



Threadneedle Investment Funds II

ICVC – Retail Class

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1. INTRODUCTION

This Simplified Prospectus contains key information in relation to Threadneedle Investment Funds II (the “Company”), an open-ended investment company with variable capital incorporated in England and Wales on 3 March 1999.

The Company is authorised and regulated by the Financial Services Authority (the “FSA”). The registered office of the Company is at 60 St. Mary Axe, London, EC3A 8JQ. The Company is classified as a UCITS scheme under FSA rules.

Threadneedle Investment Services Limited is the authorised corporate director of the Company (the “ACD”). The ACD is authorised and regulated by the FSA.

The Company is structured as an umbrella company in that different sub-funds may be established from time to time by the ACD with the approval of the FSA. The Company currently has the following sub-funds:

Threadneedle US Equity Income Fund
Threadneedle UK Growth Fund
Threadneedle European ex-UK Growth Fund
Threadneedle UK Equity Income Fund
Threadneedle Japan Growth Fund
 (Not yet available to retail investors)
Threadneedle Pacific ex-Japan Growth Fund
 (Not yet available to retail investors)

(each a “Fund” and together the “Funds”).

Please note that this Simplified Prospectus refers to the Retail Shares only and reference to “Shares” in this document means “Retail Shares”.

The Funds may also issue Second Retail Shares, Group Shares and Institutional Shares. Further information on these share classes and on the Funds generally, is available in the full **Prospectus** (the “Prospectus”) of the Company, a copy of which is available on request from the ACD by calling **0845 113 0273**, 8.00am to 6.00pm Monday to Friday. To help us to improve our customer service, calls may be monitored and/or recorded.

We are required by the FSA, to categorise our customers to determine the level of protection they will receive. If you invest in Retail Shares of the Company on the basis of this Simplified Prospectus we will treat you as a retail client. This category gives you the highest level of protection available under FSA Rules.

Potential investors are advised to read the Prospectus before making an investment decision. The rights and duties of the investor as well as the legal relationship with the Company are laid down in the Prospectus.

This Simplified Prospectus explains the basis on which the ACD will provide certain services to you if/when you make an order to buy, sell or switch your Shares in the Company. Together with the Prospectus and application form relating to the Company (the “**Application Form**”); this Simplified Prospectus is a written agreement between you and the ACD for that purpose. You should therefore read the Simplified Prospectus in full and ensure that you keep it.

Such services are provided to you on an execution only basis. In other words, we will carry out your instructions to subscribe for, redeem or switch Shares in the Company. We will not offer or give any advice on the merits of your instructions. If you are in any doubt you should consult a financial adviser.

There is no minimum duration for your agreement with us. The information contained in this Simplified Prospectus is valid as at **1 November 2011** and shall remain so until such time as this document is replaced, amended or updated. Before relying on any of the information contained in this document, you should check with the ACD that this is the most recently published Simplified Prospectus relating to the Company.

You have the right to terminate your agreement with us at any time by selling your Shares in the Company. Please see the section headed “**How do I sell my Shares?**” for details.

We may vary the terms of our agreement with you at any time. We reserve the right to vary these terms without notice if required to do so by a change in the FSA Handbook of Rules and Guidance (the “**FSA Rules**”) or applicable law or if less notice is required to be given under the FSA Rules, but provided we notify you in writing as soon as practicable thereafter of any material changes. Provided we are not required by the FSA Rules to obtain the consent of shareholders, we can also make changes to these terms which are necessary as a result of the changes to the Company or the Fund(s) without obtaining your consent.

If you object to any variations proposed to be made to these terms, you have the right to end this agreement at any time by selling your Shares.

Threadneedle Asset Management Limited is the investment manager of the Company (the “**Investment Manager**”). The Investment Manager is authorised and regulated by the FSA.

2. FUND INFORMATION

What are the objectives of Threadneedle Investment Funds II ICVC?

The Company has a range of separate Funds, each with its own investment objective and policy. These are described and explained in more detail below.

There is no guarantee that these objectives will be achieved.

What Funds are available to retail investors?

The Funds in the Company currently available are:

Threadneedle UK Growth Fund
Threadneedle European ex-UK Growth Fund
Threadneedle UK Equity Income Fund

What are the investment objectives and policies of the Funds?

Each Fund will invest in accordance with its own investment objective and policy, as detailed below:

2.1 Threadneedle UK Growth Fund

The objective of the Fund is to achieve long-term capital growth from investments principally in UK equities.

Investment may also occur in other transferable securities, money market instruments, deposits, cash and near cash, and units in collective investment schemes when deemed appropriate.

2.2 Threadneedle European ex-UK Growth Fund

The objective of the Fund is to achieve long-term capital growth from investments principally in European equities, excluding the UK.

Investment may also occur in other transferable securities, money market instruments, deposits, cash and near cash, and units in collective investment schemes when deemed appropriate.

2.3 Threadneedle UK Equity Income Fund

The objective of the Fund is to achieve a high level of income combined with long-term capital growth from investments principally in UK equities.

Investment may also occur in other transferable securities, money market instruments, deposits, cash and near cash, and units in collective investment schemes when deemed appropriate.

Can the Funds use financial derivatives?

The Funds may use derivatives only for the purposes of efficient portfolio management. This means that the reason for using a derivative is one of the following: Reducing risk;

reducing cost; or generating additional capital or income for a Fund with a risk level that is consistent with its risk profile and the risk diversification rules laid down in FSA Rules.

Derivatives may be used more specifically for investment purposes on not less than 60 days' notice to investors. It is not currently intended that any of the Funds will use derivatives for investment purposes.

What type of investors are the Funds designed for?

The Funds are designed for an investor who:

- wants to invest for the long term;
- is comfortable with the suitability of each Fund chosen, including its individual investment objective and policy; and
- understands the relevant risks involved, including the potential risk of loss associated with investing in the stock market.

3. RISK FACTORS

What risks are there with this type of investment?

There are a number of risks that you should be aware of before investing:

- Your investment is not guaranteed. The value of your investment, and any income from it, may fall as well as rise, and you may not get back the amount you have invested. You should view this investment as medium to long term, and should plan to keep it for at least five years.
- The share prices of Funds are calculated daily and are influenced by the value of the assets held; principally equities (company shares). The value of these assets depends upon market movements which are outside the control of the ACD.
- As with all investments, past returns are not a guide to future performance.
- Unless the performance of a Fund meets or exceeds the rate of inflation, the real value of any investment will reduce.
- The Funds may invest in overseas assets which are priced in foreign currencies. In these circumstances, changes in the exchange rate between UK sterling and the foreign currency alone may cause the Fund value to rise or fall.
- Where a Fund invests predominately in one geographic area, any decline in the economy of that area may affect the prices and value of the investments held by the Fund.
- The Funds may have a concentrated portfolio of assets. Lower diversification and active stock selection can result in greater than average investment in individual companies. Such concentration can give rise to more risk than where investments are spread over a large number of companies. Whilst this may increase the potential gains, this concentration of exposure and reduced diversification may also increase the risk of loss to the Fund.
- The tax treatment of the Funds may change and cannot be foreseen.
- For the Threadneedle UK Equity Income Fund, annual fund management charges are taken from the capital of the Fund. This may have the effect of limiting future capital growth or eroding capital value if there is insufficient growth in the value of investments.
- For the Threadneedle UK Growth and European ex-UK Growth Funds, annual fund management charges are taken from income received by the Fund. However, if there is insufficient income to meet such charges, any short fall will be taken from the capital of the Fund and this may have the effect of limiting future capital growth.
- An Initial Charge is applied when you invest in a Fund and you should be aware that this will have the effect of reducing your capital. For this reason, an investment should not be regarded as a short-term arrangement.

A more detailed description of the risks relating to investment in a Fund can be found in the Prospectus.

If you have any doubts about the suitability of an investment, please contact a financial adviser.

4. INVESTING - BUYING SHARES

How can I invest in a Fund?

Your first investment into a Fund can be made by completing the relevant Application Form. To obtain an application form please call us on **0845 113 0273**, or visit our website **www.threadneedle.co.uk**. Please note that calls may be recorded for training and monitoring purposes.

You can make additional investments by letter or telephone provided you include your full name and investment details for registration purposes.

All written applications should be sent to our administration address **Threadneedle Investment Services Limited, PO Box 10033, Chelmsford, CM99 2AL**.

Applications will only be effective when they are received by us at this address.

Applications will not be acknowledged by letter but a Contract Note will be sent to you confirming the details of your investment.

What happens to the money I invest?

The money you invest buys Shares of the Company in the Fund(s) of your choice, as specified on your Application Form. The number of Shares you receive depends on the amount you invest and the price of the Shares at that time. The Share price may go up or down depending on the value of the investments in the Fund.

Further information on the process of buying and selling Shares in the Company can be found in the Prospectus and in the Application Form.

How much money may I invest in the Funds?

The minimum initial lump sum investment in any Fund is £1,000 and the minimum additional investment is £500.

A Regular Savings Facility is available in each Fund with a minimum initial and subsequent investment of £100 per month.

The Regular Savings Facility is also open to those who have invested a lump sum.

There is no maximum investment limit.

Can I invest jointly with someone else?

Yes. Lump sum investments can be made by telephone, online, or alternatively by cheque payment. Joint investors can enclose separate cheques from their own bank accounts, or one cheque from a bank account in one or more of their names. Shares will be issued in the joint names of all investors, but

investment correspondence will be sent only to the first investor named on the Application Form.

Please note, ISA investments cannot be held in joint names.

Can I change my mind?

If you have received advice from a qualified financial adviser before investing in the Company then you have the right to cancel. We will send you a Right of Cancellation Notice when your investment starts and you then have 14 days after receiving the Notice to decide. This applies when you:

- invest in the Company for the first time, either as a lump sum or through a Regular Savings Facility;
- make any future lump sum investments.

If you are happy with your decision to invest you do not need to do anything.

If you do change your mind within those 14 days, you can cancel your investment by completing and returning the Right of Cancellation Notice Form to us. We will sell your Shares at the next dealing price, following receipt of your request. Please note, if the price of Shares has gone down since you made the investment the refund you will receive will be less than you paid, but in any event you will receive a refund of the Initial Charge taken from your investment.

For joint investments, the Cancellation Notice will be sent to the 1st investor named on the Application Form, but any one investor may sign to cancel the whole investment (i.e. not all signatures are required).

Can I switch between Funds?

You may switch Shares from one Fund of the Threadneedle Investment Company to another Fund. You may also be able to switch to another Threadneedle Company. However, you will not be able to switch where:

- the value of the Shares to be switched is less than the minimum permitted transaction;
- or it would result in you holding less than the minimum holding for any particular Fund.

Subject to and as permitted by the FSA Rules we may decline your request.

On a switch you may be charged up to 2% of the price (before application of any dilution levy or SDRT provision) of the Shares being exchanged.

If you wish to switch, please contact your financial adviser or phone us on **0845 113 0273** for details.

Will I receive an income from my investment in the Funds?

In the case of the Threadneedle UK Equity Income Fund you may choose either for the income to be paid directly into your nominated bank account, or for the income to be re-invested to buy more Shares in the Fund. Shares of this nature are known as 'income shares'.

The Threadneedle UK Equity Income Fund pays income quarterly on 28 February, 31 May, 31 August and 30 November. To qualify for an income payment you must hold Shares in the Fund at the end of the preceding calendar quarter. For example, if you hold Shares in this Fund on 30th June, you will qualify for the payment on 31 August.

If you are investing in the Threadneedle European ex-UK Growth Fund, income received by the Funds is automatically reinvested to increase the value of Shares. Shares of this nature are called 'accumulation shares'. You will receive a half-yearly statement showing the value of your investment and details of any income received.

4. INVESTING - SELLING SHARES

How do I sell my Shares?

Investors are entitled on any dealing day to redeem their Shares in the Funds.

Instructions to sell Shares may be given in writing to the ACD: **Threadneedle Investment Services Limited, PO Box 10033, Chelmsford, CM99 2AL** or through your financial adviser. Alternatively, your instructions can be taken by telephone, however, if this is the case we will ask you to confirm your instructions in writing. Please note written requests will only be effective when they are received by us at the above address.

You can cash in your investment, or take withdrawals of £500 or more, at any time, but if you are not withdrawing all of your investment, the balance remaining must be at least £500.

A Contract Note will be sent to you confirming the details of the sale of your Shares.

The sale proceeds will normally be paid to you four business days after the Shares are sold.

Suspension of dealings in Shares

Investors are reminded that in certain circumstances their right to redeem Shares may be temporarily suspended, preventing you from cashing in your investment. A suspension may occur where the Depositary is of the opinion that due to exceptional circumstances there is good and sufficient reason in the interests of shareholders or potential shareholders to suspend the relevant fund.

If such a suspension takes place, the ACD will publish details on its website at www.threadneedle.co.uk.

Further information on the process of buying and selling Shares in the Company can be found in the Prospectus and in the Application Form.

What documentation will I receive after I invest?

If you invest a lump sum you will receive a Contract Note confirming the number of Shares purchased in the Company; the relevant Fund and the price paid. If you top-up your investment, you will receive another Contract Note.

If you invest through a Regular Savings Facility: you will receive a Contract Note confirming the number of Shares purchased in the Company; the relevant Fund and the price paid for the first month only.

You will receive a half-yearly statement showing the value of your investment and any income paid to you.

You will also receive the Company's short report. Copies of the annual long report and accounts are available free of charge on request.

4. INVESTING - MONITORING MY INVESTMENT

What documentation will I receive after I invest?

If you invest a lump sum you will receive a Contract Note confirming the number of Shares purchased in the Company; the relevant Fund and the price paid. If you top-up your investment, you will receive another Contract Note.

If you invest through a Regular Savings Facility: you will receive a Contract Note confirming the number of Shares purchased in the Company; the relevant Fund and the price paid for the first month only.

You will receive a half-yearly statement showing the value of your investment and any income paid to you.

You will also receive the Company's short report. Copies of the annual long report and accounts are available free of charge on request.

How will I know what my investment is worth?

When you make a new or additional investment, we will send you a Contract Note showing your investment amount, the number of Shares you have purchased and the Share price. Every six months we will send you a statement showing the current value of your investment and a summary of any Shares you bought or sold during the period.

How do I find out the current Share price?

You can check the daily Share price on our website at www.threadneedle.co.uk. Alternatively, please phone us on 0845 113 0273 for information.

What about financial advice?

If you are unsure whether or not this investment is right for you, you should seek advice from a financial adviser.

The financial adviser will provide you with details about the cost of providing advice.

What happens to my investment if I die?

This depends on whether Shares are held in a single name or joint names:

Single name: we will value your Shares (for probate purposes) using the price current on the business day coinciding with, or immediately after, the date of death. The Shares can be held as part of your Estate or sold back to the Fund. If they are sold, we will value them using the applicable Share price. The proceeds will be paid to your personal legal representative(s) and taxed as part of your Estate, and may subsequently be liable to Inheritance Tax.

Joint names: the name of the deceased will be removed from our Share Register and the Shares will then be held in the name(s) of the remaining investor(s). The proportion transferred from the deceased to the remaining shareholder(s) will be treated as part of the deceased's estate for Inheritance Tax purposes. It will be valued as at the date of death.

Are the Funds also available through an ISA?

Yes, the Funds of the Company can be held in a Stocks and Share ISA account. Please ask your financial adviser or call us on **0845 113 0273** for further information.

ISA Investments

Threadneedle Investment Services Limited is the "ISA Account Manager" for the Threadneedle Stocks & Shares Individual Savings Account ("Threadneedle ISA"). Shares in a Fund bought through the Threadneedle ISA are subject to the Threadneedle ISA Terms and Conditions. Along with the "Threadneedle ISA Key Features", these are available on request.

5. ECONOMIC INFORMATION

How much will any advice about investment in the Funds cost?

Should you decide to take advice about investing in a Fund, your financial adviser will give you details about the cost of such advice.

What fees and expenses apply to investment in the Funds?

The charges we make for arranging and managing your investment and the professional fees incurred are shared among investors. The current fees and expenses payable directly by you and those paid from the Funds are set out below.

Fees paid directly by you

Initial Charge

We make an Initial Charge of 5% of the amount invested.

Switching Charges

We may charge a switching fee of 2% when Shares of a Fund are switched for Shares of another Fund. Please see the Prospectus for full details on switching between Funds.

Fees paid out of the Fund's assets

Periodic Charge and Other Expenses

The following fees and expenses also apply to each of the Funds but are not paid directly by investors. These fees and expenses are deducted from the property of these Funds.

As ACD, we make an annual management charge, in instalments, which is payable each month in arrears. This charge is in addition to the expenses each Fund pays for the professional services it receives – such as registry and transfer agency, safe custody, audit, regulatory and fund management advice. The scale of annual management charges and the estimated additional expenses for each Fund, per year, including VAT where applicable, are as follows:

Fund	Annual Management Charge as a Percentage of the Price of a Share	Estimated Annual Additional Expenses as a Percentage of the Price of a Share
Threadneedle UK Growth	1.00%	0.10%
Threadneedle European ex-UK Growth	1.00%	0.11
Threadneedle UK Equity Income	1.00%	

These estimates do not include transaction costs associated with buying and selling investments held in the Funds. However, they do include the net annual management charges applied by the operators of any other collective investment schemes held within the Funds.

The Investment Manager's fees and expenses (plus VAT thereon) for providing investment management services, are paid by the ACD out of its annual management charge.

How will charges and expenses affect my investment?

The following figures illustrate the effect of charges and expenses on an investment of £1,000 over periods of 1, 3, 5 and 10 years. **The figures used are examples and are not guaranteed.** The figures do not include security transaction costs.

Threadneedle UK Growth

Lump sum investment of £1,000 (income automatically reinvested) assuming growth of 6% per year

At End of	Your total investment to date	Effect of deductions to date	What you might get back
Year 1	£1,000	£64	£995
Year 3	£1,000	£96	£1,090
Year 5	£1,000	£134	£1,200
Year 10	£1,000	£266	£1,520

The last line in the table shows that over 10 years the effect of total charges and expenses could amount to £266.

Putting it another way, if the growth rate were to be 6.0% a year, which is in no way guaranteed, this would have the effect of reducing the growth rate to 4.3% a year.

Threadneedle European ex-UK Growth

Lump sum investment of £1,000 assuming growth of 6% per year

At End of	Your total investment to date	Effect of deductions to date	What you might get back
Year 1	£1,000	£64	£995
Year 3	£1,000	£96	£1,090
Year 5	£1,000	£135	£1,200
Year 10	£1,000	£268	£1,520

The last line in the table shows that over 10 years the effect of total charges and expenses could amount to £268.

Putting it another way, if the growth rate were to be 6% a year, which is in no way guaranteed, this would have the effect of reducing the growth rate to 4.3% a year.

Threadneedle UK Equity Income

Lump sum investment of £1,000 assuming growth of 6% per year

At End of	Your total investment to date	Effect of deductions to date	What you might get back
Year 1	£1,000	£63	£996
Year 3	£1,000	£95	£1,090
Year 5	£1,000	£133	£1,200
Year 10	£1,000	£263	£1,520

The last line in the table shows that over 10 years the effect of total charges and expenses could amount to £263.

Putting it another way, if the growth rate were to be 6% a year, which is in no way guaranteed, this would have the effect of reducing the growth rate to 4.4% a year.

What if I'm investing a different amount from those shown?

You can use the figures shown in the table above to estimate the values for other investment amounts. For example, if you want to invest £10,000, multiply the figures by 10. If you want to invest £5,000 multiply the figures by 5. Alternatively, to receive a personalised illustration, contact your financial adviser.

What is a Dilution levy?

A dilution levy is a charge that can be levied on those buying or selling Shares in a Fund in order to cover the cost of buying and selling underlying securities in the Fund.

The levy is a useful way to protect the Fund and its shareholders from the effect of these costs because, if a dilution levy is charged, the proceeds of the levy are paid back in to the Fund.

Any decision on whether to apply a dilution levy would be made by the ACD. Please note it is not possible to predict with accuracy when one might be applied. However, it is more likely to occur on a large investment or sale of Shares in the Fund than on a small one. Full information on the Dilution Levy Policy can be found in the Prospectus.

What is Stamp Duty Reserve Tax (SDRT)?

HM Treasury regulations currently require a 0.5% SDRT charge to be made on the value of UK shares sold from a Fund by the ACD and on certain other transfers of Shares. The liability may be reduced or eliminated completely in certain circumstances.

This charge may have an adverse effect on the value of the Funds. The FSA Rules allow the cost of SDRT to be met directly from the relevant Fund. Alternatively, to protect the Fund and its shareholders from the effect of SDRT, the cost can be passed on to those investors whose sale or purchase of Shares has triggered the SDRT (this is called an SDRT provision).

It is not possible to predict accurately whether an SDRT charge will occur at any future point in time. Consequently, it is also not possible to predict accurately how frequently the ACD will need to make such a SDRT provision.

What is the Total Expense Ratio (“TER”)?

The TER shows the annual operating expenses of the Funds. This can be used to help you compare the annual operating expenses of different funds.

The TER includes the annual management charge, plus the expenses for the professional services the fund receives – such as registry, transfer agency, safe custody, audit, regulatory and fund management advice. It does not include the initial charge, transaction expenses, interest on borrowing, payments incurred due to financial derivative instruments, entry/exit commissions or any fees paid directly by the investor and commission sharing arrangements. These are explained in the Prospectus.

The Total Expense Ratio for the Funds is estimated to be as follows:

Threadneedle UK Growth Fund	1.10%
Threadneedle European ex-UK Growth Fund	1.11%
Threadneedle UK Equity Income Fund	1.08%

What is the Portfolio Turnover Rate (“PTR”)?

The PTR measures the dealing activity of a Fund during a specified period of time. The more the fund buys and sells shares and securities, the higher the PTR will be. This will often result in higher costs but may also mean that the Investment Manager is actively managing the assets in line with the stated objectives.

The PTR is calculated according to the following formula:

$$\frac{\begin{aligned} &\text{Value of Purchases of securities} \\ &+ \\ &\text{Value of Sales of securities by the Fund} \\ &- \\ &\text{Value of Subscriptions of Shares} \\ &+ \\ &\text{Value of Redemptions of Shares in the Fund} \\ &+ \\ &\text{Average Fund Net Asset Value over 12 months} \end{aligned}}{\text{Average Fund Net Asset Value over 12 months}} \times 100$$

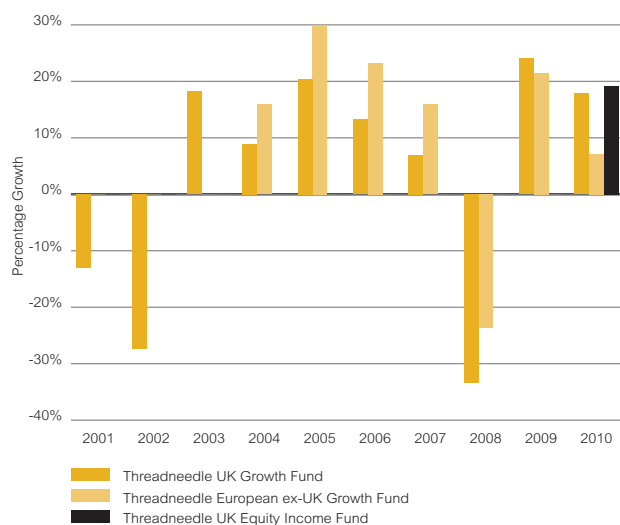
The Annual PTR for these Funds in the year to 31 December 2010 was as follows:

Threadneedle UK Growth Fund	105%
Threadneedle European ex-UK Growth Fund	242%
Threadneedle UK Equity Income Fund*	143%

Past Performance

The past performance of the Funds is shown below in Sterling:

	Thread- needle UK Growth	Thread- needle European ex-UK Growth Fund	Thread- needle UK Equity Income
2001	-13.04	N/A	N/A
2002	-27.37%	N/A	N/A
2003	18.22%	Launched May '03	N/A
2004	8.88%	15.89%	N/A
2005	20.41%	29.96%	N/A
2006	13.24%	23.21%	N/A
2007	6.95%	15.92%	N/A
2008	-33.43%	-23.62%	N/A
2009	24.02%	21.49%	N/A
2010	17.87%	7.16%	19.16%



Source: Morningstar, bid to bid basis, with net income reinvested for a UK basic rate tax payer.

Cumulative performance of Shares in Sterling of the following Funds from launch to 30 September 2011.

	Fund perform- ance (%)	Index perform- ance (%)	Fund launch date
Threadneedle UK Growth Fund	13.20	38.23 (FTSE All-Share)	30 September 1999
Threadneedle European ex-UK Growth Fund	95.86	83.74 (FTSE World European ex-UK)	31 May 2003
Threadneedle UK Index Linked Fund	27.94	40.93 (FTSE All-Share)	31 January 2009

Source: Morningstar, bid to bid basis with net income reinvested for a UK basic rate tax payer as at 30.09.2011

Please note that the above performance numbers do not take account of any Initial Charge applied when you invest.

You are reminded that past performance is not a guide to future returns.

6. TAXATION

How is my investment taxed?

The information below is a general guide based on current United Kingdom law and HM Revenue and Customs practice, both of which are subject to change without warning, and does not constitute legal or tax advice. It summarises the tax position of the investment and of investors who are United Kingdom residents and hold Shares as investments.

Investors should note that exemptions, thresholds and rates of tax can be affected by the personal situation of each investor and may change in future tax years.

Prospective investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, are recommended to take professional advice.

For details of taxation in a Threadneedle ISA, please refer to the Threadneedle ISA Key Features Document.

Tax on the Funds

Each Fund is treated as a separate open-ended investment company for tax purposes.

The Funds are generally exempt from UK corporation tax on capital gains realised on the disposal of investments (including interest paying securities and derivatives) held within them.

Funds may receive interest, dividend or interest distributions from UK collective investment schemes or dividends in respect of investments in equities. The dividends and any part of the dividend distributions which relate to dividends are not subject to corporation tax in the Fund. Each Fund is liable to UK corporation tax at the current rate on any other types of income after deducting management expenses, charges and the gross amount of any interest distributions.

Each Fund will pay any distributable income as dividend distributions which will be automatically retained in the Fund in the case accumulation shares on each relevant distribution date. From the individual shareholder's perspective there is no difference for tax purposes between investment in income and accumulation shares (see below for further details).

Tax on an Individual Shareholder

Dividend distributions to UK resident individuals

Dividend distributions will be received with a 10% tax credit. United Kingdom resident individuals liable to income tax at the basic rate will have no further liability to tax. Higher rate taxpayers, will have to pay a further amount of income tax (equivalent to 25% of the amount received), as will additional rate taxpayers (where the further tax will be equivalent to

approximately 36% of the amount received). Non-taxpayers may not reclaim the tax credits on dividend distributions paid.

For income tax purposes there is no difference between receiving distributions to your bank account and reinvesting the distributions to buy more Shares in the relevant Fund.

It is possible to check HM Revenue and Customs up-to-date figures on tax rates at www.hmrc.gov.uk

Taxation of Capital Gains

Any gains arising on a disposal of shares by a UK resident individual shareholder may be subject to capital gains tax.

Shareholders are only liable to this tax if their total chargeable gains (net of allowable losses) in the year exceed the relevant annual exemption. Once an individual's aggregate chargeable gains for a tax year exceed the annual exempt amount, the balance will be subject to capital gains tax at the applicable rate.

It is possible to check HM Revenue and Customs up-to-date figures on tax rates at www.hmrc.gov.uk

If you are not sure of your tax position, or you think it may change as a consequence of receiving income or selling Shares in a Fund, you should seek professional advice.

Tax on Switches between Funds

A switch of your investment from one Fund to another, or to another Threadneedle Fund, is treated as a potential capital gain (see above "Taxation of Capital Gains").

7. ADDITIONAL INFORMATION

Can I obtain further information?

Additional information; including copies of the Threadneedle Investment Funds II Prospectus and the long-form report and accounts are available on request free of charge from the ACD, **Threadneedle Investment Services Limited, PO Box 10033, Chelmsford, CM99 2AL.**

For any further information, please contact us on **0845 113 0273.**

Who should I contact if I have a query or complaint?

If you have a query or complaint about any aspect of the service you receive from Threadneedle, please phone us on 0845 113 0273 quoting your reference number. Alternatively, you can write to us at: **Threadneedle Investment Services Limited, PO Box 10033, Chelmsford, CM99 2AL.**

Making a complaint will not affect your right to take legal action. We operate a written complaints procedure in accordance with the requirements of the FSA and you may be able to refer your complaint to the Financial Ombudsman Service. Details of our complaints handling process are available on request.

What compensation arrangements apply?

The Financial Services Compensation Scheme offers compensation when an authorised firm is unable to pay claims against it, usually because the firm has gone out of business. The ACD is covered by the Scheme. You may be entitled to compensation from the Scheme if the ACD cannot meet its obligations. The current maximum compensation is £50,000.

Further information is available from: Financial Services Compensation Scheme, 7th Floor, Lloyds Chambers, 1 Portsoken Street, London E1 8BN

Tel: 020 7892 7300
Fax: 020 7892 7301
Email: enquiries@fscs.org.uk

Anti-money laundering

In order to comply with the Money Laundering Regulations 2007 (as amended), the ACD will require verification of identity, if this has not previously been supplied, from any person applying for Retail Shares including, without limitation, any applicant who:

- tenders payment by way of cheque or banker's draft on an account in the name of a person or persons other than the applicant; or
- appears to the ACD to be acting on behalf of some other person.

In the former case verification of the identity of the applicant and the person supplying the funds will be required. In the latter case, verification of the identity of the applicant and any person on whose behalf the applicant appears to be acting will be required.

Holding money on your behalf

If, exceptionally, it is necessary for us to hold client money, it will be placed in a client account with HSBC Bank plc. No interest is payable on client money.

Applicable Law

All matters relating to any proposed or actual investment by you are subject to English law and the jurisdiction of the English courts except that, if the Fund was promoted to you when you were outside the United Kingdom, we are required to comply with the laws of the country where you were located in respect of that promotion.

All communications will be in the English language.

Updating

The information in this document will be updated periodically to reflect changes to the Funds and applicable laws. Please check before making any decision to buy, sell or switch Shares that you have the current version with the up-to-date information.

Direct Debit Guarantee

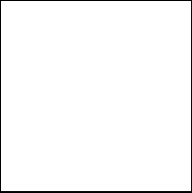


- This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits.
- If there are any changes to the amount, date or frequency of your Direct Debit, Threadneedle Investment Services Limited will notify you 10 working days in advance of your account being debited or as otherwise agreed. If you request Threadneedle Investment Services Limited to collect a payment, confirmation of the amount and date will be given to you at the time of the request.
- If an error is made in the payment of your Direct Debit, by Threadneedle Investment Services Limited or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society.
- If you receive a refund you are not entitled to, you must pay it back when Threadneedle Investment Services Limited asks you to.
- You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. **Please also notify us.**

8. DIRECTORY

Who are the service providers and regulator of the Threadneedle Investment Funds II ICVC?

ACD	Threadneedle Investment Services Limited 60 St. Mary Axe London EC3A 8JQ
Depository	HSBC Bank plc 8 Canada Square London E14 5HQ
Investment Manager	Threadneedle Asset Management Limited 60 St. Mary Axe London EC3A 8JQ
Customer Administrator	International Financial Data Services (UK) Limited St. Nicholas Lane Basildon Essex SS15 5FS
Fund Administrator	HSBC Bank plc 8 Canada Square London E14 5HQ
Auditors	Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ
Regulator	Financial Services Authority 25 The North Colonnade Canary Wharf London E14 5HS



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