



Key Features of the Threadneedle Stocks and Shares (Stockmarket) Individual Savings Account (B)

Please note that this document
relates to the following funds:

Threadneedle Investment Funds ICVC II

Threadneedle Investment Funds ICVC III

Threadneedle Investment Funds ICVC IV

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1. INTRODUCTION

The Threadneedle Stockmarket ISA

The Threadneedle Stocks and Shares (Stockmarket) ISA, herein referred to as the Threadneedle Stockmarket ISA, is a Stocks and Shares Individual Savings Account which allows you to invest in certain Threadneedle investment funds (“**Funds**”) in a tax-efficient way.

The Threadneedle Stockmarket ISA is now closed to new customers. However, existing Account holders may still choose to invest, and this Key Features Document provides a summary of important information about the ISA. With this Key Features Document you will find enclosed the Terms and Conditions and a booklet called the “**Simplified Prospectus**”. These contain useful information to help explain how this ISA works and how we manage the investments.

A copy of the Full Prospectus relating to the Funds is also available on request.

Its aims

- To give you a tax efficient way to invest in stocks and shares.
- To increase the value of your investment over the medium to longer term.
- To give you the freedom to cash in your investment at any time.

Your investment

- You can invest up to £10,680 in the current tax year (less any money paid into a Cash ISA).
- You invest a lump sum of at least £1,000 or a regular amount of at least £30 a month.
- Whilst there is no minimum investment period you should be aiming to invest for 5 years or more.

Risk factors

- The value of your investment and any income from it may go down as well as up, and when you cash in you may not get back the amount you put in.
- If you cancel during the 14 day cancellation period, we will give you your money back including the initial charge, less any fall in the investment value.
- When a Fund holds overseas investments, currency exchange rates will be an extra factor affecting its performance.

- If the growth on your Fund(s) is less than the charges deducted, the value of your capital will go down.
- The favourable tax treatment of ISAs could change in the future.
- Our charges may increase.

2. YOUR QUESTIONS ANSWERED

We have set out below the answers to some very important questions about this ISA.

What is an ISA?

An ISA is effectively a 'tax efficient umbrella' which means that the money you invest through an ISA enjoys special tax treatment. The money you receive from your ISA will be paid completely tax free and does not need to be entered on your Tax Return. Capital gains made by the Funds are tax free but the ISA Manager can't reclaim 10% tax credits on the dividend distributions paid into the Funds. The value to you of the tax benefits of ISAs will depend on your personal circumstances.

If the Government changes the tax treatment of ISAs this may reduce the potential growth from the investment.

What is the difference between cash and Stocks and Shares ISAs?

In any one tax year (6 April to 5 April), ISAs allow you to make tax efficient investments in two types of ISA – cash and stocks & shares. You can have up to two separate ISAs, one for each type of ISA (with the same or different ISA Managers), or you can have one Stocks and Shares ISA from one ISA Manager.

Can I invest?

The Threadneedle Stockmarket ISA is closed to new Accounts being opened. However, existing Account holders that remain resident in the UK or that are Crown Employees can make additional investments, subject to the subscription rules. If circumstances change, for example, you are no longer UK Resident or a Crown Employee, you must inform us immediately.

Note: although the Threadneedle Stockmarket ISA is now closed to new business, Threadneedle Investment Services Ltd does offer an alternative Threadneedle ISA for new investments. For more information on the Threadneedle ISA, please read the ISA Key Features Document and the ISA Terms and Conditions available under "**Download Literature**" on our website: www.threadneedle.co.uk or speak to a suitably qualified Financial Adviser.

Please note that an ISA cannot be held in joint names.

How do I invest?

Additional investment into our Stockmarket ISA can be made by post to Threadneedle Investment Services Ltd, PO Box 10033, Chelmsford, CM99 2AL or through your financial adviser.

If you are investing a lump sum, you must pay by personal cheque payable (in pounds Sterling) to Threadneedle Investment Services Ltd. If you are paying by a building society cheque please ensure that the building society has endorsed the cheque with your name

and your account number. Where the payment is made by an unendorsed building society cheque, the processing of your application will be delayed as we will need you to provide us with evidence to establish the account from which the funds originated.

Regular investments into the Fund(s) are paid by Direct Debit which we automatically collect from your bank account.

Where can my money be invested?

We offer two funds through our Stockmarket ISA – you can choose to invest in one or both of them:

- Threadneedle UK Growth Fund
- Threadneedle European ex-UK Growth Fund

Please refer to the Simplified Prospectus of Threadneedle Investment Funds II ICVC for more information about these Funds, including their specific investment objective and policy.

How are my payments invested?

- When you invest in one or more of the Funds, we will buy shares based on the amount you invest less any initial charge.
- The price you pay for Shares will be calculated at the next dealing deadline after receiving your instruction. For Direct Debits it will be the business day when your payment is collected. The dealing deadline is 2pm on each business day.

How will I know what my Stockmarket ISA is worth?

When you make an additional investment we will send you written confirmation of your contract details showing your investment amount, the number of Shares purchased and their Share price.

- Every six months we will send you a statement showing the current value of your ISA and a summary of any transactions you have made during the period.
- You can check the latest Share prices for the Funds on our website at threadneedle.co.uk. Or, you can phone us on 0845 113 0273 for this information.

Can I increase my investment?

Yes. You can add lump sums of £500 or more at any time. The minimum regular investment increase is £10 per month, per Fund.

Can I reduce my regular investments into my ISA?

Yes. You can reduce your regular investments into the Fund(s) at any time. However, the minimum amount is £30 a month per Fund.

You can also stop investments at any time, but if:

- you do not make any regular payments for 6 months, and
- the total value of your Shares is less than £500 (per fund if you are invested in both) we reserve the right to sell your Shares and pay the proceeds to you, tax free.

Can I take money out?

You can cash in your investment or take withdrawals of £500 or more, at any time.

We will normally send you a cheque within 4 working days of receiving your request.

If you are not withdrawing all the money from the Fund(s), the remaining balance must be at least £500 per Fund.

If you take money out and want to put it back later in the same tax year, it will count against your annual ISA allowance for that tax year. For example, if you have invested the maximum and take a withdrawal, you will not be able to put any more money into your ISA until the next tax year.

If you are thinking about taking withdrawals from your ISA, it is important to understand that if the amount of your withdrawals is higher than the growth on your plan, this will eat into your original investment.

What happens to my ISA if I die?

Your investment will be tax exempt until the date of death. The value of your ISA, after deduction of the appropriate tax for any income earned after the date of death, will normally go to your estate, which may be liable to Inheritance Tax.

Can I transfer money from this ISA to another ISA manager?

Yes. You can instruct us to transfer your Stockmarket ISA to another ISA Manager though this will depend on their terms. Within ISA rules you can only transfer your stocks & shares ISA to another stocks & shares ISA. With our ISA, on a transfer out all the money is transferred and the ISA is closed.

What about tax?

- All gains will be free of capital gains tax if you cash in all or part of your ISA investment.
- The ISA Account Manager can reclaim the tax credit on any direct holding in UK fixed interest securities. It may

not be possible to reclaim tax already deducted from overseas dividends or income.

- You do not need to inform HM Revenue & Customs of any income or gains you receive from your ISA.

Your entitlement to these tax benefits cease if your personal circumstances change such that you are no longer eligible to hold an ISA Account.

This is based on our understanding of current HM Revenue & Customs tax rules and regulations. These rules and regulations may change in the future and the value of the tax advantage depends on your individual circumstances.

Can I change my mind?

When you receive confirmation of your investment you will also receive a notice reminding you of your right to change your mind. If you have received financial advice you will have a legal right to cancel the investment within 14 days. You can do this by completing and returning the Right of Cancellation Form to us: Threadneedle Investment Services Limited, PO Box 10033, Chelmsford, CM99 2AL.

What happens if I change my mind?

If you cancel an additional lump sum or an increase to a regular payment it will not affect your existing ISA investment.

If you change your mind within 14 days, any new regular investment or increase will be refunded (including a full refund of any charges). But, if you invest a lump sum and the Share price at the cancellation date is lower than it was at the investment date, you will get back less than you invested. If the Share price is higher, you will not benefit from any increase.

How will charges and expenses affect my investment?

Their effect on a single investment of £1,000 is set out in Tables 1 and 2. Their effect on investments of £100 a month is set out in Tables 3 and 4. The figures assume a growth rate of 7% a year and are not guaranteed and serve only to show the effect of deductions and expenses on an investment. They could be higher or lower than this.

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

You can use the figures shown in the tables to estimate the values for other investment amounts. For example, if you want to invest more, say £250 a month, simply multiply the regular investment figures by 2.5. If you want to invest less, say £45 a month, then multiply the figures by 0.45. Lump sums work on the same principle.

Table 1 – lump sum investments of £1000 in the Threadneedle UK Growth Fund

(income reinvested) 2.5% initial charge

At End of	Your total investment to date	Effect of deductions to date	What you might get back
Year 1	£1,000	£38	£1,030
Year 3	£1,000	£69	£1,150
Year 5	£1,000	£108	£1,290
Year 10	£1,000	£249	£1,710

- The last line in the table shows that over 10 years the effect of the total charges and expenses could amount to £249.
- Putting it another way, if the growth rate were to be 7% a year, which is in no way guaranteed, this would have the effect of reducing it to 5.6% a year.

Table 2 – lump sum investments of £1000 in the Threadneedle European ex-UK Growth Fund

(Income reinvested) 2.5% initial charge

At End of	Your total investment to date	Effect of deductions to date	What you might get back
Year 1	£1,000	£38	£1,030
Year 3	£1,000	£69	£1,150
Year 5	£1,000	£108	£1,290
Year 10	£1,000	£250	£1,710

- The last line in the table shows that over 10 years the effect of the total charges and expenses could amount to £250.
- Putting it another way, if the growth rate were to be 7% a year, which is in no way guaranteed, this would have the effect of reducing it to 5.6% a year.

Table 3 – regular investments of £100 per month in the Threadneedle UK Growth Fund

(Income reinvested) 2.5% initial charge

At End of	Your total investment to date	Effect of deductions to date	What you might get back
Year 1	£1,200	£38	£1,200
Year 3	£3,600	£167	£3,830
Year 5	£6,000	£381	£6,770
Year 10	£12,000	£1,424	£15,700

- The last line in the table shows that over a savings period of ten years, the effect of the total charges and expenses could amount to £1,424.
- Putting it another way, if the growth rate were 7% a year – this is by no means guaranteed growth – the deductions would have the effect of reducing it to 5.4%.

Table 4 – regular investments of £100 per month in the Threadneedle European ex-UK Growth Fund

(Income reinvested) 2.5% initial charge

At End of	Your total investment to date	Effect of deductions to date	What you might get back
Year 1	£1,200	£38	£1,200
Year 3	£3,600	£168	£3,830
Year 5	£6,000	£383	£6,770
Year 10	£12,000	£1,433	£15,700

- The last line in the table shows that over a savings period of ten years, the effect of the total charges and expenses could amount to £1,433.
- Putting it another way, if the growth rate were 7% a year – this is by no means guaranteed growth – the deductions would have the effect of reducing it to 5.4%.

What are the charges?

The charges we make for arranging and managing your investment and the professional fees incurred are shared among investors. They are explained here, and have been taken into account in the figures shown in the Tables 1 to 4.

Initial charge: We take this by adding 2.5% to the price you pay for your Shares each time you make an investment. The Fund has a single Share price – which is used whether Shares are being bought or sold.

1% annual charge: We take this, in instalments, from the Fund(s) each month (in arrears). This charge is in addition to the expenses paid by the Fund(s) for the professional services it receives – such as safe custody, audit, regulatory and fund management advice which currently amount to around 0.10% a year for Threadneedle UK Growth Fund and 0.11% a year for Threadneedle European ex-UK Growth Fund (including VAT where applicable). These figures do not include the dealing costs incurred by the funds when they buy and sell their underlying investments.

The annual charge and other expenses are normally taken from the income received by the Fund(s), but may be taken from capital if there is insufficient income. We have the right to increase the initial charge up to a maximum of 5% and the annual charge up to a maximum of 2%. If we make an increase, we will let you know at least 60 days in advance.

Dilution levy: Where a Fund buys or sells underlying investments in response to a request for the issue or redemption of shares, it will generally incur a cost. This is made up of dealing costs and any spread between the bid and offer prices of the investments concerned, which is not reflected in the issue or redemption price paid by or to the shareholder and which is referred to as “dilution”.

With a view to reducing this cost the Authorised Corporate Director (ACD) of the Fund is entitled to require payment of a “dilution levy”, to be added to the sale price or deducted from the redemption price of shares as appropriate. This amount is not retained by the ACD, but is paid into the Fund. On the occasions when the dilution levy is not applied there may be an adverse impact on the total assets of the Fund.

As dilution is directly related to the inflows and outflows of monies from the Fund it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently, it is also not possible to accurately predict how frequently the ACD will need to make such a dilution levy.

Stamp Duty Reserve Tax (SDRT) & SDRT Provision: HM Treasury regulations require a 0.5% SDRT charge to be made on the value of shares redeemed 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 a Fund. The Financial Services Authority's rules allow the cost of SDRT to be met directly from the Fund's assets or to be recovered from investors on the purchase or redemption of shares in a Fund (called an SDRT provision).

This amount is not retained by the ACD, but is paid into the Fund. As an SDRT charge is directly related to the inflows and outflows of monies from the Fund it is not possible to accurately

predict whether an SDRT charge will occur at any future point in time.

Consequently, it is also not possible to accurately predict how frequently the ACD will need to make such an SDRT provision. Up to a maximum of 0.5% could be levied on new investments, switches or withdrawals made on any day where the total value of such transactions would be likely, in our view, to disadvantage shareholders in general.

3. COMPLAINTS

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

If you have a complaint about any aspect of the service you receive from Threadneedle, please telephone 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 Financial Services Authority rules and you may be able to refer your complaint to the Financial Ombudsman Service. Details of our complaints handling process are available on request from the above address.

4. COMPENSATION

Do compensation arrangements apply to the Threadneedle Stockmarket ISA?

Yes. We are covered by the Financial Services Compensation Scheme. In the event that Threadneedle Investment Services Ltd is unable to meet its liabilities in respect of our Stockmarket ISA and where you have a valid claim you may be entitled to redress from the Financial Services Compensation Scheme. The maximum level of compensation is £50,000.

For further details you can contact: The Financial Services Compensation Scheme, 7th Floor, Lloyds Chambers, 1 Portsoken Street, London E1 8BN. Tel: 020 7892 7300. Fax: 020 7892 7301 or email: enquiries@fscs.org.uk.

Client Categorisation

We are required by our regulator, the Financial Services Authority, to categorise our customers to determine the level of protection they will receive. If you invest in our Stockmarket ISA described in this Key Features Document we will treat you as a retail client. This category gives you the highest level of protection available under FSA rules.

Applicable Law

The law of England will apply to the Stockmarket ISA. All communications will be in the English language.

Terms and conditions

This Key Features Document gives you a summary of our Stockmarket ISA. You should also see the Terms & Conditions and Simplified Prospectus of Threadneedle Investment Funds II ICVC. You may already have a copy, but if not, ask your Financial Adviser or request a copy from us.

Investing by Direct Debit

If you make regular monthly or annual investments into Threadneedle UK Growth Fund and/or Threadneedle European ex-UK Growth Fund, we automatically collect these from your bank account when they are due, by Direct Debit.

If you alter the amount you pay in the future, we will collect the revised amount automatically from your bank account, without the need for you to complete a new Direct Debit instruction. If you stop payments for a time and then want to restart them we will send you a new Direct Debit instruction to complete.

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 if the Direct Debit is cancelled.**

5. FURTHER INFORMATION

Account – a Threadneedle Stocks and Shares (Stockmarket) Individual Savings Account held under the relevant Terms and Conditions.

ISA Account Manager – This is Threadneedle Investment Services Limited. Where the context requires “us”, “we” and “our” should be similarly construed.

Threadneedle Investment Funds II ICVC

(“the Company”) – This is an open-ended investment company with variable capital incorporated under Regulation 14 (Authorisation) of the Open-Ended Investment Companies Regulations 2001 and is authorised by the Financial Services Authority.

The Threadneedle UK Growth Fund and Threadneedle European Ex-UK Growth Fund, both sub-funds of the company, are made available for investment through the Threadneedle Stockmarket ISA. Copies of the Prospectus and long Reports and Accounts for Threadneedle Investment Funds II ICVC, and the short Report and Accounts for the Threadneedle UK Growth Fund and Threadneedle European ex-UK Growth Fund are available on request.

Authorised corporate Director (ACD) for Threadneedle Investment Funds I ICVC – This is Threadneedle Investment Services Limited. The ACD is responsible for dealing with the day to day management and administration of the Fund and for complying with investor protection regulations.

Depositary for Threadneedle Investment Funds II ICVC

This is HSBC Bank plc, 8 Canada Square, London E14 5HQ. Authorised and regulated by the Financial Services Authority. The Depositary is independent of Threadneedle and holds the investments of the Fund for safekeeping. It has legal title to the investments and is responsible for checking that regulatory requirements are met.

Share types – The Threadneedle UK Growth Fund and Threadneedle European ex-UK Growth Fund have Net Accumulation Shares available – this means that dividend distributions are automatically reinvested and are reflected in the price of the Shares.

Buying and Selling Shares – Shares are bought or sold on your behalf in Threadneedle Investment Funds II ICVC on a ‘forward pricing’ basis. This means, if we receive your full instructions either to invest, switch or cash in money before the Dealing Deadline on a business day, you will get the Share price calculated that day. After the Dealing Deadline, or on days which are not business days, you will get the price calculated on the next business day.

Share prices – These are based on the value of the stocks and shares which make up the Fund.

Holding of Shares within the Threadneedle Stockmarket ISA

– Shares will be held on your behalf in the name of Threadneedle Investment Services Ltd (ISA).

Share certificates – We do not issue certificates when you buy Shares in the Fund. Instead we will send you written confirmation of your investment contract.

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