



Quentin Fitzsimmons
Head of Government
Bonds and Fund Manager
since July 2010

Key Facts

Launch date: October 2005

Fund size:*
£482.3m
€571.9m
US\$768.6m

Index: 3 Month LIBOR

Sector: IMA Absolute Return

Annual Management Fee:
1.25%

Minimum investment:
£2,000

ISIN: GB00B0L4TF81

SEDOL: B0L4TF8

Bloomberg: THARRNA LN

*As at 29.02.2012.



Investor Profile

The Fund may be suitable for investors with a medium term investment horizon seeking a total positive return who are prepared to tolerate moderate price fluctuations. Please see key risks on back page which apply specifically to this Fund.

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Threadneedle Absolute Return Bond Fund

About the Fund

The aim of the Fund is to achieve a total positive return in all market conditions through exposure to global bond and currency markets. The Fund will be invested primarily in derivatives, cash and near cash, fixed interest securities, index-linked securities, money market instruments and deposits. At times the portfolio may be concentrated in any one or combination of the above investments and may take long and short positions through derivatives linked to such issues.

Key selling points

- Best ideas fixed income and currency portfolio. The manager seeks investment opportunities in interest rate and credit markets across the globe by taking long and short positions in areas such as government bonds, interest-rate swaps and currencies.
- The portfolio is constructed to maximise opportunities for alpha generation from selected investment strategies in the fixed income and currency markets, while making use of a high-quality portfolio of short-dated bonds to provide the beta side of performance.
- An ideal structure. The Fund brings together sophisticated tools and strategies within a fully authorised and regulated framework, fully utilising its UCITS power.
- Experienced investment team. The Fund utilises the best ideas from Threadneedle's fixed income team of over 20 investment professionals and is managed by Quentin Fitzsimmons who is Head of Government Bonds. Quentin has been involved in the management of the Fund since launch.
- The Fund aims to deliver a return of 300bps over its cash benchmark (3 month LIBOR) over the medium term (18-24 month investment horizon, gross of fees). The portfolio aims to deliver a positive return greater than zero over a 12 month period. For the avoidance of doubt, the Absolute Return Bond Fund does not offer any form of guarantee with respect to investment performance and no form of capital protection will apply.

Maintaining focus while generating alpha

The manager typically employs 10-12 strategies within the primary investment area of the portfolio at any one time. Some of these strategies may be more long-term plays, whilst others may be very short-term in response to market movements. This range of strategies helps to control risk while also providing ample scope to create alpha.

Portfolio construction

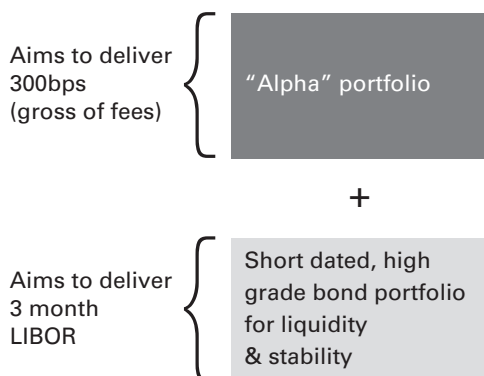
The portfolio is constructed using two main building blocks, each of which delivers different aspects of performance.

1. Underlying actual securities

- These are the bedrock of the portfolio where short-dated high-grade bonds are used with the aim of providing liquidity and security.
- Investment may include:
 - Cash, near cash, fixed interest securities, money market securities and deposits.

Portfolio building blocks

– Blending tactical and strategic decisions



2. "Alpha" portfolio: investment strategies seeking excess returns

This area of the portfolio aims to generate alpha. Examples of potential investment strategies are:

- Directional positions designed to benefit from absolute moves in markets. An example would be a long call option on Fed Funds futures that reflects a bearish view on the US economy and a below consensus view on interest-rates.
- Relative value trades exploit moves between bond classes, for example, long high yield vs short investment grade if we expect the former to outperform the latter.
- Strategies to profit from changes in the shape of yield curves, for example, an overweight position in short-dated bonds vs an underweight position in longer-dated bonds to profit from steepening yield curves.
- Currency positions based on our analysis of foreign exchange trends. An example would be a long euro vs short Icelandic krona trade to gain from expected strengthening in the single currency against the krona.

Key risks

Investors should note that this Fund does not offer any form of guarantee with respect to investment performance and no form of capital protection will apply. The interest rate on corporate bonds and most government bonds will not increase in line with inflation. Thus, over time, the real value of investor's income could fall. The Fund uses derivatives and forward transactions for EPM will not increase the risk profile of the Fund. The use of derivatives for investment purposes may increase the risk profile of the Fund. The Fund's exposure involves short sales of securities and leverage which increases the risk of the Fund. The term "short sales" refers to an exposure through derivatives to the selling of securities that are not owned by the seller at the time of the sale in anticipation that its value will fall. However, if the value of that security increases, it will have a negative effect on the Fund's value. In a rising market, leverage can enhance returns to Shareholders but if the market falls, losses may be greater.



Find out more

Speak to your usual Threadneedle Investments contact.
Visit threadneedle.com

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