

Key features

High return opportunity from commodity markets and potential inflation protection benefits

Actively managed, research driven approach seeks best investment ideas from across the commodity spectrum

Well diversified portfolio of long-only strategies

Multi-disciplined investment team with extensive experience of commodity markets

Draws on scale and diversity of wider investment platform and sophisticated risk management framework

Enhanced Commodities strategy

Key facts*

Co-portfolio managers: David Donora and Nicolas Robin

Benchmark: DJ UBS Commodities Index

Investment objective: The strategy invests actively in commodities via derivatives on a global basis to achieve long-term capital growth in excess of the benchmark index

Investment universe: The strategy will invest primarily via derivatives in commodities within the DJ UBS Commodities Index, the S&P GSCI, as well as off-benchmark commodity derivatives

Performance target: To outperform the benchmark by 3-6% per annum (net of fees)

Tracking error: c.6%

Leverage: The strategy will not use leverage

Ability to short: The strategy will not use shorting

Credit exposure: Limited to 1-day mark-to-market

Collateral: Collateral will be held in government securities, e.g. T-Bills

Commodity exposure: Typically between 0%-5% for commodity derivatives with low index weights, and +/-7% relative to benchmark for high index weights

Number of holdings: We have exposure to a diversified range of commodity derivatives in the portfolio

Liquidity: The strategy aims to be fully invested at all times, with daily liquidity available to investors

Regulation: Portfolio invested within UCITS framework

Total AUM managed in all Commodities Strategies: USD 585 million

Performance returns

	3 months	YTD	1 year	Inception ¹
Composite	6.23%	6.23%	-4.45%	19.14%
Benchmark ²	0.89%	0.89%	-16.28	7.24%
Value added	+5.34%	+5.34%	+11.83%	+11.9%

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 performance. 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 of the Enhanced Commodities strategy is 30.06.2010. ²Benchmark is DJ UBS Commodities Index.

Investment philosophy

Commodity markets are individual and distinctive with unique characteristics that constantly change and evolve over time. Trading or investing in commodities requires specialist skills and experience that can adapt to these changes.

Our active approach is not constrained by the rigidity of passive strategies inherent in benchmark investing, and we can exploit the many opportunities that regularly exist in all commodity markets. We seek sustained long-term outperformance through fundamentally driven active management utilising all aspects of the market.

*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

The specialist commodities team has extensive experience of investing and trading in global commodity and hedge fund markets. These complementary strengths enable us to bring a diverse range of skills and ideas to managing our active commodity strategies.



David Donora
Portfolio Manager
30 years' experience



Nicolas Robin
Portfolio Manager
11 years' experience



Daniel Belchers
Portfolio Manager
10 years' experience



Ullaas Misra
Quantitative Specialist
8 years' experience

Investment process

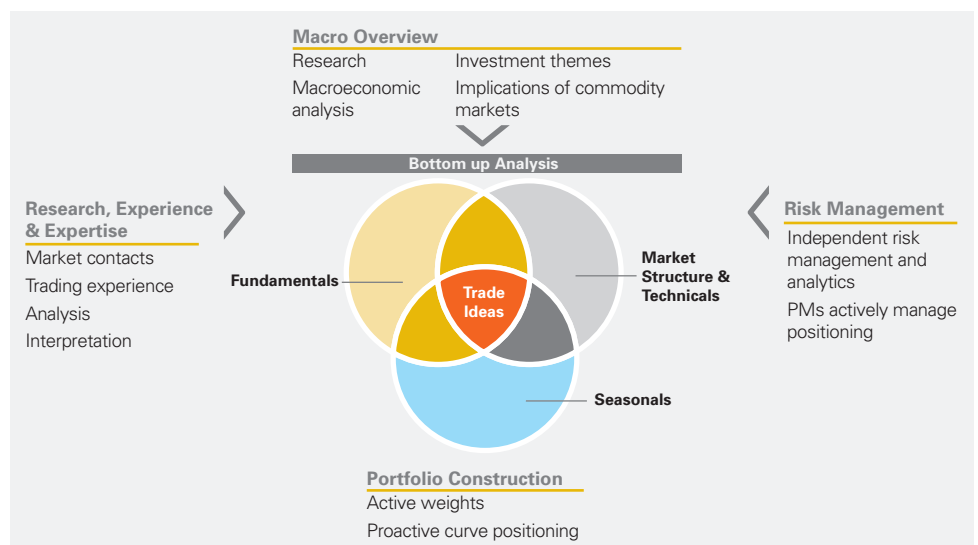
As a starting point for our process, we consider the individual markets and weights of the benchmark index. We use fundamental research to generate our ideas, which we then analyse rigorously to identify commodity markets that have the potential to outperform. Actual investment decisions are based primarily on bottom-up considerations. We do not invest in physical commodities, using commodity derivatives to gain exposure to individual commodity markets.

Investable universe*

Industrial metals	Precious metals	Energy	Agriculture
Aluminium Copper Lead Nickel Tin Zinc	Gold Silver Platinum Palladium	Brent WTI Heating oil Unleaded gasoline Natural gas Gasoil	Live cattle Lean hogs Corn Soybeans Soybean oil Wheat Cocoa Coffee Cotton Sugar

*Includes both DJUBS and S&P GSCI Index components and other non-benchmark commodities.

Our process is illustrated in the diagram below:



Macro overview

We conduct top-down analysis using broad macroeconomic reports as well as commodity-specific data. This draws on both in-house and external research resources and places a particular emphasis on the impact of emerging markets. The research is debated with Threadneedle Investments' wider investment platform, including fixed income, global and regional equity teams via regular formal and informal communication meetings.

Our top-down macro view helps shape our longer-term outlook for commodity markets, as well as our understanding of key drivers behind individual commodities.

Bottom-up analysis

We analyse supply and demand fundamentals in commodity markets, particularly for groups where crossover influences occur. This bottom-up fundamental analysis enables us to form a directional view for each market, which will influence the weighting of that commodity within the portfolio.

We also consider technical indicators for commodity markets, which guide our timing of weighting changes, and influence positioning along the commodity term structure.

This includes analysis of term structure, volatility and seasonality, whilst we also monitor closely investment and hedging flows that have significant short-term influences on individual markets.

We combine an analysis of macroeconomic, fundamental and technical factors in a monthly scorecard. This ranks individual commodities in each sector and informs our active commodity allocation.

Portfolio construction

As an actively-managed, fundamentals-driven strategy, we are not constrained by prescribed buy and sell criteria. Rather, we evaluate individual markets on a continuous basis, taking advantage of market opportunities as they arise to generate performance. These include macro/fundamental allocations, changes in spot prices, maximising roll yields and optimising investment along the commodity term structure.

The portfolio is rebalanced regularly in terms of weightings as well as positioning along the term structure. We invest in a portfolio of USD denominated short-term government securities to provide collateral against investing in the commodity derivatives that provide our commodity exposure. This 'near cash' allocation also generates collateral yield for the portfolio.

Risk management

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 reports daily, using a proprietary risk system to provide comprehensive risk analytics for each portfolio. The risk team also conducts stress testing to evaluate the potential impact of extreme market shifts and identify sensitive market exposures. This is in addition to our own portfolio risk analysis, which includes pre and post trade compliance monitoring; stop-loss limits; portfolio modelling; and mandate limit verification

GIPS – Enhanced Commodities Composite

Year End	Composite Total Return Gross %	Composite Total Return Net %	Benchmark 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
2010 (since 30-Jun-10)	31.54	31.11	29.24	N/A	N/A	1	N/A	83.2	105,948.8	0.1
2011	-2.77	-3.38	-13.32	N/A	N/A	2	N/A	294.4	113,513.9	0.3
YTD	6.23	6.07	0.89			2		587.4	123,089.9	0.5
3 Months	6.23	6.07	0.89			2				
Rolling 1 Year	-4.45	-5.05	-16.28			2				
Rolling 3 Year	N/A	N/A	N/A			2				
Annualised	N/A	N/A	N/A							
Rolling 5 Years	N/A	N/A	N/A			2				
Annualised	N/A	N/A	N/A							
Since Inception (30/06/2010)	35.86	34.36	13.02			2				
Annualised	19.14	18.39	7.24							

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 Commodities (Enhanced) 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. 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. The standard Threadneedle fee scale for this composite is 65 bps: first \$100 million, 60 bps: next \$100 million, 55 bps: next \$200 million, negotiable thereafter. Gross composite performance results are presented gross of management fees, net of custodian fees, trading expenses and non-reclaimable withholding taxes (based on a Luxembourg investor). Net composite performance results are presented net of management fees, custodian fees, trading expenses and non-reclaimable withholding taxes (based on a Luxembourg investor). 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. Derivative instruments will be used as a fundamental part of a fund's investment objective and will be expected to be used in almost all market conditions and may increase the risk profile of the fund from that which would be expected from its non-derivative activities. The Dow Jones-UBS Commodity Total Return Index is composed of exchange traded futures on physical commodities. The index includes 19 commodity futures which are weighted to account for economic significance and market liquidity. The total return index reflects the returns on fully collateralized positions in the underlying commodity futures. Index returns assume reinvestment of dividends and capital gains and do not reflect fees or expenses. The index is unmanaged and cannot be invested in directly. 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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