

Key Features

Focuses on generating positive absolute returns with emphasis on capital preservation

Actively managed, research driven approach exploits best investment ideas from across the credit spectrum

Flexibility to generate returns from volatility and falling as well as rising markets

Experienced portfolio management team draws on expertise of investment grade credit and high yield specialists, as well as wider fixed income team

Diversification benefits due to low correlation with other asset classes

A proven track record of benchmark outperformance

Credit Opportunities strategy

Key facts*

Lead portfolio manager: Barrie Whitman

Benchmark: Citigroup EUR 1-Month Euro Deposit Index

Investment objective: The strategy aims to achieve a positive return, irrespective of market conditions, by investing in a wide range of credit market instruments

Investment universe: The portfolio comprises long and short positions in pan-European high yield and investment grade, as well as other areas of the credit markets. Exposure is via bonds and derivatives

Performance target: To outperform the benchmark by 3.5% per annum (gross of fees)

Target VaR: Up to 1.5% (5-day, 95% confidence limit)

Average credit quality: Will depend on our investment outlook

Industry weightings: Maximum of 25% per industry sector

Leverage: Typically ranges between 100% - 180%

Number of holdings: Typically between 120 and 180 positions

AUM managed in all Absolute Return Bond strategies: EUR 1.8 billion

Performance returns

	3 months	YTD	1 year	Inception ¹
Composite	4.15%	4.15%	3.98%	7.75%
Benchmark ²	0.16%	0.16%	1.02%	0.65%
Value added	+3.99%	+3.99%	+2.96%	+7.10%

Source: Threadneedle Investments. Annualised performance as at 31.03.2012 is shown gross of management fees in EUR. Past performance is not a guide to future results. See the composite presentations and disclosures in the appendix at the end of this profile for more information on performance, calculation methodology and benchmarks.

¹Inception date of the Credit Opportunities strategy is 31.05.2009. ²Benchmark is Citigroup EUR 1-Month Euro Deposit Index.

Investment philosophy

- Teamwork defines us and is fundamental to our investment process. We believe we are stronger together, that we produce better results for our clients, by working collectively rather than as individuals.
- A flexible and multi-disciplined approach is valuable to interpreting the fundamental, structural and valuation factors that drive fixed income markets. Emphasis among these factors varies with the investment and economic cycle, and we adapt our approach to market conditions.
- The sources of return in fixed income markets can vary widely over time. We consider all potential alpha sources and allocate active risk to where our research process identifies the best opportunities.

*All information as at 31 March 2012. Where references are made to portfolio guidelines and features, these may be subject to change over time and prevailing market conditions. Actual investment parameters will be agreed and set out in the prospectus or formal investment management agreement. Please note that the performance target may not be attained.

Investment team

The Credit Opportunities team has extensive investment experience of the major credit and high yield bond markets. These complementary strengths enable us to bring a diverse range of skills and ideas to managing our credit portfolios. We work closely with the government bond and currency specialists, credit analysts and emerging market debt specialists within Fixed Income, as well as our global sector teams.



Barrie Whitman
Head of High Yield Credit
25 years' experience



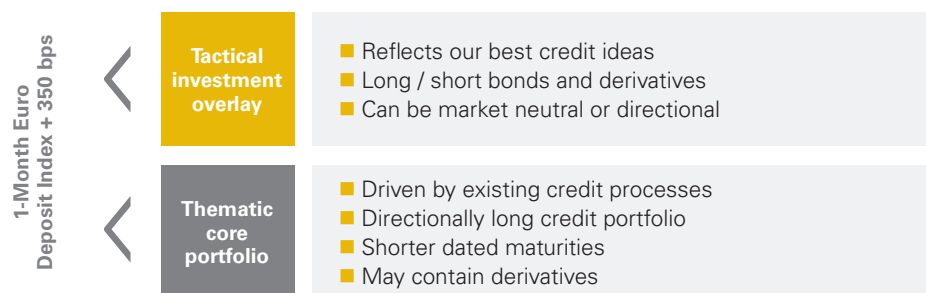
Michael Poole
Portfolio Manager
18 years' experience



Alasdair Ross
Portfolio Manager
9 years' experience

Investment process

We use our investment grade and high yield investment process to uncover the best investment opportunities across credit markets. Portfolios are constructed using mainly bottom-up criteria, but against the backdrop of insights that come from our macroeconomic analysis and sector allocation preferences. We construct a portfolio using two main building blocks, each of which delivers different aspects of performance, as shown:

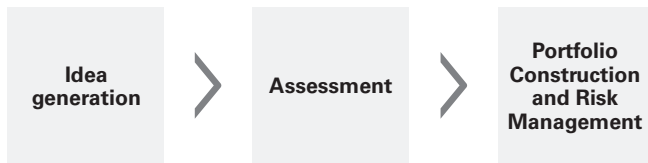


The 'thematic core portfolio' is the bedrock of the strategy. It comprises short-dated bonds and credit default swaps to provide an attractive carry with limited risk. It will be typically long credit, although the degree and nature of market exposure will depend on prevailing conditions. This long bias reflects the importance of income to our absolute return objective.

The 'tactical investment overlay' represents the team's strong conviction ideas. It uses bonds and derivatives, seeking to exploit pricing anomalies, credit trends and 'event' opportunities by investing in directional and market neutral strategies to generate high levels of return. There are a number of strategies within the overlay and their relative emphasis varies over time. Typical investment strategies will include:

- Directional long / short: strategies representing an outright credit view - employed using derivatives or cash bonds. Net exposure in this strategy rises and falls in line with our conviction on market direction.
- Event strategies: a subset of directional strategies where we expect an 'event' to trigger a marked change in the market's credit view or pricing over a shorter timeframe.
- Relative value pair trades: long one issuer versus another issuer to express views on relative value between similar credits while maintaining a market neutral net position.
- Basis trades: long the bond of a single issuer versus a short derivative position of that same instrument allowing us to take advantage of price distortions between the cash and derivative markets.
- Capital structure arbitrage: long / short a senior debt instrument versus a subordinated debt instrument of the same issuer.

Our process is illustrated in the diagram below:



Idea generation

We carry out fundamental, structural and valuation research into credit markets, both from a security specific bottom-up perspective as well as the top-down perspective of understanding the trends and influences on markets.

The established processes we follow for our investment grade credit and high yield strategies feed naturally into our own idea generation. As with all Threadneedle's investment processes, these draw heavily on close interaction across our investment business. We share and debate emerging themes; our view on macroeconomic developments; and stock level analysis, ideas and management meetings across our equity and fixed income investment teams.

With the benefit of our collective insight and by conducting in-depth, forward-looking analysis of corporate balance sheets and cash flows we gain a thorough understanding of an issuer's credit quality. Meetings with company management and hearing first hand about business strategy are an integral part of our approach.

This bottom-up analysis is combined with the macroeconomic insights and broader asset allocation themes generated in-house. We place particular emphasis on our monthly economic and fixed income sector allocation meetings, combining their findings with the outputs from our credit processes.

Assessment

We assess investment opportunities by evaluating credits to determine absolute and relative value attractiveness at both sector and security level. This enables us to identify under and over-valued issues across different industries.

Our investment grade credit analysts assess the relative attractiveness of significant issuers within different credit bands for each of their sectors. Credit 'grids' are used to produce an overall ranking for issuers within sector and rating band preferences. Our high yield analysts focus primarily on the downside risks facing companies, crucial to identifying the winners and likely default risks.

Portfolio construction

Market and credit assessment lead directly to the construction of the portfolio. The 'thematic core portfolio' is constructed with a bias to stability. Positions typically have a maturity of up to one year for high yield issues and up to two years for investment grade. The 'tactical investment overlay' represents our highest conviction views. From this we decide, for instance, whether to express a view through a relative value or directional strategy; this flexibility also allows us to hedge out unwanted risk.

The weighting between the 'thematic core' and 'tactical overlay' portfolios also reflects our market views, sector allocation preferences and strength of conviction.

Risk management

Our independent risk management team produces daily reports on every portfolio we manage, using a proprietary risk system to provide comprehensive risk analytics. We use these to understand and assess where we are taking risks, ensuring their direction and extent is appropriate for both the 'thematic core' and 'tactical overlay' components, and the overall portfolio.

Whilst we see VaR as a useful tool in assessing portfolio risk on a comparative basis, we recognise the limitations of calculating VaR for credit instruments. We therefore utilise stress testing and strict concentration limits across credit bands to broaden our measurement of overall portfolio risk.

GIPS – Credit Opportunities Strategy Composite

Year End	Composite Total Return Gross %	Primary Benchmark %	Composite 3Yr St Dev %	Benchmark 3Yr St Dev %	Number of Portfolios	Composite Dispersion	AUM Composite (millions)	AUM Firm (millions)	% age of firm assets
2009 (since 31-May-09)	7.29	0.23	N/A	N/A	1	N/A	15.43	68,076.4	0.0
2010	8.38	0.39	N/A	N/A	1	N/A	243.31	78,975.2	0.3
2011	2.01	1.05	N/A	N/A	1	N/A	339.4	87,445.3	0.4
YTD	4.15	0.16			1		381.2	92,432.1	0.4
3 Months	4.15	0.16			1				
Rolling 1 Year	3.98	1.02			1	N/A			
Rolling 3 Year	N/A	N/A			1				
Annualised	N/A	N/A				N/A			
Rolling 5 Years	N/A	N/A			1				
Annualised	N/A	N/A				N/A			
Rolling 10 Years	N/A	N/A			1				
Annualised	N/A	N/A				N/A			
Since Inception (31/05/2009)	23.54	1.85			1				
Annualised	7.75	0.65				N/A			

The 'Firm' is defined as all portfolios managed by Threadneedle Asset Management Limited and Threadneedle International Limited since 01/01/2000 excluding directly invested property portfolios. In 2009 Threadneedle acquired the Standard Chartered World Express SICAV business with a value of \$2.38bn. The funds have been incorporated into the composites according to GIPS standards. Subadvisors are used to manage some of these portfolios. Threadneedle Asset Management Limited and Threadneedle International Limited are authorised and regulated in the UK by the Financial Services Authority. In addition, Threadneedle International Limited is registered with the Securities and Exchange Commission (SEC) in the United States as an investment adviser under the US Investment Advisers Act of 1940. This composite comprises all discretionary accounts managed according to the Firm's Credit Opportunities strategy. Threadneedle Asset Management 'the Firm' claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS Standards. Threadneedle Asset Management has been independently verified by Ernst & Young LLP for the periods 1st January 2000 to 30th June 2011. The verification reports are available upon request. Verifications assesses whether the firm has complied with all composite construction requirements of the GIPS Standards on a firm wide basis and that the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS Standards. Verification does not ensure the accuracy of any specific composite presentation. The portfolio returns used in composites are calculated using daily authorised global close valuations with cash flows at start of the day. Returns are net of non-recoverable withholding tax, whilst any recoverable tax is included on a cash basis. Composite returns are calculated by using underlying portfolio beginning of period weights and monthly returns. Periodic returns are geometrically linked to produce longer period returns. Additional information regarding policies for calculation and reporting of returns is available on request. Composite performance results are presented gross of management fees and custodian fees but after deduction of trading expenses. The representative fee scale for this composite is 0.55% per annum. The dispersion of annual returns is measured by the asset weighted standard deviation of portfolio returns represented within the composite for the full year. Dispersion is only shown in instances where there are five or more portfolios throughout the entire reporting period. The primary benchmark for this composite is the Citigroup WMMI Euro Deposit EMU Euro (1m). Derivative instruments may be used as a fundamental part of a fund's investment objective and would be expected to be used in almost all market conditions and may materially increase the risk profile of the fund from that which would be expected from its non-derivative activities. Derivatives are used for alpha generation, for beta management and for efficient portfolio management. Derivatives include, but are not limited to, exchange traded futures, interest rate swaps, credit default swaps and forward foreign exchange contracts. Derivative usage is governed by the appropriate level of risk to meet the return targets of the funds in the composite. The Funds are permitted only to borrow, on a short term basis, up to 10% of the fund's Net Asset Value in accordance with the FSA COLL rules as subject to the provisions of the UCITS directive. The three-year annualised standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 month period. A full list of composites is available upon request.

Important Information. For internal use by institutional clients and consultants only (not to be passed on to any third party). To the extent that this document contains financial product advice, that advice is provided by Threadneedle International Limited. Threadneedle International Limited is exempt from the requirement to hold an Australian financial services licence under the Corporations Act in respect of the financial services it provides. Threadneedle International Limited is regulated by the Financial Services Authority under UK laws, which differ from Australian laws.

Past performance is not a guide to future performance. The value of investments and any income is not guaranteed and can go down as well as up and may be affected by exchange rate fluctuations. This means that an investor may not get back the amount invested. Performance figures and other data relating to a fund or a representative account are provided for illustrative purpose only and may differ from that of other separately managed accounts due to such differences as cash flows, charges, applicable taxes, and differences in investment strategy and restrictions. Where references are made to portfolio guidelines and features, these are at the discretion of the portfolio manager and may be subject to change over time and prevailing market conditions. Actual investment parameters will be agreed and set out in the prospectus or formal investment management agreement. Please note that the performance target may not be attained. The research and analysis included in this document has been produced by Threadneedle Investments for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions expressed are made as at the date of publication but are subject to change without notice. Information obtained from external sources is believed to be reliable but its accuracy or completeness cannot be guaranteed. This document is a marketing communication. The research and analysis included in this document have not been prepared in accordance with the legal requirements designed to promote its independence and have been produced by Threadneedle Investments for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions expressed are made as at the date of publication but are subject to change without notice. Information obtained from external sources is believed to be reliable but its accuracy or completeness cannot be guaranteed. The mention of any specific shares or bonds should not be taken as a recommendation to deal. Threadneedle Asset Management Limited. Registered in England and Wales, No. 573204. Registered Office: 60 St Mary Axe, London EC3A 8JQ. Authorised and regulated in the UK by the Financial Services Authority. Threadneedle International Limited. Registered in England and Wales, No. 2283244. Registered Office: 60 St Mary Axe, London EC3A 8JQ. Authorised and regulated in the UK by the Financial Services Authority. Issued in Hong Kong by Threadneedle Portfolio Services Hong Kong Limited 天利投资管理香港有限公司 ("TPSHKL"). Registered Office: Unit 3004, Two Exchange Square, 8 Connaught Place Hong Kong. Registered in Hong Kong under the Companies Ordinance (Chapter 32), No. 1173058. Authorised and regulated in Hong Kong by the Securities and Futures Commission. Authorisation does not imply official approval or recommendation. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document you should obtain independent professional advice. Issued in Singapore by Threadneedle Investments Singapore (Pte.) Limited, 3 Killiney Road, #07-07 Winsland House 1, Singapore 239519. License Number: CMS100182-1. Threadneedle Investments Singapore (Pte) Limited has exempt fund manager status in Singapore. This document is being issued in Singapore to and is directed only at persons who are accredited investors (as defined in the Securities and Futures Act, Chapter 289 of Singapore) in Singapore. This document must not be relied or acted upon by any persons in Singapore other than an accredited investor. Threadneedle Investments is a brand name and both the Threadneedle Investments name and logo are trademarks or registered trademarks of the Threadneedle group of companies. threadneedle.com