

Key Features

Offers the potential of strong returns from global equities

Actively managed, research driven approach

Draws on collective expertise of Threadneedle's investment professionals

Investment team with extensive experience in global equities

High conviction yet well-diversified portfolio

A proven track record of long-term outperformance and high risk-adjusted returns

Global Equities High Alpha strategy

Key facts*

Lead portfolio manager: William Davies

Benchmark: MSCI AC World Index

Investment objective: The strategy aims to maximise total returns by investing globally in a diversified portfolio of equities

Investment universe: All exchange traded stocks with a market cap in excess of USD 1 billion (c.5,500 securities)

Performance target: To outperform the benchmark by 3% per annum (gross of fees) over rolling 3-year period

Stock weightings: +/- 3% versus benchmark

Sector weightings: +/- 10% versus benchmark

Regional weightings: +/- 15% versus benchmark

Number of holdings: Between 70 and 110 securities

Total AUM managed in all global equity strategies: USD 3.5 billion

Performance returns

	1 year	3 years	5 years	Inception ¹
Composite	1.46%	21.10%	2.05%	8.94%
Benchmark ²	-0.19%	21.38%	0.34%	6.14%
Value added	+1.65%	-0.28%	+1.71%	+2.80%

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

¹Inception date of the Global Equities High Alpha strategy is 31.12.2003. ²Benchmark is MSCI AC World Index.

Investment philosophy

- Fundamental, bottom-up stock selection is a key driver of performance.
- Top-down economic and thematic inputs provide us with a perspective advantage.
- Firm-wide co-operation and debate strengthen investment conclusions.

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

Investment team

Our 7-strong global equity team has extensive portfolio management and equity research experience in global equities. These complementary strengths enable the team to bring a diverse range of skills and ideas to managing our global equity strategies.



William Davies
Head of Global Equities
27 years' experience



Stephen Thornber
Portfolio Manager/
Analyst
25 years' experience



Neil Robson
Portfolio Manager/
Analyst
26 years' experience



Esther Perkins
Portfolio Manager/
Analyst
14 years' experience



Pauline Nepgen
Portfolio Manager/
Analyst
12 years' experience



Jonathan Crown
Portfolio Manager/
Analyst
11 years' experience



Ashish Kochar
Analyst
8 years' experience

Investment process

The global equity team carries out proprietary research while drawing on all the resources that Threadneedle has to offer. The team interacts with our regional and global sector teams, but also with Threadneedle's commodities and fixed income desks to capture the best investment ideas. This highlights important themes and stock-level opportunities and focuses our research efforts on those ideas with significant potential. Conviction is built by subjecting each idea to rigorous analysis. This involves evaluating each investment idea in a standardised research document and submitting it to peer review. Portfolios are carefully constructed from the bottom-up, with sector and regional weights, a by-product of stock selection decisions.

Our process is illustrated in the diagram below:



Idea generation

Whilst the global equity team draws from the research output from our regional equity desks and global sector teams, the team controls its own research agenda and is responsible for formally analysing investment opportunities in a global context.

The macroeconomic and thematic insights generated by our in-house strategy groups enable us to highlight areas of the market likely to be a good source of stock opportunities, and also to gain a better understanding of potential risks, which could impact both financial markets and portfolios. An awareness of the global economic and market environment and an identification of key investment themes leads to a dynamic approach as macroeconomic considerations and stock-level opportunities interact.

Each member of the global equity team has responsibility for liaison with at least one regional desk and sits on or chairs at least one global sector group. This close interaction provides a ready flow of ideas to and from the global equity team, resulting in an integrated approach to identifying our best ideas from across the world.

Meeting companies is central to our fundamental approach and the broad Threadneedle investment team holds approximately 3,200 such meetings each year. By engaging with existing and potential investments, we gain a thorough understanding of the factors driving a firm's profitability. Face-to-face meetings also give us an opportunity to understand better management plans and strategic choices. Company meetings are also an important source of idea generation as they highlight / confirm industry trends, but also developments at clients, suppliers and competitors.

Research/debate

The global equity team meets weekly to review current and potential portfolio holdings. Each stock-level analysis starts with a comprehensive assessment of business fundamentals, including industry dynamics, the sustainability of a firm's business model, as well as financial fundamentals, where we, for instance, evaluate a firm's capital allocation record. The analysis centres primarily on how these factors will evolve over the foreseeable future (i.e. 2-3 years).

The global equity team then uses the information it has gleaned when analysing the business fundamentals and meeting with management to value each stock. The team typically uses a range of valuation metrics to establish a price target at the end of our forecast period (i.e. 2-3 years). A standard template is prepared for each stock and discussed at our weekly review meeting. This provides a formal peer review of all stock opportunities, drawing on the team's diverse strengths and perspectives.

This means that in general we look for stocks with the following characteristics:

- A share price held back by shorter-term concerns.
- An attractive valuation based on our two/three years' forecasts for the business.
- The ability to exceed market or consensus profit expectations.
- Strong cash flow generation.
- High / improving corporate governance.

Provided a stock meets these requirements, it will be a candidate for portfolio inclusion.

Implementation

Portfolio construction is driven by stock selection, with the size of individual holdings ultimately determined by the portfolio manager.

As positions actively compete for capital, we discuss as a team how a new idea fits into current portfolios that we manage, and how we want to adjust other holdings to make room for it. Initial positions typically range from 0.5% to 3% of capital, and we may build holdings up and take partial profits on a position over time if appropriate, rather than buy or sell full positions in a single transaction. Overall, our objective is to construct a portfolio that aims to maximise risk-adjusted returns.

All holdings are monitored on a weekly basis when we review both their valuation and performance against targets. A position is reviewed more formally when a company reaches its target price or time horizon, or when the investment case changes.

Risk management supports and enhances the portfolio manager's decision-making, with an integrated framework that combines both investment and non-investment risk. Our independent risk management team produces daily reports on every portfolio we manage, using a proprietary risk system to provide comprehensive risk analytics. We use these to understand and assess where risks are assumed and to ensure that their direction and extent is appropriate for each portfolio, and that the portfolio is adequately diversified. We also actively manage our portfolios to ensure they remain in line with client objectives and restrictions.

GIPS – Global Equities High Alpha Composite

Year End	Composite Total Return Gross %	Primary Benchmark %	Geometric Relative Return %	Composite 3-Yr St Dev %	Benchmark 3-Yr St Dev %	Number of Portfolios	Composite Dispersion	AUM Composite (millions)	AUM Firm (millions)	%age of firm assets
2004	22.24	15.75	5.60	N/A	N/A	1	N/A	457.41	120,491.0	0.4
2005	19.81	11.37	7.57	N/A	N/A	1	N/A	1052.08	120,112.9	0.9
2006	21.85	21.53	0.26	10.35	8.23	2	N/A	969.9	141,226.2	0.7
2007	18.17	12.18	5.34	11.17	8.77	2	N/A	1,326.9	134,743.1	1.0
2008	-40.38	-41.85	2.52	18.56	18.23	2	N/A	703.0	72,970.7	1.0
2009	32.74	35.41	-1.97	21.30	22.69	4	N/A	1,205.3	97,675.0	1.2
2010	14.28	13.21	0.94	23.44	24.86	5	N/A	1,348.3	105,948.8	1.3
2011	-7.57	-6.86	-0.76	20.58	20.89	6	0.1	1,609.4	113,513.9	1.4
YTD	14.97	12.02	2.64			7		2,209.6	123,089.9	1.8
3 Months	14.97	12.02	2.64			7				
Rolling 1 Year	1.46	-0.19	1.66			7				
Rolling 3 Year	77.61	78.83	-0.68			7				
Annualised	21.10	21.38	-0.23							
Rolling 5 Years	10.70	1.71	8.84			7				
Annualised	2.05	0.34	1.71							
Since Inception (31/12/2003)	102.67	63.48	23.98			7				
Annualised	8.94	6.14	2.64							

The 'Firm' is defined as all portfolios managed by Threadneedle Asset Management Limited and Threadneedle International Limited since 01/01/2000 excluding directly invested property portfolios. In 2009 Threadneedle acquired the Standard Chartered World Express SICAV business with a value of \$2.38bn. The funds have been incorporated into the composites according to GIPS standards. Subadvisors are used to manage some of these portfolios. (Threadneedle Asset Management Limited and Threadneedle International Limited are authorised and regulated in the UK by the Financial Services Authority. In addition, Threadneedle International Limited is registered with the Securities and Exchange Commission (SEC) in the United States as an investment adviser under the US Investment Advisers Act of 1940). This composite comprises all discretionary accounts managed according to the Firm's Global Equities (High Alpha) strategy. Threadneedle Asset Management 'the Firm' claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS Standards. Threadneedle Asset Management has been independently verified by Ernst & Young LLP for the periods 1st January 2000 to 30th June 2011. The verification reports are available upon request. Verifications assesses whether the firm has complied with all composite construction requirements of the GIPS Standards on a firm wide basis and that the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS Standards. Verification does not ensure the accuracy of any specific composite presentation. The portfolio returns used in composites are calculated using daily authorised global close valuations with cash flows at start of the day. Returns are net of non-recoverable withholding tax, whilst any recoverable tax is included on a cash basis. Composite returns are calculated by using underlying portfolio beginning of period weights and monthly returns. Periodic returns are geometrically linked to produce longer period returns. Additional information regarding policies for calculation and reporting of returns is available on request. Composite performance results are presented gross of management fees and custodian fees but after deduction of trading expenses. The representative fee scale for this composite is 0.30% per annum. The dispersion of annual returns is measured by the asset weighted standard deviation of portfolio returns represented within the composite for the full year. Dispersion is only shown in instances where there are five or more portfolios throughout the entire reporting period. The primary benchmark for this composite is the MSCI AC World. Derivative instruments may be used for efficient portfolio management and currency management. The primary use of derivatives is not designed to create a highly leveraged investment position. The three-year annualised standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 month period. A full list of composites is available upon request.

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