



# **Threadneedle Investment Funds III**

## **ICVC – Second Retail Class**

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## 1. INTRODUCTION

**This Simplified Prospectus contains key information in relation to Threadneedle Investment Funds III (the “Company”), an open-ended investment company with variable capital incorporated in England and Wales on 30 November 2007.**

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 Balanced Managed Fund**  
**Threadneedle UK Corporate Bond Fund**  
**Threadneedle UK Short-Dated Corporate Bond Fund**  
**Threadneedle UK Medium & Long-Dated Corporate Bond Fund**  
**Threadneedle UK Short-Term Money Market Fund**  
**Threadneedle UK Fixed Interest Fund**  
**Threadneedle UK Index Linked Fund**  
**Threadneedle Worldwide Select Fund**  
**Threadneedle UK Short-Dated Gilt Fund**

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

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

**The Second Retail Share Class is well suited to the needs of retail investors who choose to administer their investments on a trading platform, wrap service or fund supermarket platform either acting with or without the advice of a professional adviser. If in doubt that this is the right share class for you, please contact a financial adviser.**

The Funds may also issue Retail Shares, and Institutional Shares. Further information on these other 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 Second 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 January 2012** 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 III 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 in the Second Retail share class?

The Funds of the Company currently available are:

**Threadneedle Balanced Managed Fund**  
**Threadneedle UK Corporate Bond Fund**  
**Threadneedle UK Short-Term Money Market Fund**  
**Threadneedle UK Fixed Interest Fund**  
**Threadneedle UK Index Linked Fund**  
**Threadneedle Worldwide Select 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 Balanced Managed Fund

The objective of the Fund is to achieve long-term capital growth and to maximise the capital return whilst moderating the risk of equity investment at any particular point in the economic and business cycle.

The policy of the Fund is to invest principally in a range of collective investment schemes, including sub-funds from other Threadneedle OEICs which provide exposure to equities. Investment of the Fund may be in any geographic or economic sectors of the world, although there will be a bias towards the UK and Europe.

#### 2.2 Threadneedle UK Corporate Bond Fund

The objective of the Fund is to achieve a long-term total return and to maximise this return whilst moderating the risk of investment at any particular point in the economic and business cycle.

The policy of the Fund is to invest principally in investment-grade Sterling denominated corporate bonds. In addition, the Fund may invest in non-Sterling investment-grade bonds, government bonds, sub-investment-grade bonds, convertible bonds and preference shares.

#### 2.3 Threadneedle UK Short-Term Money Market Fund

The objective of the Fund is to achieve an attractive level of return consistent with a high degree of capital security.

The policy of the Fund is to invest principally in UK money market instruments, deposits, cash and near cash.

The Fund is a short-term money market fund and the Fund's investment objective and policy satisfy the conditions set out in the FSA rules allowing it to be classified as a short-term money market fund according to the FSA Rules.

#### **2.4 Threadneedle UK Fixed Interest Fund**

The objective of the Fund is to achieve a long-term total return and to maximise this return whilst moderating the risk of investment at any particular point in the economic and business cycle.

The policy of the Fund is to invest principally in UK government bonds (gilts), and other Sterling denominated fixed interest securities.

#### **2.5 Threadneedle UK Index Linked Fund**

The objective of the Fund is to achieve a long-term total return and to maximise this return whilst moderating the risk of investment at any particular point in the economic and business cycle.

The policy of the Fund is to invest principally in UK index linked gilts and other Sterling denominated index linked securities.

#### **2.6 Threadneedle Worldwide Select Fund**

The objective of the Fund is to achieve long-term capital growth and to maximise the capital return whilst moderating the risk of equity investment at any particular point in the economic and business cycle.

The policy of the Fund is to invest principally in a range of collective investment schemes, including sub-funds from other Threadneedle OEICs which provide an exposure to equities of listed companies and/or to fixed interest securities investment of the Fund may be in any geographic or economic sectors of the world

In pursuit of these objectives and in addition to the individual investment policies of each Fund set out above, each Fund may also invest in other collective investment schemes, including those that provide an exposure to fixed interest securities and also transferable securities, money market instruments, deposits and cash and near cash, when deemed appropriate.

### **Does any Fund invest principally in collective investment schemes or deposits?**

Yes, the Threadneedle Balanced Managed Fund and Threadneedle Worldwide Select Fund both invest principally in other Collective Investment Schemes, including potentially other Threadneedle Funds. The Threadneedle UK Short-Term Money Market Fund, in accordance with its investment policy,

will invest principally in money market instruments and deposits.

### **Does any Fund invest significantly in transferable securities issued or guaranteed by a European state?**

Yes, the investment policy of Threadneedle UK Fixed Interest Fund and Threadneedle UK Index Linked Fund means each Fund will hold more than 35% of its property in UK Government Bonds.

### **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. This may change the risk profile of a Fund, however, 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. The value of these assets depends upon market movements which are outside the control of the ACD.
- Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates increase, capital values may fall and vice versa. There are also risks that the issuer of credit instruments, such as corporate bonds, may default and so fail to meet their liabilities.
- As with all investments, remember, 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.
- The Funds may invest in other investment funds ("**Target Funds**") which have their own investment objectives and policies. There is no guarantee that the Target Funds will achieve such objectives.
- The tax treatment of the Funds may change and cannot be foreseen.
- 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 involved with an investment in the 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?

**If you have invested using the services of a financial adviser or via a trading platform, wrap service or fund supermarket platform, you should contact your financial adviser or service provider in the first instance.**

In all other cases, to buy Shares, contact your financial adviser, complete the relevant Application Form, call us on **0845 113 0273**, or write to us at any time. You can make additional investments by letter or phone, provided you include your full name and investment details for registration purposes. Please note that calls may be recorded for training and monitoring purposes.

All other applications and additional investments can be made by post to **Threadneedle Investment Services Limited, PO Box 10033, Chelmsford, CM99 2AL**. Applications will only be effective when they are received by us at this address.

If you have invested with Threadneedle Investment Services Limited directly then 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 Plan is also open to those who have invested a lump sum.

There is no maximum investment amount.

### Can I invest jointly with someone else?

Yes. Lump sum investments can be made by telephone 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 – all cheques must be received by us before the investment can start. 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 Plan.
- 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).

**If your investment has been made through a trading platform, wrap service or fund supermarket platform you should contact your financial adviser or service provider for details of cancellation rights and procedures.**

### Can I switch between Funds?

You may switch Shares from one Fund of the Company to another Fund. You may also be able to switch to another Threadneedle Investment 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; trading platform, wrap service or fund supermarket platform or phone us on **0845 113 0273** for details.

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

If you are investing in the Threadneedle Balanced Managed Fund or Threadneedle Worldwide Select Fund, income received by the Funds is automatically reinvested to increase the value of Shares. You will receive a half-yearly statement showing the value of your investment and details of any income received. Shares of this nature are known as 'accumulation shares'.

If you are investing in the Threadneedle UK Fixed Interest Fund, Threadneedle UK Index Linked Fund, Threadneedle UK Short-Term Money Market Fund or Threadneedle UK Corporate Bond 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 Fixed Interest Fund, Threadneedle UK Index Linked Fund, Threadneedle UK Short-Term Money Market Fund and Threadneedle UK Corporate Bond Fund pay income half-yearly on 28 February and 31 August.

To qualify for an income payment you must be the holder of Shares in the Fund at the end of the preceding calendar quarter. For example, if you hold shares in the Threadneedle UK Fixed Interest Fund on 30 June 2011, you will qualify for the payment made on 31 August 2011.

## 4. INVESTING - SELLING SHARES

### How do I sell my Shares?

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

**If your investment has been made through a trading platform, wrap service or fund supermarket platform you should contact your financial adviser or service provider for details of how to sell your Shares.**

If you have invested with Threadneedle Investment Services Limited directly then 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.

## 4. INVESTING - MONITORING MY INVESTMENT

### What documentation will I receive after I invest?

If your investment has been made through a trading platform, wrap service or fund supermarket platform you should contact your financial adviser or service provider for details of what you will receive after you invest.

If you have invested a lump sum directly with Threadneedle Investment Services Limited, 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 have invested through a Regular Savings Facility directly with Threadneedle Investment Services Limited, 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.

**If you have invested directly with Threadneedle Investment Services, 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, unless you have invested via a trading platform, wrap service or fund supermarket platform. Copies of the short report and 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.

**If you have invested via a trading platform, wrap service or fund supermarket platform, ask your service provider or financial adviser about the services it will provide to you.**

### How do I find out the current Share price?

You can check the daily Share price on our website at [www.threadneedle.co.uk](http://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.

**If you have invested via a trading platform, wrap service or fund supermarket platform the arrangements may differ. Please ask your financial adviser or service provider for details.**

### Is the Second Retail Share Class of these Funds also suitable for an ISA?

Yes, with the exception of the Threadneedle UK Short-Term Money Market Fund, each of the Funds of the company is suitable for a Stocks and Shares ISA. Please contact your financial adviser for further information.

Please note, the Threadneedle ISA offers access to the Retail Share Class of the Funds and not the Second Retail Class. Further information on the Threadneedle ISA is available on request from your financial adviser or by calling us on **0845 113 0273**.

## 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 4% of the amount invested, with the exception of the Threadneedle UK Short-Term Money Market Fund which has no Initial Charge.

#### 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 Balanced Managed Fund	1.50%	0.66%
Threadneedle UK Corporate Bond Fund	1.25%	0.10%
Threadneedle UK Short-Term Money Market Fund	0.60%	0.07%
Threadneedle UK Fixed Interest Fund	0.90%	0.11%
Threadneedle UK Index Linked Fund	0.90%	0.09%
Threadneedle Worldwide Select Fund	1.50%	0.72%

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?

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

### Threadneedle Balanced Managed Fund

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	£119	£1,070
Year 5	£1,000	£185	£1,150
Year 10	£1,000	£405	£1,380

The last line in the table shows that over 10 years the effect of total charges and expenses could amount to £405.

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 3.3% a year.

### Threadneedle UK Corporate Bond Fund

Lump sum investment of £1,000 (income automatically reinvested) assuming growth of 5.5% per year

At End of	Your total investment to date	Effect of deductions to date	What you might get back
Year 1	£1,000	£55	£999
Year 3	£1,000	£91	£1,080
Year 5	£1,000	£134	£1,170
Year 10	£1,000	£275	£1,430

The last line in the table shows that over 10 years the effect of total charges and expenses could amount to £275.

Putting it another way, if the growth rate were to be 5.5% a year, which is in no way guaranteed, this would have the effect of reducing the growth rate to 3.7% a year.

### Threadneedle UK Short-Term Money Market Fund

Lump sum investment of £1,000 (income automatically reinvested) assuming growth of 2.5% per year

At End of	Your total investment to date	Effect of deductions to date	What you might get back
Year 1	£1,000	£6	£1,010
Year 3	£1,000	£21	£1,050
Year 5	£1,000	£37	£1,090
Year 10	£1,000	£82	£1,190

The last line in the table shows that over 10 years the effect of total charges and expenses could amount to £82.

Putting it another way, if the growth rate were to be 2.5% a year, which is in no way guaranteed, this would have the effect of reducing the growth rate to 1.8% a year.

### Threadneedle UK Fixed Interest Fund

Lump sum investment of £1,000 (income automatically reinvested) assuming growth of 3.5% per year

At End of	Your total investment to date	Effect of deductions to date	What you might get back
Year 1	£1,000	£51	£983
Year 3	£1,000	£76	£1,030
Year 5	£1,000	£103	£1,080
Year 10	£1,000	£186	£1,220

The last line in the table shows that over 10 years the effect of total charges and expenses could amount to £186.

Putting it another way, if the growth rate were to be 3.5% a year, which is in no way guaranteed, this would have the effect of reducing the growth rate to 2.1% a year.

### Threadneedle UK Index Linked Fund

Lump sum investment of £1,000 (income automatically reinvested) assuming growth of 3.5% per year

At End of	Your total investment to date	Effect of deductions to date	What you might get back
Year 1	£1,000	£51	£983
Year 3	£1,000	£75	£1,030
Year 5	£1,000	£102	£1,080
Year 10	£1,000	£184	£1,220

The last line in the table shows that over 10 years the effect of total charges and expenses could amount to £184.

Putting it another way, if the growth rate were to be 3.5% a year, which is in no way guaranteed, this would have the effect of reducing the growth rate to 2.1% a year.

## Threadneedle Worldwide Select Fund

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	£121	£1,060
Year 5	£1,000	£188	£1,140
Year 10	£1,000	£414	£1,370

The last line in the table shows that over 10 years the effect of total charges and expenses could amount to £414.

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 3.3% 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 the 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 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 in the Fund 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 TER for the Funds is estimated to be as follows:

Threadneedle Balanced Managed Fund:	2.16%
Threadneedle UK Corporate Bond Fund:	1.35%
Threadneedle UK Short-Term Money Market Fund:	0.67%
Threadneedle UK Fixed Interest Fund:	1.01%
Threadneedle UK Index Linked Fund:	0.99%
Threadneedle Worldwide Select Fund:	2.22%

### What is the Portfolio Turnover Rate ("PTR")?

The PTR measures the dealing activity of a Fund during a specified period of time. The more a 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:

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

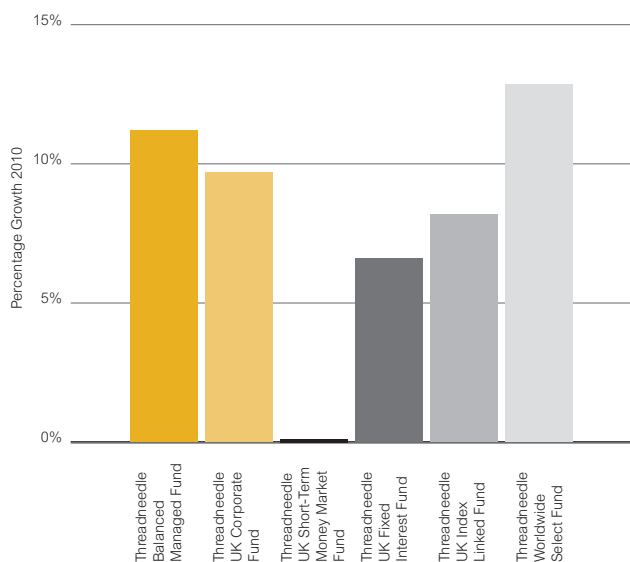
The Annual Portfolio Turnover Rates for these Funds in the year to 31 December 2010 were as follows:

Threadneedle Balanced Managed Fund	164%
Threadneedle UK Corporate Bond Fund	137%
Threadneedle UK Short-Term Money Market Fund	190%
Threadneedle UK Fixed Interest Fund	410%
Threadneedle UK Index Linked Fund	78%
Threadneedle Worldwide Select Fund	176%

### Past Performance

Past performance of the Funds is shown below in Sterling.

	2010
Threadneedle Balanced Managed Fund	11.19%
Threadneedle UK Short-Term Money Market Fund	0.07%
Threadneedle UK Corporate Bond Fund	8.66%
Threadneedle UK Fixed Interest Fund	6.18%
Threadneedle UK Index Linked Fund	7.57%
Threadneedle Worldwide Select Fund	12.85%



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

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

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

	Fund Performance (%)	Fund launch date
Threadneedle Balanced Managed Fund	19.32	30 April 2009
Threadneedle UK Corporate Bond Fund	38.22	30 April 2009
Threadneedle UK Short-Term Money Market Fund	0.29	30 April 2009
Threadneedle UK Fixed Interest Fund	17.24	30 April 2009
Threadneedle UK Index Linked Fund	27.52	30 April 2009
Threadneedle Worldwide Select Fund	20.89	30 April 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 data does not take account of any initial charge applied to an investment in the Fund.

**You are also 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 Fund

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.

### Tax on an Individual Shareholder

**Interest distributions to UK resident individuals**  
**This information is relevant to the Threadneedle UK Short-Term Money Market Fund, Threadneedle UK Fixed Interest Fund, Threadneedle UK Index Linked Fund and Threadneedle UK Corporate Bond Fund.**

An individual shareholder is entitled to a tax credit in respect of any interest distribution income treated as received. The shareholder is subject to income tax on the total of the distribution plus the tax credit. (The total is referred to below as the "gross distribution"). The value of the tax credit is equal to 20% of the gross dividend. So, on a distribution of £80, the tax credit will be £20.

A shareholder who is not liable to tax will be able to reclaim the tax credit from HM Revenue & Customs. A shareholder subject to tax at the starting rate on savings income will be able to set off part of the tax credit against their tax liability and reclaim the other part from HM Revenue and Customs.

In the case of a shareholder paying tax at the basic rate, the tax credit will match the individual's tax liability on the distributions, and so there will be no further tax to pay. A shareholder who is liable to income tax at the higher rate or additional rate must account to HM Revenue and Customs for any further tax due on the gross distribution.

For income tax purposes there is no difference between receiving income to your bank account and re-investing the income to buy more shares in the fund.

**It is possible to check HM Revenue and Customs up-to-date figures on tax rates at [www.hmrc.gov.uk](http://www.hmrc.gov.uk).**

**Dividend distributions to UK resident individuals**  
**This information is relevant to the Threadneedle Worldwide Select Fund and Threadneedle Balanced Managed Fund.**

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 fund.

**It is possible to check HM Revenue and Customs up-to-date figures on tax rates at [www.hmrc.gov.uk](http://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 capital gains 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](http://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 III 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 Financial Services Authority 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 7741 4100  
Email: [enquiries@fscs.org.uk](mailto: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 III ICVC?

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

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