity:

Trustee and Depository of regulated collective investment schemes.

## Terms of appointment:

Subject to the FSA Rules the Trustee has full power under the Trust Deed to delegate (and authorise its delegate to sub-delegate) any part of its duties as Trustee. It has delegated custody services to JPMorgan Chase Bank N.A.

The fees to which the Trustee is entitled are set out in the section 'Trustee's Charges'.

## The Investment Adviser

The Manager has appointed Threadneedle Asset Management Limited to provide investment management services to the Manager.

The Investment Adviser is a subsidiary of Threadneedle Asset Management Holdings Limited and is in the same group of companies as the Manager, and so it is an associate of the Manager.

The Investment Adviser is authorised and regulated by the FSA.

The principal activity of the Investment Adviser is the provision of discretionary and non-discretionary investment management services both to the Trusts and to other Collective Investment Schemes and individual clients. Under an agreement dated 26 August 1997 as amended from time to time between the Manager and the Investment Adviser, the Manager appointed the Investment Adviser to advise the Manager in relation to the investment of the property of the Trusts and to execute transactions on behalf of the Manager in connection therewith.

The Manager is entitled to give further instructions to the Investment Adviser.

The Investment Management Agreement may be terminated on 12 months notice by the Investment Adviser or the Manager. It may also be terminated by the Manager with immediate effect if this is in the best interest of the unitholders.

Subject to the overall policies, directions and control of the Manager, all relevant laws and regulations, these Scheme Particulars, the Trust Deed and all proper directions of the Trustee, the Investment Adviser has the complete discretion to take all day to day investment decisions and to deal in investments in relation to the investment management of the Trusts, without prior reference to the Manager.

Under the Investment Management Agreement the Manager may provide indemnities, guarantees and undertakings to the Investment Adviser in the ordinary course of investment business.

### Auditors

The auditors of the Trusts are PricewaterhouseCoopers LLP, Hay's Galleria, 1 Hay's Lane, London SE1 2RD.

### Legal advisers

The Trusts are advised by Eversheds LLP.

### Register of Unitholders

The Manager acts as registrar to the Trusts and has delegated to BNYM the responsibility of maintaining the register of Unitholders at its offices at Station Road, Swindon SN38 7TA. The register may be inspected at that address during normal business hours by any Unitholder or any Unitholder's duly authorised agent.

### Conflicts of interest

The Manager, the Investment Adviser and other companies within the group of companies to which they belong may, from time to time, act as the investment manager or adviser to other Collective Investment Schemes which follow similar investment objectives to the Trusts. It is therefore possible that the Manager and/or the Investment Adviser may in the course of their business have potential conflicts of interest with the Trusts or a particular Trust of the Trusts.

Each of the Manager and the Investment Adviser will, however, have regard in such event to its obligations under the Investment Management Agreement respectively and, in particular, to its obligation to act in the best interests of the Trusts so far as practicable, having regard to its obligations to other clients when undertaking any investment where potential conflicts of interest may arise.

The Manager and the Investment Adviser are members of the Ameriprise Financial, Inc group of companies, any member of which may have material interests which could affect interests of the Trusts. For example, the Trusts may invest in securities of associated companies of the Ameriprise Financial, Inc group or use their services, subject to the FSA Rules on conflict of interest. Where applicable, these rules require best execution on exchange, independent valuations or arm's length transactions as appropriate. The Manager and Investment Adviser will not necessarily be aware of such interests but will in any event disregard any such interests or conflicts of interest or duty so that any disadvantage to Unitholders is avoided.

- (a) The FSA Rules contain provisions on conflict of interest governing any transaction concerning the Trusts which is carried out by or with any 'affected person', an expression which covers the Trusts, an associate of the Trusts, the Manager, an associate of the Manager, the Trustee, an associate of the Trustee, any investment manager and any associate of any investment manager.
- (b) These provisions, among other things, enable an affected person to sell or deal in the sale of property to the Trusts or Trustee for the account of the Trusts; vest property in the Trusts or the Trustee against the issue of Units in the Trusts; purchase property from the Trusts (or the Trustee acting for the account of the Trusts); enter into a stocklending transaction in relation to the Trusts; or provide services for the Trusts. Any such transactions with or for the Trusts are subject to best execution on exchange, or independent valuation or arm's length requirements as set out in the FSA Rules. An affected person carrying out such transaction is not liable to account to the Trustee, the Manager, any other affected person, or to the holders of Units or any of them for any benefits or profits thereby made or derived.
- (c) Investment of the property of the Trusts may be made on arm's length terms through a member of an investment exchange (acting as principal) who is an affected person in relation to the Manager. Neither the Manager nor any such affected person will be liable to account for any profit out of such dealings.

## Fees and Expenses

All costs, charges, fees or expenses, other than the charges made in connection with the subscription and redemption of Units payable by a Unitholder or out of Trust Property are set out in this section.

### Charges payable to the Manager

As remuneration for carrying out its duties and responsibilities for Class A and Class B Units the Manager is entitled to an annual fee out of each Trust. All Units bear the Registrar Fee

(see below) and their pro rata share of Trustee fees as well as other charges and expenses. The fees of all Unit classes are calculated on a mid-market basis with reference to the value of the assets of the Trust. All or part of the annual management charge may be charged against capital instead of income. The treatment of the annual management charge may increase the amount of income (which may be taxable) available for distribution to Unitholders but may result in capital erosion or constrain capital growth. Please see Specific Risk Factors in the 'Investment objectives, Policies and other details of the Trust' section of the Prospectus.

For Class A and B Units, the annual management charge accrues daily and is payable monthly.

The current annual management charge for the Class A Units is 0.25% of the value of the Trust and currently there is no annual management charge for the Class B Units of the Trusts. The Manager will give written notice to the Unitholders not less than 60 days before any increase to the annual management charges set out below and the Manager will make available a Prospectus to reflect the increased charges.

Subject to current HM Revenue and Customs regulations, Value Added Tax at the prevailing rate may be payable in addition to the Trustee's remuneration, the Custodian's remuneration and the above expenses.

## Redemption Charge

Under the terms of the Trust Deed of each of the Trusts, the Manager is entitled to make a charge on the redemption of units. At present, the Trusts do not make such a charge.

The Manager cannot levy this charge in respect of any of the Trusts unless written notice of the introduction of the charge and the date of its commencement has been given to the Trustee and to Unitholders and the Prospectus has been amended to reflect the change and the revised Prospectus has been made available in accordance with the FSA Rules.

## Trustee's Charges

The Trustee's remuneration, which is payable out of the assets of each Trust, is a periodic charge at such annual percentage of the value of the property of each Trust as is set out below, with the property of each Trust being valued and such remuneration accruing and being paid on the same basis as the Manager's periodic charge. Currently, the Manager and the Trustee have agreed that the Trustee's remuneration in respect of each Trust shall be calculated on a sliding scale as follows:

Band range	Fee
On the first GBP 50 million	0.02%
On the next GBP 150 million	0.0035%
On the balance over GBP 200 million	0.001%

The Trustee is also entitled to receive out of the property of each Trust remuneration for performing or arranging for the performance of such functions as the Manager and the Trustee may from time to time agree, being functions conferred on the Trustee by the Trust Deed or COLL. The Trustee's remuneration under this paragraph shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears on the next following date on which payment of the Trustee's periodic charge is to be made or as soon as practicable thereafter. Currently the Trustee does not receive any remuneration or service charges under this paragraph.

## Trustee's Expenses

In addition to the remuneration referred to above, the Trustee will be entitled to receive reimbursement for expenses properly incurred by it in the discharge of its duties or exercising any of the powers conferred upon it in relation to each Trust, subject to approval by the Manager.

The Trustee has appointed JPMorgan Chase Bank as the Custodian of the property of each Trust and is entitled to receive reimbursement of the Custodian's fees as an expense of each Trust. JPMorgan Chase Bank's remuneration for acting as Custodian is calculated at an ad valorem rate determined by the territory or country in which the assets of the Trust are held. Currently, the lowest rate is 0.0007% and the highest rate is 0.6%. In addition, the Custodian makes a transaction charge determined by the territory or country in which the transaction is effected. Currently, these transaction charges range from £3.75 to £110 per transaction.

The Trustee is also entitled to be reimbursed out of the property of each Trust in respect of remuneration charged by the Custodian for such services as the Manager, Trustee and the Custodian may from time to time agree, being services delegated to the Custodian by the Trustee in performing or arranging for the performance of the functions conferred on the Trustee by the Trust Deed or COLL. Remuneration charged under this paragraph shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears. Currently, the Custodian does not receive any remuneration under this paragraph.

## Registrar's Charges

In respect of Class A units the Registrar receives an annual fee of £7.50 for each unitholder investing in each of the Trusts. In respect of Class B units the Registrar receives an annual fee of 0.02% per annum in respect of each unitholder investing in each of the relevant Trusts. This administration fee covers the Registrar's fee for the provision of its services and also the cost of publishing prices and the publication and distribution of reports and accounts. This fee is payable out of the property of the Trusts. The Registrar may waive part or all of its charge at its discretion.

## Further Expenses

The Manager may, so far as the FSA Rules allow, also pay out of the Trust Property all relevant costs, charges, fees and expenses including the following:

- (a) Broker's commission, fiscal charges and other disbursements which are:
  - (i) necessary to be incurred in effecting transactions for a Trust; and
  - (ii) normally shown in contract notes, confirmation notes and difference accounts as appropriate; and
- (b) Interest on borrowings permitted under COLL and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings; and
- (c) Taxation and duties payable in respect of the property of a Trust, a Trust Deed or the issue of units and any stamp duty reserve tax charged in accordance with Schedule 19 of the Finance Act 1999; and
- (d) Any costs incurred in modifying a Trust Deed including costs incurred in respect of meetings of holders convened for purposes which include the purpose of modifying a Trust Deed where the modification is:
  - (i) necessary to implement or necessary as a direct consequence of any change in the law (including changes in the FSA Rules); or
  - (ii) expedient having regard to any change in the law made by or under any fiscal enactment and which the Manager and the Trustee agree is in the interest of holders; or
  - (iii) to remove from the Deed obsolete provisions; and
- (e) Any costs incurred in respect of meetings of holders convened by the Trustee or on a requisition by holders not including the Manager or an associate of the Manager; and
- (f) Liabilities on unitisation, amalgamation or reconstruction arising in certain circumstances as set out in Rule 6.7.15 of COLL; and
- (g) The audit fee properly payable to the auditor and Value Added Tax thereon plus any proper expenses of the auditor; and
- (h) The periodic fees of the FSA under the Financial Services and Markets Act 2000 or the corresponding

periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which units in the Trusts are or may be marketed; and

- (i) The periodic fees of the FSA under the Financial Services and Markets Act 2000 or the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which units in the Trusts are or may be marketed; and
- (j) Costs of establishing and maintaining the register and/or plan sub-register; and
- (k) Subject to current HM Customs & Excise regulations, Value Added Tax at the prevailing rate may be payable in connection with the Trustee's remuneration, the Custodian's remuneration and any of the expenses in (a) to (j) above.

The Manager reserves the right to levy a charge to the Unitholders or their agents for the provision of duplicate copies of previously issued documentation.

Any increase in annual management charge, initial charge or Trustee's fee may be made if it is deemed by the Manager to be a significant rather than fundamental change as set out in COLL, only after giving written notice to Unitholders for the period prescribed in COLL (in the case of an increase in annual management charge or Trustee's fee), or to any investors who regularly invest (in the case of initial charge) and revising the Prospectus to reflect the proposed increase. If the proposed increase is deemed fundamental, the approval of Unitholders is required.

## Trust Deed

The Trust Deeds of the Trusts (which are available for inspection at the Manager's offices at Signal Point, Station Road, Swindon SN38 7TA and 60 St. Mary Axe, London EC3A 8JQ) contains, inter alia, provisions to the following effect:

### 1. Unit capital

- (a) The Trustee may from time to time at the request of the manager issue Units of different Classes in respect of a Trust, and the Manager may by resolution from time to time create additional Classes in respect of a Trust (whether or not falling within one of the Classes in existence on incorporation).
- (b) The special rights attaching to a Class are not (unless otherwise expressly provided by the conditions of issue of such Units) deemed to be varied by:

- (i) the creation, allotment or issue of further Units of any Class ranking *pari passu* with them;
- (ii) the switch of Units of any Class into Units of another Class;
- (iii) the creation, allotment, issue or redemption of Units of another Class within the same Trust, provided that the interests of that other Class in the Trust represent fairly the financial contributions and benefits of Unitholders of that Class;
- (iv) any agreement by the Manager or the Investment Adviser for the time being of any Trust to suffer a reduction in its fees, in respect of that Trust, for any period.

## 2. Income

The following provisions apply in respect of Units in issue in respect of the Trusts available:

- (a) An allocation of income (whether annual or interim) to be made in respect of each Unit issued by the Trusts or sold by the Manager during the accounting period in respect of which that income allocation is made shall in the case of net paying units be of the same amount as the allocation to be made in respect of the other Units of the same Class issued in respect of the same Trust but shall where appropriate include a capital sum ('income equalisation') representing the Manager's best estimate of the amount of income included in the price of that Unit, being either the actual amount of income included in the issue price of that Unit or an amount arrived at by taking the aggregate of the amounts of income included in the price in respect of Units of that Class issued or sold to Unitholders in the annual or interim accounting period in question and dividing that aggregate amount by the number of such Units and applying the resultant average to each of the Units in question.
- (b) Each allocation of income made in respect of any Trust at a time when more than one Class is in issue in respect of that Trust shall be done by reference to the relevant holders' proportionate interests in the Scheme Property of the Trust in question. These will be ascertained for each Class as follows:
  - (i) A notional account will be maintained for each Class. Each account will be referred to as a 'Proportion Account'.
  - (ii) The word 'proportion' in this context means the proportion, which the balance on a Proportion Account at the relevant time bears to the balance on all the Proportion Accounts of a Trust at that time. The proportionate interest of a Class of Unit in the assets and income of a Trust is its "proportion".
- (iii) There will be credited to a Proportion Account:
  - the subscription money (excluding any initial charges) for the issue of Units of the relevant Class;
  - that Class's proportion of the amount by which the value of the assets of the Trust exceeds the total subscription money for all Units in the Trust;
  - that Class's proportion of the Trust's income received and receivable; and
  - any notional tax benefit under paragraph (v) below.
- (iv) There will be debited to a Proportion Account:
  - the redemption payment for the cancellation of Units of the relevant Class;
  - the Class's proportion of the amount by which the value of the assets of the Trust falls short of the total subscription money for all Units in the Trust;
  - all distributions of income (including equalisation) made to Unitholders of that Class;
  - all costs, charges and expenses incurred solely in respect of that Class;
  - that Class's Unit of the costs, charges and expenses incurred in respect of that Class and one or more other Classes in the Trust, but not in respect of the Trust as a whole;
  - that Class's proportion of the costs, charges and expenses incurred in respect of or attributable to the Trust as a whole; and
  - any notional tax liability under paragraph (v) below.
- (v) Tax liabilities and tax benefits are assessed by HMRC on each Trust as a whole. Any Trust tax liability or benefit will be allocated between Classes in order to achieve so far as is possible the same result so as not to materially prejudice any Class.

The allocation will be carried out by the Manager in consultation with the auditors.

- (vi) Where a Class is denominated in a currency which is not the Base Currency, the balance on the Proportion Account shall be converted into the Base Currency in order to ascertain the proportions of all Classes. Conversions between currencies shall be at a rate of exchange decided by the Manager as being a rate that is not likely to result in any material prejudice to the interests of Unitholders or potential Unitholders.
- (vii) The Proportion Accounts are memorandum accounts maintained for the purpose of calculating proportions. They do not represent debts from the Trusts to Unitholders or the other way round.
- (viii) Each credit and debit to a Proportion Account shall be allocated to that account on the basis of that Class's proportion immediately before the allocation. All such adjustments shall be made as are necessary, to ensure that on no occasion on which the proportions are ascertained is any amount counted more than once.
- (ix) When Units are issued thereafter each such Unit shall represent the same proportionate interest in the Scheme Property of the relevant Trust as each other Unit of the same category and Class then in issue in respect of that Trust.
- (x) The Trusts shall allocate the amount available for income allocation (calculated in accordance with the FSA Rules) between the Units in issue relating to the relevant Trust according to the respective proportionate interests in the Scheme Property of the Trust represented by the Units in issue at the valuation point in question.

### 3. Corporations acting by representatives

Any corporation which is a Unitholder may by resolution of its directors or other governing body and in respect of any Unit or Units of which it is the holder authorise such individual as it thinks fit to act as its representative at any general meeting of the Unitholders or of any Class meeting or Trust meeting. The individual so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise in respect of such Unit or Units if it were an individual Unitholder.

## Unitholder meetings and voting rights

### Requisition of Meetings

The Trustee or Manager may, at any time, convene a meeting of Unitholders in a Trust or in a particular class of units in a Trust.

Unitholders may also requisition a general meeting of the Trust. Such requisition must state the objects of the meeting, be dated, be signed by Unitholders who, at the date of the requisition, are registered as holding not less than one tenth in value of all Units then in issue, and the requisition must be deposited at the office of the Trustee.

The Manager must convene a general meeting no later than eight weeks after receipt of such requisition.

### Voting Rights

A meeting of the Unitholders, in a Trust or in a particular class of units in a Trust, duly convened and held may require, authorise or approve any act, matter or document in respect of which any such resolution is required or expressly contemplated by COLL. Except where an extraordinary resolution is specifically required or permitted, any resolution of Unitholders is passed by simple majority. In the case of an equality of, or an absence of, votes cast, the chairman is entitled to the casting vote.

At a meeting of Unitholders a resolution put to the vote shall be decided on a show of hands unless a poll is demanded by the Chairman, by the Trustee or by at least two Unitholders. On a show of hands, every Unitholder who is present in person has one vote. On a poll the voting rights for each unit is the proportion of the voting rights attached to all of the units in issue that the value of the unit bears to the aggregate value of all the units in issue. On a poll votes may be given either personally or by proxy. In the case of joint Unitholders, the senior holder shall have the vote to the exclusion of the other holders. Seniority is determined by the order in which the names appear on the Register.

In the context of despatch of notice and voting, "Unitholders" means the persons who were entered on the Register of Unitholders seven days before the notice of meeting was sent out but excluding persons who are known to the Manager not to be Unitholders at the time of the meeting.

The Manager and any Associate, may hold units in a Trust. They are entitled to receive notice of and attend any meeting. The Manager may not be counted in the quorum although an Associate may. Both the Manager and the Associate may only vote in respect of units they hold on behalf of a person who, if himself the registered holder would be entitled to vote, and from whom they have received voting instructions.

## Variation of Class rights

The rights attached to a Class or Trust may not be varied without the sanction of a resolution passed at a meeting of Unitholders of that Class or Trust by a 75% majority of those votes validly cast for and against such resolution.

## Taxation

### General

The information given under this heading does not constitute legal or tax advice and prospective investors should consult their own professional advisors as to the implications of subscribing for, purchasing, holding, switching or disposing of Units under the laws of the jurisdiction in which they may be subject to tax. The following is based on law and practice as at the date of this Prospectus and may be subject to change.

### The Trusts

The Trusts are Authorised Unit Trust to which the Authorised Investment Funds (Tax) Regulations 2006 currently apply. Each Trust will be treated as a separate entity for UK tax purposes.

The Trusts are exempt from UK tax on capital gains realised on the disposal of investments including interest paying securities and derivatives held within them. The Trusts may be subject to UK tax on gains realised on the disposal of investments in overseas collective investment schemes which do not have distributing/reporting fund status. Gains arising on the disposal of such investments are deemed to be Offshore Income Gains.

From 1 July 2009 dividends received from UK and overseas companies are taxable when received by a Trust unless each dividend falls into one of five exemptions. The most relevant exemption will be that which exempts distributions in respect of portfolio holdings (holding of 10% or less). It is anticipated that the majority of dividends will be exempt in the hands of the Trusts. However, where the availability of treaty relief on withholding tax on overseas dividends from certain countries is unavailable because of a "subject to tax" clause in the relevant double tax treaty, a Trust may elect for dividends from these countries to be treated as taxable income. These dividends and all other income received by a Trust (e.g. interest income and Offshore Income Gains) will be subject to tax, currently at 20% after relief for expenses. To the extent that a Trust receives income from, or realises a gain on investments issued in, certain countries, and elects for these overseas dividends to be treated as taxable income, the foreign withholding or other foreign taxes suffered on the overseas dividends could be used to offset against the corporation tax liability of that Trust, if any.

In respect of any Trust which invests more than 60% of the market value of all investments held by that Trust in, broadly, interest bearing assets, such as debt securities, money placed at interest (other than cash awaiting investment), building

society shares or holdings in unit trusts, ICVCs or offshore funds with similar holdings (for example, certain of the 'bond Funds'), such Trust may distribute or accumulate income as yearly interest. The amount of such income whether distributed or accumulated will be deducted from the income of the Trust in computing its liability to corporation tax.

The Threadneedle Global Equity Fund, the Threadneedle Global Equity & Bond Fund, the Threadneedle Equity & Bond Fund, the Threadneedle Defensive Equity & Bond Fund, the Threadneedle Defensive Fund and the Threadneedle Managed Income Fund will be managed so as to be eligible as ISA investments.

### Stamp duty reserve tax ('SDRT') General

In accordance with the Stamp Duty and Stamp Duty Reserve Tax (Open-Ended Investment Companies) Regulations 2001 as may be amended from time to time (the 'SDRT Regulations') SDRT is chargeable on the surrender (i.e. the redemption or switching of Units) and on certain transfers of Units in the Trusts. The current rate of SDRT is 0.5%.

SDRT is chargeable on the value of surrenders and transfers of each Trust in each weekly charging period, but is reduced proportionately for the Trust to the extent that during that week and the following week the:

- (a) Investments held by the Trust are exempt investments, which means essentially any assets other than UK equities and collective investment schemes that are not exempt from SDRT. Any Trust which holds no UK equities will therefore be wholly exempt and all of the following information regarding SDRT can therefore be disregarded by Unitholders in such a Trust; and
- (b) Purchases of Units by number are less than surrenders of Units.

Legislation has been introduced in Finance Bill 2011 to treat an investment by a collective investment scheme in an underlying fund as an exempt asset (i.e. an asset which does not have SDRT charged on it) for the purposes of Schedule 19 SDRT, where that underlying fund is no more than 20% invested in exempt assets.

### Possible Ways of Funding SDRT

The SDRT Regulations provide that the SDRT payable by each Trust is the liability of the Trustee. The Regulations permit a provision for SDRT in respect of a Trust to be recovered out of the property of that Trust. This will reduce the value of the Trust in question, but, given the percentage amount of SDRT, should be of minimal significance.

Regulations issued by the FSA permit (but do not oblige) the Manager to require from an incoming or outgoing Unitholder a separate payment, or deduction, of a provision against SDRT ('SDRT provision') when Units are surrendered or transferred by a Unitholder or issued to an incoming Unitholder. The SDRT provision can be up to 0.5% of the value of the transaction and is a provision against the SDRT owed by the Trusts. The SDRT provision, if imposed on an incoming Unitholder, would increase the payment required on the purchase of Units by that Unitholder, and if on an outgoing Unitholder would decrease the redemption proceeds received by that Unitholder, and must be paid to the Trusts and become part of the property of the Trust in question.

### **The Manager's policy for funding SDRT on surrenders of Units**

The Manager intends that any SDRT chargeable on surrenders of Units in a Trust will in general be paid out of the Trust and an SDRT provision will not normally be levied directly on the redeeming Unitholder whatever the size of the deal. It is not anticipated that the Manager will impose a provision for SDRT on redeeming Unitholders in the future.

### **The Manager's policy for funding SDRT on third part transfers of Units**

Transfers of Units from one Unitholder to another may be exempt from SDRT depending on the circumstances. Unitholders transferring Units should complete a stock transfer form in the normal way, including any appropriate certificate that would be required for exemption from Stamp Duty. Where there is no appropriate certificate, evidence of an exemption from SDRT should be submitted with the transfer. In other cases where SDRT applies to the transfer, the Manager and Trustee have decided that any SDRT triggered will normally be paid by the Trusts. In exceptional cases, and in particular where the deal is 5% of the size of the Trust or more, they may require the parties to the transaction to pay a provision of up to 0.5% for the SDRT before the transfer is registered.

### **UK Unitholders**

The following summary applies to holders of Units who are resident or ordinarily resident in the UK for tax purposes.

#### **Unitholders' income**

##### **(i) Interest distributions**

UK resident individuals will be taxable on the sum of gross interest distributions received and accumulations made during the relevant tax year. Such distributions are paid under deduction of income tax at a rate of 20%, and individuals paying tax at the basic rate on such income will not be subject to further taxation. Non-taxpayers will be entitled to claim a repayment of the full amount of the tax. Investors whose total taxable income including savings income falls within the starting rate band will be able to claim back part of the tax deducted. However higher rate and additional rate taxpayers

will have further tax to pay on the gross distribution. The amount will depend on the tax rate applicable to their specific circumstances.

Tax-exempt investors such as local authorities, charities and pension schemes may be paid gross interest distributions and accumulations. However the Manager will need to be satisfied that the recipient is the beneficial owner and that it is entitled to be paid gross interest distributions and/or accumulations. The Manager may require a suitable indemnity from the recipient before a gross payment can be made.

Unless corporate Unitholders can satisfy the Manager that they are beneficially entitled to the income and are UK resident or acting through a UK branch subject to UK corporation tax, interest distributions and accumulations will be paid net of income tax at 20%. Corporate Unitholders will be subject to corporation tax on the gross amount of the distribution or accumulation but, where tax has been deducted, will be entitled to a credit for the tax treated as paid.

Unitholders who are within the charge to UK corporation tax should be aware that where such an investor holds an interest in a Trust and that Trust fails, at any time in an accounting period in which the investor holds its interest, to satisfy the "qualifying investments test", the investor is required to treat its interest for that accounting period as if it were rights under a creditor relationship for the purposes of the "loan relationships" regime (which governs the United Kingdom taxation of most forms of corporate debt) contained in the United Kingdom Corporation Tax Act 2009. A Trust fails to satisfy the qualifying investments test at any time when its investments consist as to more than 60 per cent by market value of, inter alia, government and corporate debt securities, money placed at interest, certain derivative contracts or holdings in collective investment schemes which do not themselves satisfy the qualifying investments test. Corporate Unitholders would in these circumstances be required to account for their interest in the Trust under the loan relationships regime, in which case all returns on their Units in the relevant accounting period (including gains and losses) would be taxed or relieved as income receipt or expense on a "fair value" basis. Such Unitholders might therefore, depending upon their particular circumstances, incur a charge to UK corporate tax on an unrealised increase in the value of their Units (or obtain relief against UK corporation tax for an unrealised diminution in the value of their Units).

##### **(ii) Dividend distributions**

A Trust that makes distributions or accumulations will be treated as dividends of a UK company and will comprise dividend income for UK tax purposes. An individual recipient of a dividend distribution or accumulation will be entitled to a notional tax credit of 10% of the gross dividend. This tax credit is sufficient to cover the liability of taxpayers liable to pay tax at

the basic rate of tax on savings income. Higher rate taxpayers are taxed at 32.5% and additional rate taxpayers are taxed at 42.5% on the gross dividend against which the 10% tax credit can be credited and will have further tax to pay. Since 6 April 2004, it is no longer possible for Unitholders who hold their units in ISAs to reclaim the 10% tax credit. Non-taxpayers are not entitled to reclaim the tax credit.

The income corporate Unitholders receive from a dividend distribution or accumulation is streamed into two parts. The proportion which is derived from UK and overseas dividends that fall into one of five tax exemptions is treated as franked investment income and is generally not subject to further tax unless taxed on the Unitholder as part of its trade. The income derived from all other sources (e.g. interest income, dividends which do not qualify for exemption or which a Trust has elected to tax or Offshore Income Gains) is treated as an annual payment paid under deduction of income tax at the rate of 20%. The Unitholder will be subject to tax on the grossed up amount but will be entitled to a credit for tax treated as paid. Whilst this amount can be wholly offset against the corporation tax liability of the Unitholder, the maximum amount of tax which can be reclaimed by the corporate Unitholder is limited to their proportion of the Trust's net liability to corporation tax in respect of gross income.

### Income equalisation

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

### Capital Gains Tax

Unitholders who are resident in the UK for tax purposes may be liable to capital gains tax or, if companies, corporation tax on chargeable gains ('CGT'). The redemption, sale, switching or transfer of Units, being chargeable assets, may constitute a disposal or part disposal for the purposes of UK CGT. For individuals, there is an annual exempt amount (for the 2011-2012 tax year, £10,600). For basic rate taxpayers the rate of 18% is applied to all chargeable gains in excess of the annual exempt amount. From 22 June 2010 for higher rate taxpayers a rate of 28% is applied to all chargeable gains in excess of the annual exempt amount.

For a corporate Unitholder with an interest in an 'equity' Trust, indexation relief will be allowed as a deduction from the gain calculated by reference to the period the asset was held and the initial cost given.

Unitholders subject to UK corporation tax may need to treat their unitholdings in a 'bond' Trust as a creditor relationship subject to a mark-to-market basis of accounting.

An exchange of Units of one class for Units of another class within a Trust may constitute for UK taxation purposes a reorganisation of the Trust within section 127 Taxation of Chargeable Gains Act 1992, in which case a UK resident or ordinarily resident Unitholder who exchanges one class of Unit for another class of Units would not be treated as making a disposal of Units giving rise to a chargeable gain or allowable loss, but instead would be treated as having acquired such new class of Units at the same time and for the same price at which the original class of Units were originally acquired.

### Inheritance Tax ('IHT')

Investors are potentially subject to UK inheritance tax on their investment in the Trusts.

### European Union Savings Directive

This section applies only to investors who are resident outside the United Kingdom for tax purposes.

Unitholders who are individuals resident in a Member State of the European Union should be aware of the provisions of the EU Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the "Directive") pursuant to which income realised upon the sale or redemption of units in undertakings for collective investments, as well as any income in the form of dividends or other distributions made by such undertakings for collective investment, may (depending upon the location, classification and investment portfolio of the undertaking) become subject to the reporting regime or withholding tax regime imposed by the Directive, if such payment is made by a paying agent established either in a Member State of the European Union or in certain other jurisdictions which have agreed to introduce an equivalent reporting or withholding tax regime in respect of such payments. The provisions of the Directive apply to payments made on or after 1 July 2005.

The rules of the Directive are complex and their implementation will be effected by each Member State. Accordingly, Unitholders who are individuals or acting as nominees and who are resident in the European Union should consult their own tax advisers.

Unitholders to whom the Directive may be relevant should also be aware that the EU Commission is currently undertaking a review of the Directive, and that the proposals being considered as a part of that review include a possible extension of the types of funds or other undertakings for collective investment that are currently outside the scope of the Directive. It is not anticipated that the current proposals will have an impact on the Trusts.

## Winding up of the Trusts

The Trusts will not be wound up except in accordance with the FSA Rules.

The Trustee shall proceed to wind up a Trust if:

- (1) the order declaring it to be an authorised unit trust scheme is revoked;
- (2) if the FSA determines to revoke the order declaring the Trust to be an authorised unit trust scheme at the request of the Manager or the Trustee; or
- (3) on the effective date of a duly approved scheme of arrangement which is to result in the relevant Trust being left with no property.

If any of the events set out above occurs, the FSA Rules concerning Dealing (COLL6.2), Valuation and Pricing (COLL6.3) and Investment and Borrowing Powers (COLL5) will cease to apply. The Trustee shall cease to issue and cancel Units in the Trust and the Manager shall cease to redeem and sell Units in the Trust.

The procedure to be followed in a winding up of any of the Trusts is that laid down by COLL which currently provide as follows:

- (1) Upon the passing of an extraordinary resolution by the Unitholders approving a scheme of arrangement, the Trustee shall wind up the Trust in accordance with the terms of the approved scheme of arrangement;
- (2) In any other case, the Trustee shall as soon as practicable after the Trust falls to be wound up, realise the property of the Trust and, after paying out of the proceeds all liabilities properly so payable and retaining provision for the costs of the winding up, distribute the proceeds of that realisation to the Unitholders and the Manager (upon production by them of evidence as to their entitlement thereto) proportionately to their respective interests in the Trust; and
- (3) Any unclaimed net proceeds or other cash (including unclaimed distribution payments) held by the Trustee after the expiration of twelve months from the date on which the same became payable shall be paid by the Trustee into court subject to the Trustee having a right to retain any expenses properly incurred by him in making that payment into court.

In winding up the Unitholders will have the right to receive their share of the net proceeds of the Trust property. This right is in

addition to any rights of the Unitholders as beneficiaries under general trust law.

## General Information

### Dividends

Dividends will be allocated on a specific date during the year (the 'XD Date'). The registered holder of the Units on the XD Date will be entitled to receive the dividend for those Units. Payment of the dividend will normally be made on the 'Payment Date'. The XD Date and Payment Date for each Trust are set out in the following table.

Trust Name	XD Dates	Payment Dates
<b>Global Equity Fund</b>	<b>16 May</b>	<b>15 July</b>
<b>Global Equity &amp; Bond Fund</b>	<b>16 May</b>	<b>15 July</b>
<b>Equity &amp; Bond Fund</b>	<b>16 May</b>	<b>15 July</b>
<b>Defensive Equity &amp; Bond Fund</b>	<b>16 May</b>	<b>15 July</b>
<b>Defensive Fund</b>	<b>16 May</b>	<b>15 July</b>
<b>Manager Income Fund</b>	<b>26<sup>th</sup> of each month</b>	<b>21<sup>st</sup> of each month</b>

### Accounting Periods

The annual accounting period of the Managed Income Fund ends each year on 25 February (the accounting reference date). The interim accounting periods ends on 25 August.

The annual accounting periods of all the other Trusts end each year on 15 May (the accounting reference date). The interim accounting periods end on 15 November.

### Income Distribution

If a distribution remains unclaimed for a period of six years after it has become due it will be forfeited and will revert to the relevant Trust.

Distributions of income are made in respect of the income available for allocation in each accounting period.

Distributions of income for each Trust are paid on or before respective annual income allocation date or, on or before the respective interim allocation date in each year. Any distribution may be paid by (i) crossed cheque, warrant or money order and may be remitted by post to the registered address of the persons entitled to such monies or to such person and to such address as those persons may direct in writing or (ii) any other usual or common banking method (including, without limitation, direct credit, bank transfer and electronic Trusts transfer) and to or through such person or such persons as the relevant person may direct in writing.

The amount available for allocation in any accounting period is calculated by taking the aggregate of the income received or

receivable for the account of the relevant Trust in respect of that period, and deducting the charges and expenses of the relevant Trust paid or payable out of income in respect of that accounting period. The Manager then makes such other adjustments as it considers appropriate (and after consulting the auditors as appropriate) in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and any other adjustments (including for amortisation) which the Manager considers appropriate after consulting the auditors.

### Annual report and accounts

Annual long report and accounts of the Trusts will be prepared in the Base Currency and will be made available and published within four months of the close of each annual accounting period. Half-yearly long report and accounts will be published within two months of the close of each interim accounting period. Within the timeframes noted above, the Manager will send the short report which details performance and activities of a Trust over the accounting period to each Unitholder (or to the first named holder in respect of joint Unitholders) that is entered in or that is entitled to be entered in the register of Unitholders at the close of business on the last day of the relevant accounting period, and otherwise upon a Unitholder's request. The Manager will make the long report available to Unitholders on request.

### Risk management

Upon request, the Manager will provide further information relating to any quantitative limits applying in the risk management of any Trust and the methods used.

### Documents of the Trusts

The following documents may be inspected free of charge between 9.30 am and 4.30 pm (UK time) on every business day at the offices of the Manager 60 St Mary Axe, London EC3A 8JQ:

- (a) the most recent annual and half-yearly reports of the Trusts;
- (b) the Trust Deed (and any deeds amending the Trust Deed);
- (c) the Prospectus; and
- (d) the Risk Management Process.

Unitholders may obtain copies of the above documents from either address. The Manager may make a charge at its discretion for copies of documents (with the exception of the Prospectus, the Trust Deed and the most recent annual and

half yearly reports which are available free of charge to anyone who requests).

### Notice to Unitholders

In the event that the Manager is required to give notice to Unitholders for any reason, or otherwise chooses to do so, such notice will normally be given in writing. Alternatively, and to the extent permitted by the FSA Rules, notice to Unitholders may be made by way of publishing the information on [www.threadneedle.com](http://www.threadneedle.com), or by including the information in a mailing to the Unitholders such as the Trusts' annual report and accounts. Any document served on Unitholders by the Manager will be served to the current address of the Unitholder with reference to the records of the Manager.

Any document or notice to be served by a Unitholder on the Manager or the Trusts may be served at the head office of the Trusts.

### Telephone Recording

Please note that the Manager may record telephone calls for training and monitoring purposes and to confirm investors' instructions.

### Provision of Investment Advice

All information concerning the Trusts is available from the Manager. The Manager is not authorised to give investment advice and persons requiring such advice should consult a professional financial services adviser. All applications for Units are made on the basis of the current Prospectus of the Trusts and investors should ensure that they have the most up to date version.

### Complaints

Complaints may be referred to the compliance officer of the Manager at 60 St Mary Axe, London EC3A 8JQ. A copy of the Manager's 'Complaint Handling Procedure' is available upon request. Complaints may also be referred to the Financial Ombudsman Service which is based at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

## Appendix I

### Investment and Borrowing Powers

#### 1. Investment restrictions

- 1.1 The Scheme Property of a Trust will be invested with the aim of achieving the investment objective of that Trust but subject to the limits on investment set out in Chapter 5 of the FSA Rules (COLL 5.2 to COLL 5.5). These limits apply to a Trust as summarised below.
- 1.2 The Manager shall ensure that taking into account the objectives of a Trust and its investment policy, the property of a Trust provides a prudent spread of risk. Particular requirements as to this spread of risk are set out below.

#### 2. Cover

- 2.1 Where the FSA Rules allow a transaction to be entered into or an investment to be retained only if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in Chapter 5 of the FSA Rules, it must be assumed that the maximum possible liability of a Trust under any other of those rules has also to be provided for.
- 2.2 Where a rule in the FSA Rules permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:
- 2.2.1 it must be assumed that in applying any of those rules, a Trust must also simultaneously satisfy any other obligation relating to cover; and
- 2.2.2 no element of cover must be used more than once.

#### 3. UCITS schemes – general

- 3.1 The Scheme Property of a Trust must, subject to its investment objective and policy and except where otherwise provided in COLL 5, only consist of any or all of:
- 3.1.1 transferable securities;
- 3.1.2 approved money market instruments;
- 3.1.3 permitted derivatives and forward transactions;
- 3.1.4 permitted deposits;
- 3.1.5 permitted units in collective investment schemes; and

3.1.6 movable and immovable property that is necessary for the direct pursuit of the Trusts' business in accordance with COLL 5.

3.2 Transferable securities and money market instruments held within a Trust must (subject to paragraphs 3.3 and 3.4) be:

3.2.1 admitted to or dealt on an eligible market as described in paragraphs 9 and 10 below.

3.3 Not more than 10% in value of the Scheme Property of a Trust is to consist of transferable securities which are not approved securities.

3.4 Not more than 10% in value of the Scheme Property is to consist of money market instruments which do not fall within paragraph 8 (Investment in money market instruments).

3.5 The requirements on spread and investment in government and public securities do not apply until the expiry of a period of six months after the date of effect of the authorisation order in respect of a Trust (or on which the initial offer commenced if later) provided that the requirement to maintain prudent spread of risk is complied with.

3.6 It is not intended that Trusts will have an interest in any immovable property or tangible movable property.

#### 4. Transferable Securities

4.1 A transferable security is an investment which is any of the following:

4.1.1 a Unit;

4.1.2 a debenture;

4.1.3 a government and public security;

4.1.4 a warrant; or

4.1.5 a certificate representing certain securities.

4.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.

4.3 In applying paragraph 4.2 to an investment which is issued by a body corporate, and which is a Unit or a debenture the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

4.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

## 5. Investment in transferable securities

5.1 A Trust may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:

5.1.1 the potential loss which the Trust may incur with respect to holding the transferable security is limited to the amount paid for it;

5.1.2 its liquidity does not compromise the ability of the Manager to comply with its obligation to redeem units at the request of any qualifying Unitholder under the FSA Rules;

5.1.3 reliable valuation is available for it as follows:

5.1.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;

5.1.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;

5.1.4 appropriate information is available for it as follows:

5.1.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;

5.1.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the Manager on the

transferable security or, where relevant, on the portfolio of the transferable security;

5.1.5 it is negotiable; and

5.1.6 its risks are adequately captured by the risk management process of the Manager.

5.2 Unless there is information available to the Manager that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:

5.2.1 not to compromise the ability of the Manager to comply with its obligation to redeem units at the request of any qualifying Unitholder; and

5.2.2 to be negotiable.

## 6. Closed end Funds constituting transferable securities

6.1 A unit in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Trust, provided it fulfils the criteria for transferable securities set out in paragraph 5, and either:

6.1.1 where the closed end fund is constituted as an investment company or a unit trust:

6.1.1.1 it is subject to corporate governance mechanisms applied to companies; and

6.1.1.2 where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or

6.1.2 where the closed end fund is constituted under the law of contract:

6.1.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and

6.1.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.

## 7. Transferable securities linked to other assets

7.1 A Trust may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by a Trust provided the investment:

7.1.1 fulfils the criteria for transferable securities set out above; and

7.1.2 is backed by or linked to the performance of other assets, which may differ from those in which a Trust can invest.

7.2 Where an investment in 7.1 contains an embedded derivative component (see paragraph 18.6), the requirements of this section with respect to derivatives and forwards will apply to that component.

## 8. Approved Money Market Instruments

8.1 An approved money-market instrument is a money-market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.

8.2 A money-market instrument shall be regarded as normally dealt in on the money market if it:

8.2.1 has a maturity at issuance of up to and including 397 days;

8.2.2 has a residual maturity of up to and including 397 days;

8.2.3 undergoes regular yield adjustments in line with money market conditions at least every 397 days; or

8.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 8.2.1 or 8.2.2 or is subject to yield adjustments as set out in 8.2.3.

8.3 A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the Manager to redeem units at the request of any qualifying Unitholder.

8.4 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:

8.4.1 enabling the Manager to calculate a net asset value in accordance with the value at which the instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and

8.4.2 based either on market data or on valuation models including systems based on amortised costs. A money-market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the manager that would lead to a different determination.

## 9. Transferable securities and money market instruments generally to be admitted or dealt in on an Eligible Market

9.1 Transferable securities and approved money market instruments held within a Trust must be:

9.1.1 admitted to or dealt on an eligible market (as described in paragraphs 10.2 or 10.3);

9.1.2 for an approved money market instrument not admitted to or dealt in on an eligible market within 11.1; or

9.1.3 recently issued transferable securities provided that:

9.1.3.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and

9.1.3.2 such admission is secured within a year of issue.

9.2 However, a Trust may invest no more than 10% of the Scheme Property in transferable securities and approved money-market instruments other than those referred to in 9.1.

## 10. Eligible markets

10.1 To protect investors the markets on which investments of a Trust are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold. The criteria for eligibility are set out in the FSA Handbook.

10.2 The Trust may deal through the following eligible securities and derivatives markets: any market established in an EEA State on which transferable securities admitted to official listing in that EEA country are dealt in or traded: and

10.3 In addition each Trust may deal through any other eligible securities market and derivatives market which

the Manager, after consultation with and notification to the Trustee, considers to be appropriate for the investment of, or dealing in, the property of that Trust. Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction on investing in non approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.

#### 11. Money-market instruments with a regulated issuer

11.1 In addition to instruments admitted to or dealt in on an eligible market, a Trust may invest in an approved money-market instrument provided it fulfils the following requirements:

11.1.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and

11.1.2 the instrument is issued or guaranteed in accordance with paragraph 13 below.

11.2 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:

11.2.1 the instrument is an approved money-market instrument;

11.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 3 below; and

11.2.3 the instrument is freely transferable.

#### 12. Issuers and guarantors of money-market instruments

12.1 A Trust may invest in an approved money-market instrument if it is:

12.1.1 issued or guaranteed by any one of the following:

12.1.1.1 a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;

12.1.1.2 a regional or local authority of an EEA State;

12.1.1.3 the European Central Bank or a central bank of an EEA State;

12.1.1.4 the European Union or the European Investment Bank;

12.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;

12.1.1.6 a public international body to which one or more EEA States belong; or

12.2 issued by a body, any securities of which are dealt in on an eligible market; or

12.3 issued or guaranteed by an establishment which is:

12.3.1 subject to prudential supervision in accordance with criteria defined by European Community law; or

12.3.2 subject to and complies with prudential rules considered by the FSA to be at least as stringent as those laid down by European Community law.

12.4 An establishment shall be considered to satisfy the requirement in 12.3.1.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

12.4.1 it is located in the European Economic Area;

12.4.2 it is located in an OECD country belonging to the Group of Ten;

12.4.3 it has at least investment grade rating;

12.4.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by European Community law.

#### 13. Appropriate information for money-market instruments

13.1 In the case of an approved money-market instrument within 12.2 or which is issued by an authority within 12.1.1.2 or a public international body within 12.1.1.7 but is not guaranteed by a central authority within 12.1.1.1, the following information must be available:

13.1.1 information on both the issue or the issuance programme, and the legal and financial

- situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
- 13.1.2 updates of that information on a regular basis and whenever a significant event occurs; and
- 13.1.3 available and reliable statistics on the issue or the issuance programme.
- 13.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within 12.3, the following information must be available:
- 13.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;
- 13.2.2 updates of that information on a regular basis and whenever a significant event occurs; and
- 13.2.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.
- 13.3 In the case of an approved money-market instrument:
- 13.3.1 within 12.1.1.1, 12.1.1.4 or 12.1.1.5; or
- 13.3.2 which is issued by an authority within 12.1.1.2 or a public international body within 12.1.1.6 and is guaranteed by a central authority within 12.1.1.1;
- information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.
- 14. Spread: general**
- 14.1 This rule on spread does not apply to government and public securities.
- 14.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.
- 14.3 Not more than 20% in value of the Scheme Property is to consist of deposits with a single body.
- 14.4 Not more than 5% in value of the Scheme Property is to consist of transferable securities or approved money market instruments issued by any single body.
- 14.5 The limit of 5% in paragraph 14.4 is raised to 10% in respect of up to 40% in value of the Scheme Property. Covered bonds need not be taken into account for the purpose of applying the limit of 40%.
- 14.6 The limit of 5% in 14.4 is raised to 25% in value of the Scheme Property in respect of covered bonds, provided that when a Trust invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property.
- 14.7 In applying paragraphs 14.4 and 14.5 certificates representing certain securities are treated as equivalent to the underlying security.
- 14.8 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property. This limit is raised to 10% where the counterparty is an Approved Bank.
- 14.9 Not more than 20% in value of a Trust is to consist of transferable securities or approved money market instruments issued by the same group (as referred to in paragraph 14.2).
- 14.10 Not more than 20% in value of the Trust is to consist of the units of any one collective investment scheme. (Please also see the limits on investment in other collective investment schemes set out in paragraph 16 below).
- 14.11 In applying the limits in paragraphs 14.3 to 14.8, not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following:
- 14.11.1 transferable securities (including covered bonds) or approved money market instruments issued by; or
- 14.11.2 deposits made with; or
- 14.11.3 exposures from OTC derivatives transactions made with a single body.
- 14.12 For the purpose of calculating the limits in 14.8 and 14.11, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the following conditions set out below:

- 14.12.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
- 14.12.2 it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
- 14.12.3 it is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
- 14.12.4 can be fully enforced by the UCITS scheme at any time.
- 14.13 For the purpose of calculating the limits in 14.8 and 14.11, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
- 14.13.1 comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to the Banking Consolidation Directive;
- 14.13.2 are based on legally binding agreements; In applying this rule, all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions;
- 14.13.3 it is backed by an appropriate performance guarantee; and
- 14.13.4 it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.
- 15. Spread: Government and public securities**
- 15.1 The above restrictions do not apply to Government and public securities. The restrictions in relation to such securities are set out below ("such securities").
- 15.2 Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- 15.3 The FSA Rules allow that a Trust may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
- 15.3.1 the Manager has before any such investment is made consulted with the Trustee and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the authorised fund;
- 15.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue; and
- 15.3.2.1 the Scheme Property includes such securities issued by that or another issuer, of at least six different issues; and
- 15.3.2.2 the disclosures required by the FSA Rules have been made.
- 15.4 Subject to this restriction and any restrictions in the investment objective and policy of a Trust there are no limits on the amount of Trust's property which may be invested in Government and public securities or such securities issued by any one issuer or of any issue.
- 15.5 In relation to such securities:
- 15.5.1 issue, issued and issuer include guarantee, guaranteed and guarantor; and
- 15.5.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.
- 15.6 The Investment Policies of all of the Trusts allow for no more than 33.3% of the value of the Trusts may be invested in such securities.
- 16. Investment in collective investment schemes**
- 16.1 A Trust may invest in units in a collective investment scheme provided that no more than 30% of the value of that Trust is in collective investment schemes which are not UCITS schemes and only if the second scheme complies with the following requirements:
- 16.1.1 it is a scheme which complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
- 16.1.2 is recognised under the provisions of section 270 of the Act (Schemes authorised in designated countries or territories); or
- 16.1.3 is authorised as a non-UCITS retail scheme (provided the requirements of article 19(1)(e) of the UCITS Directive are met); or

- 16.1.4 is authorised in another EEA State (provided the requirements of article 19(1)(e) of the UCITS Directive are met);
- 16.2 It is a scheme which complies where relevant with paragraph 16.5;
- 16.3 It is a scheme that has terms which prohibit more than 10% in value of the scheme property consisting of units in other collective investment schemes; and
- 16.4 Each of the Trusts will include units in collective investment schemes managed or operated by (or, if it is an open-ended investment company has as its authorised corporate director), the Manager or an associate of the Manager, subject to the following conditions:
- 16.4.1 there is no charge in respect of the investment in or the disposal of units in the second scheme; or
- 16.4.2 where there is a charge the Manager is under a duty to pay to a Trust by the close of business on the fourth business day next after the agreement to buy or to sell the amount referred to in paragraphs 16.4.2.1 and 16.4.2.2;
- 16.4.2.1 where an investment is made, either:
- (a) any amount by which the consideration paid by the Trust for the units in the second scheme exceeds the price that would have been paid for the benefit of the second scheme had the units been newly issued or sold by it; or
- (b) if such price cannot be ascertained by the Manager, the maximum amount of any charge permitted to be made by the seller of units in the second scheme;
- 16.4.2.2 when a disposal is made the amount referred to in paragraph 16.4.2 is any charge made for the account of the Manager the second scheme or an associate of any of them in respect of the disposal;
- 16.5 In this paragraph 16:
- 16.5.1 any addition to or deduction from the consideration paid on the acquisition or disposal of units in the second scheme, which is applied for the benefit of the second scheme and is, or is like, a dilution levy or SDRT provision, is to be treated as part of the price of the units and not as part of any charge; and
- 16.5.2 any switching charge made in respect of an exchange of units in one Trust or separate part of the second scheme for units in another Trust or separate part of that scheme is to be included as part of the consideration paid for the units.
- 16.6 No more than 20% in value of a Trust may be invested in units of collective investment schemes which use derivatives for non efficient portfolio management purposes.
- 17. Investment in nil and partly paid securities**
- 17.1 A transferable security or an approved money market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the relevant Trust at the time when payment is required, without contravening the rules in Chapter 5 of the FSA Rules.
- 18. Use of derivatives and forward transactions – general**
- 18.1 The Trusts may, in accordance with COLL, use derivatives for the purposes of EPM (including hedging). **The use of derivatives and forward transactions for the purposes of EPM will not increase the risk profile of any Trust.**
- 18.2 Under COLL derivatives are permitted for Trusts for investment purposes and derivative transactions may be used for the purposes of hedging or meeting the investment objectives or both.
- 18.3 A transaction in derivatives or a forward transaction must not be effected for a Trust unless:
- 18.3.1 the transaction is of a kind specified in paragraph 19 (Permitted transactions (derivatives and forwards)); and
- 18.3.2 the transaction is covered, as required by paragraph 37 (Cover for transactions in derivatives and forward transactions).

- 18.4 Where a Trust invests in derivatives, the exposure to the underlying assets must not exceed the limits in paragraph 14 (Spread: General) and paragraph 15 (Spread: government and public securities), save as provided below.
- 18.5 Where a transferable security or money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.
- 18.6 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
- 18.6.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
- 18.6.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
- 18.6.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 18.7 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 18.8 Where a Trust invests in an index based derivative, provided the relevant index falls within paragraph 25 (Relevant indices) below the underlying constituents of the index do not have to be taken into account for the purposes of paragraphs 14 (Spread: general) and 15 (Spread: Government and public securities).
- 18.9 The relaxation in the paragraph above is subject to the Manager taking account of the requirements on prudent spread of risk.
- 19. Permitted transactions (derivatives and forwards)**
- 19.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 35 (OTC transactions in derivatives).
- 19.2 A transaction in a derivative must have the underlying consisting of any or all of the following to which a Trust is dedicated:
- 19.2.1 transferable securities;
- 19.2.2 approved money market instruments permitted under paragraph 8 (Approved money market instruments);
- 19.2.3 deposits permitted under paragraph 21 (Investment in deposits);
- 19.2.4 derivatives permitted under this Section;
- 19.2.5 collective investment scheme units permitted under paragraph 16;
- 19.2.6 financial indices in accordance with paragraph 20 (Financial indices underlying derivatives);
- 19.2.7 interest rates;
- 19.2.8 foreign exchange rates; and
- 19.2.9 currencies.
- 19.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 19.4 A transaction in a derivative must not cause the Trust to diverge from its investment objectives as stated in the Instrument constituting the scheme and the most recently published version of this Prospectus.
- 19.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money market instruments, units in collective investment schemes, or derivatives provided that the sale is not to be considered as uncovered if the conditions in the section on requirements to cover sales are satisfied.
- 19.6 Any forward transaction must be with an eligible institution or an Approved Bank.
- 20. Financial indices underlying derivatives**
- 20.1 The financial indices referred to in paragraph 19.2.6 are those which satisfy the following criteria:
- 20.1.1 the index is sufficiently diversified;
- 20.1.2 the index represents an adequate benchmark for the market to which it refers; and

20.1.3 the index is published in an appropriate manner.

20.2 A financial index is sufficiently diversified if:

20.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;

20.2.2 where it is composed of assets in which a Trust is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and

20.2.3 where it is composed of assets in which a Trust cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.

20.3 A financial index represents an adequate benchmark for the market to which it refers if:

20.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;

20.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and

20.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.

20.4 A financial index is published in an appropriate manner if:

20.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and

20.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

20.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall

where they satisfy the requirements with respect to other underlyings pursuant to 19.2, be regarded as a combination of those underlyings.

## 21. Investment in deposits

21.1 A Trust may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.

## 22. Significant influence

22.1 Each Trust must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:

22.1.1 immediately before the acquisition, the aggregate of any such securities held by the Trust gives the Trust power significantly to influence the conduct of business of that body corporate; or

22.1.2 the acquisition gives the Trust that power.

22.2 For the purpose of paragraph 22.1, the Trusts is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

## 23. Concentration

Each Trust:

23.1 must not acquire transferable securities (other than debt securities) which:

23.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and

23.1.2 represent more than 10% of those securities issued by that body corporate;

23.2 must not acquire more than 10% of the debt securities issued by any single body;

23.3 must not acquire more than 25% of the units in a collective investment scheme;

23.4 must not acquire more than 10% of the money market instruments issued by any single body; and

- 23.5 need not comply with the limits in paragraphs 23.1 to 23.3 if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.
24. **Schemes replicating an index**
- 24.1 Notwithstanding paragraph 14 (Spread: general), a Trust may invest up to 20% in value of the Scheme Property in Units and debentures which are issued by the same body where the investment policy of that scheme as stated in the most recently published prospectus is to replicate the composition of a relevant index which satisfies the criteria specified in paragraph 25 (Relevant indices).
- 24.2 Replication of the composition of a relevant index shall be understood to be a reference to replication of the composition of the underlying assets of that index, including the use of techniques and instruments permitted for the purpose of Efficient Portfolio Management.
- 24.3 The limit in paragraph 24.1 can be raised for a particular UCITS scheme up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.
25. **Relevant indices**
- 25.1 The indices referred to in paragraph 24 are those which satisfy the following criteria:
- 25.1.1 the composition is sufficiently diversified;
- 25.1.2 the index represents an adequate benchmark for the market to which it refers; and
- 25.1.3 the index is published in an appropriate manner.
- 25.2 The composition of an index is sufficiently diversified if its components adhere to the spread and concentration requirements in this section.
- 25.3 An index represents an adequate benchmark if its provider uses a recognised methodology which generally does not result in the exclusion of a major issuer of the market to which it refers.
- 25.4 An index is published in an appropriate manner if:
- 25.4.1 it is accessible to the public;
- 25.4.2 the index provider is independent from the index-replicating UCITS scheme; this does not preclude index providers and the UCITS scheme from forming part of the same group,
- provided that effective arrangements for the management of conflicts of interest are in place.
26. **Cash and near cash**
- 26.1 Cash and near cash must not be retained in the Scheme Property except to the extent that, where this may reasonably be regarded as necessary in order to enable:
- 26.1.1 the pursuit of a Trust's investment objectives; or
- 26.1.2 redemption of units; or
- 26.1.3 efficient management of a Trust in accordance with its investment objectives; or
- 26.1.4 other purposes which may reasonably be regarded as ancillary to the investment objectives of the Trust.
27. **General power to borrow**
- 27.1 A Trust may, in accordance with this paragraph, borrow money for the use of the Trust on terms that the borrowing is to be repayable out of the Scheme Property. This power to borrow is subject to the obligation of the Trust to comply with any restriction in the Trust Deed.
- 27.2 The Trust may borrow under paragraph 7.1 only from an Eligible Institution or an Approved Bank.
- 27.3 The Manager must ensure that any borrowing is on a temporary basis and that borrowings are not persistent, and for this purpose the Manager must have regard in particular to:
- 27.3.1 the duration of any period of borrowing; and
- 27.3.2 the number of occasions on which resort is had to borrowing in any period.
- 27.4 The Manager must ensure that no period of borrowing exceeds three months, whether in respect of any specific sum or at all, without the prior consent of the Trustee.
- 27.5 With respect to 27.4 the Trustee may only give its consent on such conditions as appear to the Trustee appropriate to ensure that the borrowing does not cease to be on a temporary basis only.
- 27.6 A Trust must not issue any debenture unless it acknowledges or creates a borrowing that complies with paragraph 27.1 to 27.6.

- 27.7 These borrowing restrictions and those in paragraph 28 (Borrowing Limits) do not apply to “back to back” borrowing for currency hedging purposes.
- 28. Borrowing limits**
- 28.1 The Manager must ensure that a Trust’s borrowing does not, on any business day, exceed 10% of the value of the Scheme Property of the Trust.
- 28.2 In this paragraph 28 “borrowing” includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into the Scheme Property in the expectation that the sum will be repaid.
- 29. Restrictions on lending of money**
- 29.1 None of the money in the Scheme Property of a Trust may be lent and, for the purposes of this prohibition, money is lent by a Trust if it is paid to a person (“the payee”) on the basis that it should be repaid, whether or not by the payee.
- 29.2 Acquiring a debenture is not lending for the purposes of paragraph 29.1; nor is the placing of money on deposit or in a current account.
- 29.3 Paragraph 29.1 does not prevent a Trust from providing an officer of the Trust with funds to meet expenditure to be incurred by him for the purposes of the Trust (or for the purposes of enabling him properly to perform his duties as an officer of the Trust) or from doing anything to enable an officer to avoid incurring such expenditure.
- 30. Restrictions on lending of property other than money**
- 30.1 The Scheme Property of a Trust other than money must not be lent by way of deposit or otherwise.
- 30.2 Transactions permitted by paragraph 38 (Stock Lending) are not lending for the purposes of paragraph 30.1.
- 30.3 The Scheme Property of a Trust must not be mortgaged.
- 31. General power to accept or underwrite placings**
- 31.1 Any power in Chapter 5 COLL to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Trust Deed.
- 31.2 This section applies, subject to paragraph 31.3, to any agreement or understanding:
- 31.2.1 which is an underwriting or sub-underwriting agreement; or
- 31.2.2 which contemplates that securities will or may be issued or subscribed for or acquired for the account of a Trust.
- 31.3 Paragraph 31.2 does not apply to:
- 31.3.1 an option; or
- 31.3.2 a purchase of a transferable security which confers a right:
- 31.3.2.1 to subscribe for or acquire a transferable security; or
- 31.3.2.2 to convert one transferable security into another.
- 31.4 The exposure of a Trust to agreements and understandings within paragraph 31.2 must, on any day:
- 31.4.1 be covered in accordance with the requirements for cover for transactions in derivatives and forward transactions in Chapter 5 COLL; and
- 31.4.2 be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in Chapter 5 COLL.
- 32. Guarantees and indemnities**
- 32.1 A Company or the Trustee for the account of a Trust must not provide any guarantee or indemnity in respect of the obligation of any person.
- 32.2 None of the Scheme Property of a Trust may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 32.3 Paragraphs 32.1 and 32.2 do not apply in respect of the Trusts to:
- 32.3.1 any indemnity or guarantee for margin required where derivatives or forward transactions are used in accordance with the rules in this Appendix and/or COLL; and
- 32.3.2 an indemnity given to a person winding up a body corporate or other scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Trust and the holders of units in that scheme become the first Unitholders in the Trust.

**33. Transactions for the purchase of property:**

- 33.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of the Trusts may be entered into only if:
- 33.1.1 that property can be held for the account of the Trusts; and
- 33.1.2 the Manager having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in Chapter 5 COLL.

**34. Requirement to cover sales**

- 34.1 No agreement by or on behalf of the Trusts to dispose of property or rights may be made unless:
- 34.1.1 the obligation to make the disposal and any other similar obligation could immediately be honoured by the Trusts by delivery of property or the assignment (or, in Scotland, assignation) of rights; and
- 34.1.2 the property and rights above are owned by the Trusts at the time of the agreement.
- 34.2 This paragraph does not apply to a deposit.
- 34.3 The above paragraph does not apply where:
- 34.3.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or
- 34.3.2 the authorised Trust manager or the Trustee has the right to settle the derivative in cash and cover exists within the Scheme Property which falls within one of the following asset classes:
- (a) cash;
- (b) liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or
- (c) other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

- 34.4 In the asset classes referred to in 34.2, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.

**35. OTC transactions in derivatives**

- 35.1 Any transaction in an OTC derivative under paragraph 19 (Permitted transactions (derivatives and forwards) must be:
- 35.1.1 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is:
- 35.1.1.1 an Eligible Institution or an Approved Bank; or
- 35.1.1.2 The person whose permission (including any requirements or limitations), as published in the FSA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
- 35.1.2 on approved terms; the terms of the transaction in derivatives are approved only if, before the transaction is entered into, the Trustee is satisfied that the counterparty has agreed with the Manager:
- 35.1.2.1 to provide at least daily and at any other time at the request of the Trust, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value (being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction) and which does not rely on market quotations by the counterparty; and
- 35.1.2.2 that it will, at the request of the Manager, enter into a further transaction to close out that transaction at any time, at a fair value arrived at under the reliable market value basis or pricing model agreed under paragraph 35.1.3 below; and

35.1.3 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the Manager having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:

35.1.3.1 on the basis of an up to date market value which the Manager and Trustee have agreed is reliable, the pricing model which has been agreed between the Manager and the Trustee; or

35.1.3.2 if such value is not available, on the basis of a pricing model which the Manager and the Depository have agreed uses an adequate recognised methodology.

35.2 Subject to verifiable valuation; a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by: an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the authorised Fund manager is able to check it; or

(a) a department within the authorised Fund manager which is independent from the department in charge of managing the Scheme Property and which is adequately equipped for such a purpose.

### 36. Risk Management

36.1 The Manager must use a risk management process, as reviewed by the Trustee, enabling it to monitor and measure as frequently as appropriate the risk of a Trust's positions and their contribution to the overall risk profile of the Trust.

### 37. Cover for transactions in derivatives and forward transactions

37.1 A transaction in derivatives or forward transaction is to be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to which the scheme is or may be committed by another person is covered globally under the following paragraphs.

37.2 Exposure is covered globally if adequate cover from within the Scheme Property is available to meet the scheme's global exposure, taking into account the value of the underlying assets, any reasonably foreseeable

market movement, counterparty risk, and the time available to liquidate any positions.

37.3 Cash not yet received into the Scheme Property but due to be received within one month is available as cover for the purposes of the paragraph above.

37.4 Property the subject of a transaction under the Section on stock lending is only available for cover if the Manager has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.

37.5 The global exposure relating to derivatives held in the Trust may not exceed the net value of the Scheme Property.

### 38. Stocklending

38.1 The Trusts or the Trustee at the request of the Manager, may enter into certain stocklending arrangements or repo contracts in respect of the Trusts if it reasonably appears to the Manager to be appropriate to do so with a view to generating additional income for the Trust with an acceptable degree of risk.

38.2 There is no limit on the value of the Scheme Property which may be the subject of repo contracts or stock lending transactions.

38.3 Any stocklending arrangements or repo entered into must be of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if:

38.3.1 all the terms of the agreement under which securities are to be reacquired by the Trustee for the account of the Trusts are in a form which is acceptable to the Trustee and are in accordance with good market practice;

38.3.2 the counterparty is:

38.3.2.1 an authorised person; or

38.3.2.2 a person authorised by a Home State regulator; or

38.3.2.3 a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America; or

38.3.2.4 a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with

respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America: the Office of the Controller of the Currency; the Federal Deposit Insurance Corporation; the Board of Governors of the Federal Reserve System; and the Office of Thrift Supervision; and

38.3.3 collateral is obtained to secure the obligation of the counterparty under the terms referred to in 38.3.1 and the collateral is:

38.3.3.1 acceptable to the Trustee;

38.3.3.2 adequate; and

38.3.3.3 sufficiently immediate.

38.4 The counterparty for the purpose of paragraph 38.1 is the person who is obliged under the agreement referred to in paragraph 38.3.1 to transfer to the Trustee the securities transferred by the Trustee under the stock lending arrangement or securities of the same kind.

38.5 Paragraph 38.3.3 does not apply to a stock lending transaction made through Euroclear Bank SA/NV's Securities Lending and Borrowing Programme.

### 39. Treatment of collateral

39.1 Collateral is adequate for the purposes of this section only if it is:

39.1.1 transferred to the Trustee or its agent;

39.1.2 at least equal in value, at the time of the transfer to the Trustee, to the value of the securities transferred by the Trustee; and

39.1.3 in the form of one or more of:

39.1.3.1 cash; or

39.1.3.2 a certificate of deposit; or

39.1.3.3 a letter of credit; or

39.1.3.4 a readily realisable security ; or

39.1.3.5 commercial paper with no embedded derivative content; or

39.1.3.6 a qualifying money market Fund.

39.2 Where the collateral is invested in units in a qualifying money market Fund managed or operated by (or, for an ICVC, whose authorised corporate director is) the Manager or an associate of the Manager, the conditions in paragraph 16.5 (Investment in other group schemes) must be complied with.

39.3 Collateral is sufficiently immediate for the purposes of this section if:

39.3.1 it is transferred before or at the time of the transfer of the securities by the Trustee; or

39.3.2 the Trustee takes reasonable care to determine at the time referred to in paragraph 39.3.1 that it will be transferred at the latest by the close of business on the day of the transfer.

39.4 The Trustee must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Trustee.

39.5 The duty in paragraph 39.4 may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Trustee takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.

39.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) under this section may be regarded, for the purposes of valuation and pricing of the Trusts or this Appendix, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the authorised Trust.

39.7 Collateral transferred to the Trustee is part of the Scheme Property for the purposes of the rules in this sourcebook, except in the following respects:

39.7.1 it does not fall to be included in any calculation of NAV or this Appendix, because it is offset under paragraph 39.6 by an obligation to transfer; and

39.7.2 it does not count as Scheme Property for any purpose of this Appendix other than this section.

39.8 Paragraph 39.6 and 39.7.1 not apply to any valuation of collateral itself for the purposes of this section.

## Appendix II

### **Eligible Securities Markets and Eligible Derivatives Markets**

All Trusts may deal through securities markets and derivatives markets established in an EEA State on which transferable securities and derivatives admitted to official listing in that EEA State are dealt in or traded. The Company may also invest in accordance with the conditions in Appendix I.

## Appendix III

### Past Performance of the Trusts

Performance\* quoted in sterling (on a selling price to selling price basis, with income net of UK basic rate of tax reinvested) for the stated Unit Class of the Trusts, since the launch of the Trusts to 31 May 2011 is set out in the following table (source: MorningStar):

Trust name	Launch date	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Performance since launch
Global Equity Fund (Class A Accumulation)	September 1997	-3.49	-11.49	-22.03	18.23	9.14	24.71	12.84	13.00	-25.05	24.61	18.21	139.77
Global Equity & Bond Fund (Class A Accumulation)	September 1997	-2.45	-9.82	-18.36	16.47	8.82	20.72	11.20	10.53	-19.41	20.24	15.85	119.82
Equity & Bond Fund (Class A Accumulation)	September 1997	2.06	-3.26	-8.21	11.00	8.28	13.75	7.76	5.31	-5.72	10.86	11.23	115.46
Defensive Equities & Bond Fund (Class A Accumulation)	October 2002	-	-	-	6.95	6.90	9.21	5.06	3.29	-3.21	10.01	8.14	62.71
Defensive Fund (Class A Accumulation)	October 2002	-	-	-	3.43	5.13	6.49	2.86	2.32	-0.23	7.40	5.79	42.79
Managed Income Fund (Class A Distribution)	September 1997	-0.13	-6.13	-14.52	12.37	11.87	17.21	14.67	6.03	-21.51	17.53	13.73	105.19

\*Please be aware that past performance is not a guide for future performance.

## Appendix IV

### Unit class availability

Trusts	Net Distribution Units in		Gross Distribution Units in		Net Accumulation Units in		Gross Accumulation Units in	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
Global Equity Fund					√	√		
Global Equity& Bond Fund					√	√		
Equity & Bond Fund					√	√		
Defensive Equities & Bond Fund					√	√		
Defensive Fund					√	√		
Managed Income Fund	√	√						

## Directory

**The Trusts' Head Office:**

60 St Mary Axe, London EC3A 8JQ

**Manager:**

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

**Investment Adviser:**

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

**Trustee:**

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

**Legal Advisers:**

Eversheds LLP  
One Wood Street  
London EC2V 7WS

**Auditors:**

PricewaterhouseCoopers LLP  
Hay's Galleria  
1 Hay's Lane  
London SE1 2RD

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**Important Information**

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