

THREADNEEDLE INVESTMENT FUNDS II ICVC

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Company Information

Company

Threadneedle Investment Funds II ICVC (the Company)

Registered Number IC24

Registered Office

60 St Mary Axe, London EC3A 8JQ

Director

There is a sole director, the Authorised Corporate Director (the ACD), which is Threadneedle Investment Services Limited.

Board of Directors of the ACD

Chairman and Chief Executive

C D Fleming (Appointed as Chairman and Chief Executive 1 March 2013)

C J Henderson (Resigned from the Board and as Chief Executive 1 March 2013)

Other Directors

T N Gillbanks

P J W Reed

N J Ring

Director's Report

The ACD, Threadneedle Investment Services Limited, has pleasure in presenting the Annual Report and Audited Financial Statements for Threadneedle Investment Funds II ICVC for the year to 31 December 2013.

The financial statements have been presented on an aggregated basis. However, separate financial information is also provided on a sub-fund basis to enable investors to review the status and performance of those funds for the year under review.

We hope that you find the report informative. Should you require any further information regarding any aspect of your investment, or about other Threadneedle products, we would be pleased to help. Alternatively, you may find it helpful to visit threadneedle.com for further information about Threadneedle.

Thank you for your continued support.



Campbell Fleming

Director

Aggregated Financial Statements for Threadneedle Investment Funds II ICVC

AGGREGATED STATEMENT OF TOTAL RETURN

for the accounting period 1 January 2013 to 31 December 2013

	Notes	2013 £000	2012 £000
Income			
Net capital gains	2	139,208	61,306
Revenue	3	19,014	20,577
Expenses	4	(976)	(853)
Finance costs: interest	6	(6)	(61)
Net revenue before taxation		18,032	19,663
Taxation	5	(774)	(945)
Net revenue after taxation		17,258	18,718
Total return before distributions/accumulations		156,466	80,024
Finance costs: distributions/accumulations	6	(17,431)	(18,904)
Change in net assets attributable to shareholders from investment activities		139,035	61,120

AGGREGATED STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the accounting period 1 January 2013 to 31 December 2013

	2013 £000	2012 £000
Opening net assets attributable to shareholders	659,381	612,808
Amounts receivable on the issue of shares	97,523	61,534
Amounts paid on the cancellation of shares	(442,804)	(91,283)
	(345,281)	(29,749)
Stamp duty reserve tax	(49)	(29)
Dilution levy	286	211
Change in net assets attributable to shareholders from investment activities (see statement of total return above)	139,035	61,120
Retained distribution on accumulation shares	13,062	15,020
Closing net assets attributable to shareholders	466,434	659,381

AGGREGATED BALANCE SHEET

as at 31 December 2013

	Notes	2013 £000	2012 £000
Assets			
Investment assets		460,380	639,736
Other assets			
Debtors	8	2,770	1,654
Short term deposits		2,200	11,508
Cash and bank balances		4,190	8,630
Total other assets		9,160	21,792
Total assets		469,540	661,528
Liabilities			
Derivative liabilities		(30)	(106)
Other liabilities			
Creditors	9	(2,484)	(1,086)
Distribution payable on income shares		(592)	(955)
Total other liabilities		(3,076)	(2,041)
Total liabilities		(3,106)	(2,147)
Net assets attributable to shareholders		466,434	659,381

The aggregated financial statements represent the sum of the individual funds within the Company. Further analysis of the distribution and the net asset position can be found within the financial statements of the individual funds.

We hereby certify the Annual Report and Accounts on behalf of the Directors of Threadneedle Investment Services Limited.

P J W Reed
Director

T N Gillbanks
Director

14 February 2014

Notes to the Aggregated Financial Statements for Threadneedle Investment Funds II ICVC

for the accounting period 1 January 2013 to 31 December 2013

1. ACCOUNTING POLICIES

(1) Basis of Accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with UK Generally Accepted Accounting Practice (UK GAAP), and in accordance with the Statement of Recommended Practice (the SORP) for Financial Statements of Authorised Funds issued by the Investment Management Association (IMA) in October 2010.

(2) Aggregation

The aggregated accounts represent the sum of the individual funds within the umbrella company. Further analysis of the distribution and the net asset position can be found within the financial statements of the individual funds.

(3) Recognition of revenue

Revenue is included in the statement of total return on the following basis:

Dividends on quoted equities and preference shares are recognised when the security is traded ex-dividend.

Dividends, interest and other revenue receivable include any withholding taxes but excludes any other taxes such as attributable tax credits.

Special dividends are treated as either revenue or capital depending on the facts of each particular case.

Stock dividends are recognised as revenue on the basis of the market value of the shares at the date they are quoted ex-dividend.

In the case of an enhanced stock dividend, the value of the enhancements is treated as capital.

Interest on bank and short-term deposits is recognised on an accruals basis.

Interest on debt securities is recognised on an effective interest rate basis.

Underwriting commission is recognised as revenue when the issue takes place, except where the fund is required to take up all or some of the shares underwritten, in which case an appropriate proportion of the commission is deducted from the cost of those shares.

(4) Treatment of expenses (including management expenses)

All expenses other than those relating to the purchase and sale of investments, are included in expenses, in the statement of total return. Expenses are recognised on an accruals basis and include irrecoverable VAT where appropriate.

(5) Allocation of revenue and expenses to multiple share classes

The allocation of revenue and expenses to each share class is based upon the proportion of the individual fund's capital net assets attributable to each share class, on the day the revenue is earned or the expense is suffered.

(6) Distribution policy

Where the revenue from investments exceeds the expenses for any share class, a distribution will be made to that share class.

Should expenses exceed revenue for any share class there will be no distribution for the share class and there will be a transfer from capital to cover the deficit.

The annual management charge for Threadneedle UK Equity Income Fund is charged to the capital account for the purpose of determining the amount available for distribution.

The annual management charge and all other expenses for the Threadneedle US Equity Income Fund are charged to the capital account for the purpose of determining the amount available for distribution.

The ordinary element of stock dividends is treated as revenue and forms part of any distribution.

(7) Basis of valuation of investments

The listed investments of the funds are valued at fair market prices at closing on 31 December 2013 (UK time), being the valuation point on the last working day of the accounting period. Investments are stated at their fair value which generally is the bid valuation of each security.

CIS holdings have been valued at bid price for authorised unit trusts and quoted price for open-ended investment companies and offshore funds as being the fair value.

The bid valuations of securities are sourced from independent pricing sources; to the extent that an independent pricing source is not available, then quotes are obtained from a broker. Where the ACD deems that these valuations are unrepresentative of a fair valuation of the security, a fair valuation is applied based upon the ACD's opinion of fair value.

The valuation of unlisted investments is based on the ACD's assessment of their fair value. Suspended securities are valued initially at the suspended price but are subject to constant review.

(8) Exchange rates

Where applicable, foreign exchange transactions during the period have been converted into sterling at the rates of exchange ruling at the date of the transaction.

Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates at the closing valuation point on 31 December 2013.

(9) Taxation

Corporation tax is charged at 20% of the revenue liable to corporation tax less expenses.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax.

Deferred tax assets are recognised only to the extent that the ACD considers that it is more likely than not that there will be taxable profits from which the underlying timing differences can be deducted.

Stamp duty reserve tax, if any is suffered on surrender of units and is deducted from capital.

(10) Derivatives

The total net return in respect of any derivative transactions entered into, is analysed between capital gain or loss, and revenue or expense. Any capital gains or losses are included within "Net capital gains/(losses)", and any revenue or expense is included within Revenue or Expenses in the statement of total return.

Any positions open at the period end are reflected in the Balance Sheet at their fair value, either using available market prices or the ACD's assessment of the fair value, based on counterparty valuations and appropriate pricing models.

(11) Equalisation

Equalisation is accrued revenue included in the price of the shares purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of the shareholder's first distribution/accumulation following investment, resulting in the same rate of distribution/accumulation for that particular share class. As a capital repayment, it is not liable to income tax but must be deducted from the cost of shares for Capital Gains Tax purposes.

(12) Dilution Levy

Under certain circumstances the ACD has the power to charge a dilution adjustment on the purchase and/or redemption of shares.

If charged, the dilution adjustment will be paid into the fund. For further information see page 45.

2. NET CAPITAL GAINS

The net capital gains on investments during the year comprise:

	2013 £000	2012 £000
Non-derivative securities	139,656	60,816
Forward currency contracts	(106)	166
Currency losses	(294)	(32)
Transaction costs	(97)	(132)
Capital special dividends	49	488
Net capital gains	139,208	61,306

3. REVENUE

	2013 £000	2012 £000
UK dividends	10,328	10,815
Overseas dividends	8,515	9,618
Property income distributions from UK REITs	60	76
Bank interest	—	1
Deposit interest	31	35
Underwriting commission	7	19
Interest on debt securities	—	1
Stock dividends	73	12
Total revenue	19,014	20,577

Notes to the Aggregated Financial Statements for Threadneedle Investment Funds II ICVC

(continued)

4. EXPENSES

	2013 £000	2012 £000
Payable to the ACD or associates of the ACD, and the agents of either of them:		
Annual management charge	367	281
	<u>367</u>	<u>281</u>
Payable to the Depositary or associates of the Depositary, and the agents of either of them:		
Depositary fees	108	112
Safe custody fees	78	78
Administration fee	192	178
	<u>378</u>	<u>368</u>
Other expenses:		
Audit fee	45	42
Registration fees	186	162
	<u>231</u>	<u>204</u>
Total expenses	<u>976</u>	<u>853</u>

5. TAXATION

	2013 £000	2012 £000
a) Analysis of charge in year:		
Overseas withholding tax	774	945
Total current tax (note 5b)	<u>774</u>	<u>945</u>
b) Factors affecting current taxation charge for year:		
Net revenue before taxation	18,032	19,663
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	3,607	3,933
Effects of:		
Revenue not subject to taxation	(3,730)	(4,080)
Current year expenses not utilised	149	147
Utilisation of excess management expenses	(22)	—
Overseas withholding tax	774	945
Tax relief on overseas tax suffered	(4)	—
Current tax charge for year (note 5a)	<u>774</u>	<u>945</u>

c) Deferred Tax

For details of the deferred tax, please refer to note 5c of each sub fund.

6. FINANCE COSTS

The distributions/accumulations take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	2013 £000	2012 £000
Interim distributions/accumulations	12,871	13,348
Final distributions/accumulations	3,514	5,474
	<u>16,385</u>	<u>18,822</u>
Add: Amounts deducted on cancellation of shares	1,473	345
Deduct: Amounts received on issue of shares	(427)	(263)
Net distribution/accumulation for the year	<u>17,431</u>	<u>18,904</u>
Interest	6	61
Total finance costs	<u>17,437</u>	<u>18,965</u>

7. MOVEMENTS BETWEEN NET REVENUE AND DISTRIBUTIONS/ACCUMULATIONS

	2013 £000	2012 £000
Net revenue after taxation	17,258	18,718
ACD's periodic charge charged to capital	99	72
Expenses charged to capital	95	88
Tax relief transferred to capital	(29)	—
Income deficit transferred to capital	8	26
Net distribution/accumulation for the year	<u>17,431</u>	<u>18,904</u>

8. DEBTORS

	2013 £000	2012 £000
Amounts receivable for the issue of shares	441	341
Sales awaiting settlement	1,259	104
Accrued revenue	758	1,079
Overseas tax recoverable	289	107
Corporation tax recoverable	18	18
Prepaid expenses	5	5
Total debtors	<u>2,770</u>	<u>1,654</u>

9. CREDITORS

	2013 £000	2012 £000
Amounts payable for the cancellation of shares	2,191	6
Purchases awaiting settlement	10	673
Accrued expenses	249	384
Amounts payable to ACD	34	23
Total creditors	<u>2,484</u>	<u>1,086</u>

10. RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal in respect of all transactions of shares in the funds. The aggregate monies received through issues and paid on cancellations are disclosed in the statement of change in net assets attributable to shareholders and note 6.

Any amounts due to or from the ACD at the end of the accounting period in relation to shares issued and cancelled are disclosed in notes 8 and 9.

Amounts payable to the ACD in respect of fund management and registration services are disclosed in note 4 and amounts outstanding at the year end in note 9. All transactions have been entered into in the ordinary course of business on normal commercial terms.

The ultimate holding company of the ACD is Ameriprise Financial Inc.

11. CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date (2012: nil).

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing their investment objectives and policies, the funds may hold a number of financial instruments, comprising:

- equity shares and debt instruments, fixed income securities, and floating rate securities.
- cash, liquid resources and short-term debtors and creditors.
- borrowings to meet redemption and settlement mismatches.
- derivatives and forward currency transactions for the purposes of efficient portfolio management. Derivative contracts are only used where instruments and derivatives have been approved by the ACD.

13. RISKS OF FINANCIAL INSTRUMENTS

The ACD uses a risk management process, as reviewed by the Depositary, enabling it to monitor and measure as frequently as appropriate the risk of the fund's underlying investments, derivative and forward positions and their contribution to the overall risk profile of the funds.

The details of the risk management process are notified to the FCA.

The ACD reviews (and agrees with the Depositary) policies for managing each of these risks as summarised overleaf. The policies have remained unchanged since the beginning of the year to which these financial statements relate:

Notes to the Aggregated Financial Statements for Threadneedle Investment Funds II ICVC

(continued)

(a) Market price risk – Market price risk arises mainly from the uncertainty about future prices of financial instruments held. It represents the potential loss the fund might suffer through holding market positions in the face of price movements. The value of the investment can fall as well as rise and investors might not get back the sum originally invested, especially if investments are not held for the long term. The fund is exposed to market risk by virtue of its investments in equities and derivatives.

The ACD meets regularly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameters and seeks to ensure that individual stocks also meet the risk reward profile that is acceptable.

The investment guidelines and investment and borrowing powers are set out in the instrument of incorporation and the prospectus.

(b) Foreign currency risk – Foreign currency risk is the risk that the value of the fund's investments will fluctuate as a result of changes in foreign currency exchange rates. Where investments are made in assets that are denominated in foreign currency, other than the fund's base currency, changes in exchange rates may affect the value of the investments.

To manage this risk the ACD has identified three principal areas where foreign currency risk could impact the funds, which are movements in exchange rates that can affect the value of investments, short term differences and the revenue received.

The funds may be subject to short term exposure to exchange rate movements, for instance where the date of an investment purchase and the date when the settlement occurs are different. To reduce this risk, foreign currency contracts are generally executed when the initial transaction takes place.

Revenue is received in currencies other than sterling and hence movements in exchange rates can affect the sterling value of this revenue. To minimise this risk, all income receipts are converted to sterling on, or shortly after, the date of receipt.

The foreign currency risk profile for the relevant funds is shown in their notes to the financial statements, contained within the full accounts.

(c) Interest rate risk – Interest rate risk is the risk that the value of the funds' investments will fluctuate as a result of changes in interest rates.

Some of the funds invest in both fixed rate and floating rate securities. Thus any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the ACD being unable to secure similar returns on the expiry of contracts or the sale of securities. In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general, if interest rates rise the revenue potential of the fund also rises but the value of fixed rate securities will decline.

A decline in interest rates will in general have the opposite effect. Duration is a measure of the extent to which this is the case, with a longer duration suggesting higher sensitivity to interest rate moves.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

The interest risk profile for the relevant funds is shown in their notes to the financial statements, contained within the full accounts.

(d) Liquidity risk – Liquidity risk is the risk that the fund can not raise sufficient cash to meet its liabilities when due.

The main liability of the funds is the redemption of shares that the investors wish to sell.

The fund's assets comprise mainly realisable securities which can readily be sold. Under normal circumstances, the funds will remain close to fully invested. However where circumstances require: either because a view of illiquid securities markets or high levels of redemption in the fund, the fund may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of shares.

The ACD manages the fund's cash to ensure it can meet its liabilities. The ACD receives daily reports of subscriptions and redemptions enabling the ACD to raise cash from the fund's portfolio in order to meet redemption requests. In addition the ACD monitors market liquidity of all securities, with particular focus in the Floating Rate Market (FRM market), seeking to ensure the funds maintain sufficient liquidity to meet known and potential redemption activity.

Fund cash balances are monitored daily by the ACD and Administrator. Where investments cannot be realised in time to meet any potential liability, the fund may borrow up to 10% of its value to ensure settlements. All of the funds' financial liabilities are payable on demand or in less than one year.

In exceptional circumstances the ACD with prior agreement of the Depositary may suspend dealing for a period of 28 days which may be extended further with FCA approval. The ACD may also in certain circumstances require a redeeming shareholder, in lieu of payment, to be transferred property of the fund.

(e) Credit/counterparty risk – Credit risk is the risk that the counterparty in a financial transaction will fail to fulfil their obligation or commitment.

Credit risk arises from three main sources. Firstly, the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner.

Secondly for asset backed investments (including FRNs) there is the possibility of default of the issuer and default in the underlying assets meaning that the fund may not receive back the principal originally invested. Thirdly there is the risk that the counterparty will not deliver the investment for a purchase or cash for a sale after the fund has fulfilled its responsibilities, which could result in the funds suffering a loss.

In order to manage credit risk the funds are subject to investment limits for issuers of securities, issuer credit ratings are evaluated periodically and an approved issuer list is maintained and monitored. In addition the funds only buy and sell investments through brokers which have been approved by the ACD as an acceptable counterparty and limits are set and monitored to cover the exposure to any individual broker. Changes in broker's financial ratings are periodically reviewed.

(f) Fair value of financial assets and financial liabilities – There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

14. PORTFOLIO TRANSACTION COSTS

	2013 £000	2012 £000
Analysis of total purchases costs		
Purchases in year before transaction costs	325,962	353,938
Commissions	346	405
Taxes	395	619
Total purchase costs	741	1,024
Gross purchases total	326,703	354,962
Analysis of total sales costs		
Gross sales before transaction costs	646,179	377,607
Commissions	(351)	(354)
Taxes	(36)	(27)
Total sales costs	(387)	(381)
Total sales net of transaction costs	645,792	377,226

Threadneedle UK Equity Income Fund

Investment Report

Investment Objective

The objective of the Fund is to achieve a high level of income combined with long-term capital growth from investments principally in UK equities.

The Fund will normally be invested in a range of blue chip, medium and smaller companies in order to generate yield and maximise return whilst moderating the risk of equity investment at any particular point in the economic and business cycle. The Fund may also invest in other transferable securities, collective investment schemes, money market instruments, deposits, and cash and near cash when deemed appropriate.

Derivatives and forward transactions shall be used only for the purposes of efficient portfolio management and hedging. Subject to at least 60 days' notice to Shareholders, derivatives may also be used for investment purposes, which may change the risk profile of the Fund.

Performance of Retail Income Shares*

Over the twelve months to 31 December 2013, the published share price of Threadneedle UK Equity Income Fund has risen from 134.6p to 167.9p. Looking at performance within its peer group, the total return on the fund for the twelve months ending 31 December 2013, including net reinvested income, is +29.40% as compared to a sector median return of +24.89% over the same period. (For comparison the FTSE All-Share Total Return Index returned +20.81% over the same period).

Market Overview

The period saw strongly positive returns from UK equities, as the FTSE was buoyed by a combination of abundant central bank liquidity (quantitative easing), signs of macroeconomic improvement in the UK and an improvement in merger

and acquisition (M&A) activity, with large deals including Vodafone's decision to sell its holding in US operator Verizon Wireless. At the capitalisation level, mid and small cap stocks performed robustly whilst at the sector level the best performing areas of the FTSE included consumer discretionary and industrials. Telecoms, boosted by the M&A activity mentioned above, also outperformed. Laggards included materials, where Chinese growth slowdown concerns continued to weigh. Consumer staples and utilities also underperformed.

The fund produced a strongly positive total return over the year and outperformed the FTSE All-Share index by a significant margin. Sector positioning had a positive impact on the fund's performance over the year, but the majority of the value added to the portfolio came from our stock selection decisions. At the sector level, the fund benefited from its bias towards industrials and consumer discretionary, which outperformed, and its cautious positioning in materials, which continued to be unsettled by concerns over the slowdown in economic growth in China and fears that some of the mining companies have been too slow to cut capacity and investment, thus resulting in excess supply for some commodities. Stock selection was strongly positive in materials but also in financials and industrials. Stock-level highlights included our large holdings in BT, ITV and Legal & General. There were few significant stock level detractors, although not holding Vodafone detracted while insurer RSA was a poor performer after it suffered some difficulties in its Irish business, which resulted in the departure of the CEO. We have used recent weakness to add to the holding, as we believe that there is substantial value in RSA's core franchises.

In terms of activity, we maintained our long-term and contrarian approach to stock selection. Inflows into the fund

were used to increase relative exposure to favoured large-company holdings such as AstraZeneca, National Grid and Centrica, which we regard as attractively valued businesses with good levels of cash generation and the ability to maintain or improve shareholder-friendly policies. There were few outright sales, although we disposed of our holdings in the likes of Essentra, Cineworld and Derwent London.

Although UK economic indicators continue to show improvement, we retain our concerns that given the timescale necessary for a true rebalancing of the economy – a revival of manufacturing with less reliance on financial services – some of the present improvement is due to unsustainable government-backed schemes to ensure the supply of cheap credit. We believe that the benefits of these taxpayer-funded schemes will be very short term in their nature, particularly rising consumption related to still-higher house prices, and are likely to worsen the challenges facing both squeezed consumers when interest rates eventually rise, and the government when the cheap funding schemes are wound down after the general election.

However, we believe that the outlook remains positive at the company level, and therefore continue to focus on well-managed, fundamentally-strong businesses that have realistic potential to deliver positive earnings surprises. Many of our highest-conviction holdings also offer scope to support total returns to shareholders through attractive and sustainable levels of dividend payouts. Nevertheless, we believe that rising investor expectations – given the more positive picture painted by economic indicators – could risk pushing valuations too far in some sectors. In this environment, we believe that our contrarian approach should continue to deliver attractive long-term returns.

STATEMENT OF TOTAL RETURN

for the accounting period 1 January 2013 to 31 December 2013

	Notes	2013 £000	2012 £000
Income			
Net capital gains	2	39,604	14,480
Revenue	3	6,489	6,100
Expenses	4	(218)	(172)
Net revenue before taxation		6,271	5,928
Taxation	5	–	–
Net revenue after taxation		6,271	5,928
Total return before distributions/accumulations		45,875	20,408
Finance costs: distributions/accumulations	6	(6,370)	(6,000)
Change in net assets attributable to shareholders from investment activities		39,505	14,408

BALANCE SHEET

as at 31 December 2013

	Notes	2013 £000	2012 £000
Assets			
Investment assets		150,557	153,593
Other assets			
Debtors	8	1,966	777
Short term deposits		1,200	5,003
Cash and bank balances		309	1,781
Total other assets		3,475	7,561
Total assets		154,032	161,154
Liabilities			
Other liabilities			
Creditors	9	(2,135)	(57)
Distribution payable on income shares		(103)	(69)
Total liabilities		(2,238)	(126)
Net assets attributable to shareholders		151,794	161,028

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the accounting period 1 January 2013 to 31 December 2013

	2013 £000	2012 £000
Opening net assets attributable to shareholders	161,028	128,854
Amounts receivable on the issue of shares	23,660	26,722
Amounts payable on the cancellation of shares	(78,383)	(14,785)
	(54,723)	11,937
Stamp duty reserve tax	(42)	(24)
Dilution levy	52	107
Change in net assets attributable to shareholders from investment activities (see statement of total return above)	39,505	14,408
Retained distribution on accumulation shares	5,974	5,746
Closing net assets attributable to shareholders	151,794	161,028

DISTRIBUTION TABLES

for the accounting period 1 January 2013 to 31 December 2013

Dividend distribution in pence per share

Retail Income Share Class

Distribution Period	Net Revenue	Equalisation	Distribution Paid/Payable 2013	Distribution Paid 2012
Group 1				
01/01/13 to 31/03/13	0.9994	–	0.9994	1.3815
01/04/13 to 30/06/13	2.0597	–	2.0597	1.5842
01/07/13 to 30/09/13	1.3136	–	1.3136	1.5219
01/10/13 to 31/12/13	1.5294	–	1.5294	1.0874
Group 2				
01/01/13 to 31/03/13	0.1889	0.8105	0.9994	1.3815
01/04/13 to 30/06/13	0.9519	1.1078	2.0597	1.5842
01/07/13 to 30/09/13	0.6165	0.6971	1.3136	1.5219
01/10/13 to 31/12/13	0.4701	1.0593	1.5294	1.0874
Total distributions in the period			5.9021	5.5750

LV=Group Accumulation Share Class

Distribution Period	Net Revenue	Equalisation	Accumulation Paid/Payable 2013	Accumulation Paid 2012
Group 1				
01/01/13 to 31/03/13	1.2456	–	1.2456	1.6331
01/04/13 to 30/06/13	2.5903	–	2.5903	1.8968
01/07/13 to 30/09/13	1.6788	–	1.6788	1.8506
01/10/13 to 31/12/13	1.9765	–	1.9765	1.3409
Group 2				
01/01/13 to 31/03/13	0.4724	0.7732	1.2456	1.6331
01/04/13 to 30/06/13	0.7054	1.8849	2.5903	1.8968
01/07/13 to 30/09/13	0.4980	1.1808	1.6788	1.8506
01/10/13 to 31/12/13	1.0304	0.9461	1.9765	1.3409
Total distributions in the period			7.4912	6.7214

*In pound Sterling and against UK peer group.
Please refer to page 40 for comparative tables.

Threadneedle UK Equity Income Fund

DISTRIBUTION TABLES

(continued)

Institutional Accumulation Share Class

Distribution Period	Net Revenue	Equalisation	Accumulation Paid/Payable 2013	Accumulation Paid 2012
Group 1				
01/01/13 to 31/03/13	1.2216	—	1.2216	1.6104
01/04/13 to 30/06/13	2.5373	—	2.5373	1.8682
01/07/13 to 30/09/13	1.6430	—	1.6430	1.8201
01/10/13 to 31/12/13	1.9306	—	1.9306	1.3169
Group 2				
01/01/13 to 31/03/13	0.3692	0.8524	1.2216	1.6104
01/04/13 to 30/06/13	0.7383	1.7990	2.5373	1.8682
01/07/13 to 30/09/13	1.4552	0.1878	1.6430	1.8201
01/10/13 to 31/12/13	1.5663	0.3643	1.9306	1.3169
Total distributions in the period			7.3325	6.6156

Second Retail Income Share Class

Distribution Period	Net Revenue	Equalisation	Distribution Paid/Payable 2013	Distribution Paid 2012
Group 1				
01/01/13 to 31/03/13	0.9808	—	0.9808	1.3624
01/04/13 to 30/06/13	2.0191	—	2.0191	1.5610
01/07/13 to 30/09/13	1.2860	—	1.2860	1.4973
01/10/13 to 31/12/13	1.4954	—	1.4954	1.0686
Group 2				
01/01/13 to 31/03/13	0.3576	0.6232	0.9808	1.3624
01/04/13 to 30/06/13	0.7709	1.2482	2.0191	1.5610
01/07/13 to 30/09/13	0.6761	0.6099	1.2860	1.4973
01/10/13 to 31/12/13	0.7281	0.7673	1.4954	1.0686
Total distributions in the period			5.7813	5.4893

Institutional Income Share Class

Distribution Period	Net Revenue	Equalisation	Distribution Paid/Payable 2013	Distribution Paid 2012
Group 1				
01/01/13 to 31/03/13	0.9307	—	0.9307	1.2808
01/04/13 to 30/06/13	1.9200	—	1.9200	1.4698
01/07/13 to 30/09/13	1.2262	—	1.2262	1.4142
01/10/13 to 31/12/13	1.4290	—	1.4290	1.0115
Group 2				
01/01/13 to 31/03/13	0.4026	0.5281	0.9307	1.2808
01/04/13 to 30/06/13	0.8153	1.1047	1.9200	1.4698
01/07/13 to 30/09/13	0.5360	0.6902	1.2262	1.4142
01/10/13 to 31/12/13	0.5551	0.8739	1.4290	1.0115
Total distributions in the period			5.5059	5.1763

Group 2: shares purchased during a distribution period.

Threadneedle UK Equity Income Fund

Notes to the financial statements

for the accounting period 1 January 2013 to 31 December 2013

1. ACCOUNTING POLICIES

The accounting policies for the fund are the same as those disclosed in the aggregated financial statements on page 5.

2. NET CAPITAL GAINS

The net capital gains on investments during the year comprise:

	2013 £000	2012 £000
Non-derivative securities	39,610	14,338
Currency losses	(2)	–
Transaction costs	(4)	(8)
Capital special dividends	–	150
Net capital gains	39,604	14,480

3. REVENUE

	2013 £000	2012 £000
UK dividends	6,124	5,775
Unfranked dividends	6	10
Overseas dividends	347	283
Underwriting commission	–	19
Interest on debt securities	–	1
Deposit interest	12	12
Total revenue	6,489	6,100

4. EXPENSES

Payable to the ACD or associates of the ACD, and the agents of either of them:

Annual management charge	99	72
	99	72

Payable to the Depositary or associates of the Depositary, and the agents of either of them:

Depositary fees	30	25
Safe custody fees	2	2
Administration fee	32	29
	64	56

Other expenses:

Audit fee	7	7
Registration fees	48	37
	55	44

Total expenses	218	172
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5. TAXATION

	2013 £000	2012 £000
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a) Analysis of charge in year:

Corporation tax	–	–
Total current tax (note 5b)	–	–

b) Factors affecting current taxation charge for year:

Net revenue before taxation	6,271	5,928
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	1,254	1,186
Effects of:		
Revenue not subject to taxation	(1,294)	(1,212)
Current year expenses not utilised	40	26
Current tax charge for year (note 5a)	–	–

c) Deferred Tax

At 31 December 2013, there are surplus management expenses of £331,000 (2012: £131,000).

It is unlikely that the fund will generate sufficient taxable profits in the future to utilise this amount, and therefore a deferred tax asset of £66,000 (2012: £26,000) has not been recognised.

6. FINANCE COSTS

The distributions/accumulations take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	2013 £000	2012 £000
Interim dividend distributions/accumulations	4,977	4,799
Final dividend distributions/accumulations	1,383	1,302
	6,360	6,101
Add: Amounts deducted on cancellation of shares	178	39
Deduct: Amounts received on issue of shares	(168)	(140)
Net distribution/accumulation for the year	6,370	6,000

7. MOVEMENTS BETWEEN NET REVENUE AND DISTRIBUTIONS/ACCUMULATIONS

	2013 £000	2012 £000
Net revenue after taxation	6,271	5,928
ACD's periodic charge charged to capital	99	72
Net distribution/accumulation for the year	6,370	6,000

8. DEBTORS

	2013 £000	2012 £000
Amounts receivable for the issue of shares	205	253
Sales awaiting settlement	1,259	–
Accrued revenue	484	506
Corporation tax recoverable	18	18
Total debtors	1,966	777

9. CREDITORS

	2013 £000	2012 £000
Amounts payable for the cancellation of shares	2,078	3
Accrued expenses	48	48
Amounts payable to ACD	9	6
Total creditors	2,135	57

10. RELATED PARTY TRANSACTIONS

The related parties are set out in detail in note 10 of the aggregated financial statements on page 6.

As at the year end the Liverpool Victoria group of companies held 66.79% (2012: 72.23%) of shares in issue.

11. CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date (2012: nil).

12. FINANCIAL INSTRUMENTS

The financial instruments the fund can hold are the same as disclosed in note 12 of the aggregated financial statements on page 6.

Threadneedle UK Equity Income Fund

Notes to the financial statements

(continued)

13. RISK OF FINANCIAL INSTRUMENTS

The risk policies are set out in detail in note 13 of the aggregated financial statements on page 6.

At the year end date a portion of the net assets of the fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movement.

As the reporting currency is in sterling, there is no sterling currency exposure. However, the amount of sterling is included to enable the table to be reconciled back to the balance sheet.

	Monetary exposures £000	Non- monetary exposures £000	Total £000
Currency 2013			
Sterling	1,107	150,557	151,664
US dollar	130	—	130
	<u>1,237</u>	<u>150,557</u>	<u>151,794</u>
Currency 2012	£000	£000	£000
Sterling	7,422	153,593	161,015
Swiss franc	13	—	13
	<u>7,435</u>	<u>153,593</u>	<u>161,028</u>

14. PORTFOLIO TRANSACTION COSTS

	2013 £000	2012 £000
Analysis of total purchase costs		
Purchases in year before transaction costs	17,613	47,666
Commissions	30	85
Taxes	79	176
Total purchase costs	<u>109</u>	<u>261</u>
Gross purchases total	17,722	47,927
Analysis of total sale costs		
Gross sales before transaction costs	60,377	35,521
Commissions	(14)	(39)
Total sale costs	<u>(14)</u>	<u>(39)</u>
Total sales net of transaction costs	60,363	35,482

15. SHAREHOLDERS' FUNDS

UK Equity Income Fund currently has four share classes; Retail, Second Retail, LV=Group and Institutional shares. The charges on each share class are as follows:

Annual management charge

Retail	1.00%
Second Retail	1.50%
LV=Group	0.00%
Institutional	0.55%

Registration fees

Retail	0.06%
Second Retail	0.06%
LV=Group	0.06%
Institutional	0.06%

The net asset value of each share class, the net asset value per share, and the number of shares in each share class are given in the comparative tables on page 40. The distribution per share class is given in the distribution tables on pages 8 and 9. All classes have the same rights on winding up.

Revenue, and other expenses not included in the table above are allocated each day pro rata to the value of the assets attributable to each share class and taxation is calculated by reference to the net revenue after expenses attributable to each share class. Due to the varying expenses, the level of net revenue after expenses attributable to each share class and the distributable revenue is likely to differ.

Threadneedle UK Growth Fund

Investment Report

Investment Objectives and Policies

The objective of the Fund is to achieve long-term capital growth from investments principally in UK equities.

The Fund will normally be invested in a range of blue chip, medium and smaller companies in order to maximise the return whilst moderating the risk of equity investment at any particular point in the economic and business cycle. The Fund may also invest in other transferable securities, collective investment schemes, money market instruments, deposits, and cash and near cash when deemed appropriate.

Derivatives and forward transactions shall be used only for the purposes of efficient portfolio management and hedging. Subject to at least 60 days' notice to Shareholders, derivatives may also be used for investment purposes, which may change the risk profile of the Fund.

Performance of Retail Accumulation Shares*

Over the twelve months to 31 December 2013, the published share price of Threadneedle UK Growth Fund has risen from 134.3p to 171.8p. Looking at performance within its peer group, the total return on the fund for the twelve months ending 31

December 2013, including net reinvested income, is +27.92% as compared to a sector median return of +25.09% over the same period. (For comparison the FTSE All-Share Total Return Index returned +20.81% over the same period).

Market Overview

Recent economic data releases show that the global economy is gaining momentum. The eurozone has emerged from its longest recession on record, China's slowdown appears to have stabilised, while US data continues to support our view of a solid recovery. With the major regions exhibiting signs of stability, the risks of a significant economic dislocation have clearly reduced. Despite the recent well-publicised tapering of the US quantitative easing programme, it is also worth noting that, in aggregate, global central bank balance sheets are still expanding and will continue to do so for some time which should keep equity markets well supported.

In terms of the UK, there is a mounting body of evidence that the British economy is now growing at some speed and this has led to a rise in bond yields. However, it is important to remember that equities normally perform well in the early stages of rising interest rates when this is driven by a

pick-up in economic activity as it usually leads to higher corporate earnings.

In recent months we have taken profits in several global businesses which have performed well and are now fully valued, in our opinion, such as Meggitt and Weir Group. We have redeployed the proceeds into several holdings such as miner Rio Tinto which now has new management who are more shareholder focused. We have also added building materials company Wolseley which should enjoy a pick-up in trading from the buoyant UK housing market and the interdealer broking firm ICAP which will benefit from any increase in interest rate volatility.

We particularly like the inflation protection embedded in equities, the relative cheapness of the asset class, the relative strength of corporates compared to consumers/governments, and the generally rising trend of corporate profits and cash flows. These can be deployed in a range of shareholder-friendly ways, be it dividends, buybacks, growth-related capital expenditure/R&D or, selectively, value-creating mergers and acquisitions.

STATEMENT OF TOTAL RETURN

for the accounting period 1 January 2013 to 31 December 2013

	Notes	2013 £000	2012 £000
Income			
Net capital gains	2	32,120	13,323
Revenue	3	4,398	5,278
Expenses	4	(202)	(189)
Net revenue before taxation		4,196	5,089
Taxation	5	—	—
Net revenue after taxation		4,196	5,089
Total return before accumulations		36,316	18,412
Finance costs: accumulations	6	(4,196)	(5,089)
Change in net assets attributable to shareholders from investment activities		32,120	13,323

BALANCE SHEET

as at 31 December 2013

	Notes	2013 £000	2012 £000
Assets			
Investment assets		29,906	164,992
Other assets			
Debtors	7	156	513
Short term deposits		1,000	6,505
Cash and bank balances		293	1,618
Total other assets		1,449	8,636
Total assets		31,355	173,628
Liabilities			
Other liabilities			
Creditors	8	(153)	(58)
Total liabilities		(153)	(58)
Net assets attributable to shareholders		31,202	173,570

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the accounting period 1 January 2013 to 31 December 2013

	2013 £000	2012 £000
Opening net assets attributable to shareholders	173,570	153,449
Amounts receivable on the issue of shares	3,482	3,492
Amounts payable on the cancellation of shares	(181,903)	(1,808)
	(178,421)	1,684
Stamp duty reserve tax	(7)	(5)
Dilution levy	25	—
Change in net assets attributable to shareholders from investment activities (see statement of total return above)	32,120	13,323
Retained distribution on accumulation shares	3,915	5,119
Closing net assets attributable to shareholders	31,202	173,570

DISTRIBUTION TABLES

for the accounting period 1 January 2013 to 31 December 2013

Dividend distribution in pence per share.

Retail Accumulation Share Class

Distribution Period	Net Revenue	Equalisation	Accumulation Paid/Payable 2013	Accumulation Paid 2012
Group 1				
01/01/13 to 30/06/13	1.9782	—	1.9782	1.6224
01/07/13 to 31/12/13	3.4382	—	3.4382	1.1256
Group 2				
01/01/13 to 30/06/13	1.2070	0.7712	1.9782	1.6224
01/07/13 to 31/12/13	2.6354	0.8028	3.4382	1.1256
Total distributions in the period			5.4164	2.7480

LV=Group Accumulation Share Class

Distribution Period	Net Revenue	Equalisation	Accumulation Paid/Payable 2013	Accumulation Paid 2012
Group 1				
01/01/13 to 30/06/13	4.5521	—	4.5521	3.7388
01/07/13 to 31/12/13	7.1901	—	7.1901	2.9798
Group 2				
01/01/13 to 30/06/13	1.9253	2.6268	4.5521	3.7388
01/07/13 to 31/12/13	4.6070	2.5831	7.1901	2.9798
Total distributions in the period			11.7422	6.7186

*In pound Sterling and against UK peer group.
Please refer to page 40 for comparative tables.

Threadneedle UK Growth Fund

DISTRIBUTION TABLES

(continued)

Second Retail Accumulation Share Class

Distribution Period	Net Revenue	Equalisation	Accumulation Paid/Payable 2013	Accumulation Paid 2012
Group 1				
01/01/13 to 30/06/13	1.5267	—	1.5267	1.2437
01/07/13 to 31/12/13	2.8411	—	2.8411	0.7599
Group 2				
01/01/13 to 30/06/13	1.1841	0.3426	1.5267	1.2437
01/07/13 to 31/12/13	2.3377	0.5034	2.8411	0.7599
Total distributions in the period			4.3678	2.0036

Institutional Accumulation Share Class

Distribution Period	Net Revenue	Equalisation	Accumulation Paid/Payable 2013	Accumulation Paid 2012
Group 1				
01/01/13 to 30/06/13	2.7709	—	2.7709	2.2760
01/07/13 to 31/12/13	4.5831	—	4.5831	1.7029
Group 2				
01/01/13 to 30/06/13	1.5870	1.1839	2.7709	2.2760
01/07/13 to 31/12/13	3.1310	1.4521	4.5831	1.7029
Total distributions in the period			7.3540	3.9789

Group 2: shares purchased during a distribution period.

Threadneedle UK Growth Fund

Notes to the financial statements

for the accounting period 1 January 2013 to 31 December 2013

1. ACCOUNTING POLICIES

The accounting policies for the fund are the same as those disclosed in the aggregated financial statements on page 5.

2. NET CAPITAL GAINS

The net capital gains on investments during the year comprise:

	2013 £000	2012 £000
Non-derivative securities	32,124	13,129
Transaction costs	(4)	(6)
Capital special dividends	–	200
Net capital gains	32,120	13,323

3. REVENUE

	2013 £000	2012 £000
UK dividends	4,164	4,998
Property income distributions from UK REITs	54	66
Overseas dividends	154	191
Underwriting commission	7	–
Deposit interest	19	23
Total revenue	4,398	5,278

4. EXPENSES

	2013 £000	2012 £000
Payable to the ACD or associates of the ACD, and the agents of either of them:		
Annual management charge	95	83
	95	83
Payable to the Depositary or associates of the Depositary, and the agents of either of them:		
Depositary fees	21	30
Safe custody fees	2	2
Administration fee	27	23
	50	55
Other expenses:		
Audit fee	7	7
Registration fees	50	44
	57	51
Total expenses	202	189

5. TAXATION

	2013 £000	2012 £000
Overseas withholding tax	–	–
Total current tax (note 5b)	–	–
b) Factors affecting current taxation charge for year:		
Net revenue before taxation	4,196	5,089
Net revenue before taxation multiplied by the standard rate of corporation tax of 20% Effects of:	839	1,018
Revenue not subject to taxation	(864)	(1,038)
Current year expenses not utilised	25	20
Current tax charge for year (note 5a)	–	–

c) Deferred Tax

At 31 December 2013 there are surplus management expenses of £4,208,000 (2012: £4,085,000).

It is unlikely the fund will generate sufficient taxable profits in the future to utilise this amount and therefore a deferred tax asset of £841,000 (2012: £816,000) has not been recognised.

6. FINANCE COSTS

The accumulations take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	2013 £000	2012 £000
Interim accumulations	3,189	2,854
Final accumulations	726	2,265
	3,915	5,119
Add: Amounts deducted on cancellation of shares	313	8
Deduct: Amounts received on issue of shares	(32)	(38)
Net accumulation for the year	4,196	5,089

7. DEBTORS

	2013 £000	2012 £000
Amounts receivable for the issue of shares	88	5
Sales awaiting settlement	–	89
Accrued revenue	63	414
Prepaid expenses	5	5
Total debtors	156	513

8. CREDITORS

	2013 £000	2012 £000
Amounts payable for the cancellation of shares	89	–
Purchases awaiting settlement	10	11
Accrued expenses	46	41
Amounts payable to ACD	8	6
Total creditors	153	58

9. RELATED PARTY TRANSACTIONS

The related parties are set out in detail in note 10 of the aggregated financial statements on page 6.

As at the year end the Liverpool Victoria group of companies held 60.86% (2012: 93.11%) of shares in issue.

10. CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date (2012: nil).

11. FINANCIAL INSTRUMENTS

The financial instruments the fund can hold are the same as disclosed in note 12 of the aggregated financial statements on page 6.

12. RISK OF FINANCIAL INSTRUMENTS

The risk policies are set out in detail in note 13 of the aggregated financial statements on page 6.

As the reporting currency is in sterling, there is no sterling currency exposure. However, the amount of sterling is included to enable the table to be reconciled back to the balance sheet.

	Monetary exposures £000	Non- monetary exposures £000	Total £000
Currency 2013			
Sterling	1,296	29,906	31,202
	1,296	29,906	31,202
Currency 2012	£000	£000	£000
Sterling	8,578	164,992	173,570
	8,578	164,992	173,570

Threadneedle UK Growth Fund

Notes to the financial statements

(continued)

13. PORTFOLIO TRANSACTION COSTS

	2013 £000	2012 £000
Analysis of total purchase costs		
Purchases in year before transaction costs	58,462	94,807
Commissions	85	123
Taxes	258	427
Total purchase costs	343	550
Gross purchases total	58,805	95,357
Analysis of total sale costs		
Gross sales before transaction costs	226,116	92,967
Commissions	(100)	(113)
Total sale costs	(100)	(113)
Total sales net of transaction costs	226,016	92,854

14. SHAREHOLDERS' FUNDS

UK Growth Fund currently has four share classes; Retail, Second Retail, LV=Group and Institutional shares. The charges on each share class are as follows:

Annual management charge	
Retail	1.00%
LV=Group	0.00%
Second Retail	1.50%
Institutional	0.55%
Registration fees	
Retail	0.06%
LV=Group	0.06%
Second Retail	0.06%
Institutional	0.06%

The net asset value of each share class, the net asset value per share, and the number of shares in each share class are given in the comparative tables on page 40. The distribution per share class is given in the distribution tables on pages 12 and 13. All classes have the same rights on winding up.

Revenue, and other expenses not included in the table above are allocated each day pro rata to the value of the assets attributable to each share class and taxation is calculated by reference to the net revenue after expenses attributable to each share class. Due to the varying expenses, the level of net revenue after expenses attributable to each share class and the distributable revenue is likely to differ.

Threadneedle European ex-UK Growth Fund

Investment Report

Investment Objectives and Policies

The objective of the Fund is to achieve long-term capital growth from investments principally in European equities, excluding the UK.

The Fund will normally be invested in a range of European markets to maximise the return whilst moderating the risk of equity investment at any particular point in the economic and business cycle. The Fund may also invest in other transferable securities, collective investment schemes, money market instruments, deposits, and cash and near cash when deemed appropriate.

Derivatives and forward transactions shall be used only for the purposes of efficient portfolio management and hedging. Subject to at least 60 days' notice to Shareholders, derivatives may also be used for investment purposes, which may change the risk profile of the Fund.

Performance of Retail Accumulation Shares*

Over the twelve months to 31 December 2013, the published share price of Threadneedle European ex-UK Growth Fund has risen from 253.3p to 307.3p. Looking at performance within its peer group, the total return on the fund for the twelve months ending 31 December 2013, including net reinvested income, is +21.32% as compared to a sector median return of +25.59% over the same period. (For comparison the FTSE World Europe ex UK Total Return Index returned +25.18% over the same period.)

Market Overview

European equities continued their rally at the start of the year, coupled with improving bond markets. The rally petered out in the second quarter and then resumed in the summer, with the result that the benchmark index produced a return of 25% for the year, in sterling terms. Some of the peripheral eurozone markets which had been worst hit during the crisis recovered most strongly, as investors looked forward to a recovery in eurozone GDP and corporate profitability in 2014.

A positive result in the German election (the re-election of Angela Merkel, this time in coalition with the left wing) together with improving economic indicators (Purchasing Managers Survey data is generally more positive for example) all boosted market sentiment. The European Central Bank (ECB) cut interest rates following weak inflation data. A slowdown in China and concerns over Latin America hampered the performance of companies with emerging-market exposure, and generally the market favoured more domestically-oriented businesses, especially those which stand to benefit from a cyclical upturn.

The performance of the portfolio lagged the index as our focus on higher-quality stocks did not bear fruit as the market indulged in a cyclical rally. At the company level, individual stocks which detracted from performance included Lanxess, Umicore and ING.

Purchases during the period included Bayer. We believe this stock is attractively valued and has a good drugs pipeline, with little exposure to the risk of regulatory decisions. The company also has divisions covering

areas such as seeds/agrochemicals and animal healthcare. Elsewhere, we also opened a new position in ophthalmic lenses maker Essilor International where the growth record is impressive and likely to continue – market penetration in emerging markets is still low.

We sold Air Liquide, the French-based global industrial-gases business which has achieved strong long-term performance for the fund. Another sale was Lanxess which has proved a poor performer after the company warned earlier in the year that profits would be lower owing to weaker than expected demand. We also took profits in Kabel Deutschland following the bid from Vodafone.

The outlook for Europe continues to improve. Rhetoric from the ECB remains supportive, while the economic backdrop across the single-currency zone continues to improve. Political risks remain in parts of the eurozone, as continuing resistance to austerity policies is evident among both governments and voters. However, in Spain for example, the measures taken have had a positive impact.

At the company level, we believe that the outlook remains encouraging and we continue to find good long-term opportunities in selected European equities, particularly those with robust earnings prospects and pricing power. There is increasing interest in companies with strong domestic European operations which can benefit from the improving environment, rather than relying on stronger growth in emerging markets and elsewhere.

STATEMENT OF TOTAL RETURN

for the accounting period 1 January 2013 to 31 December 2013

	Notes	2013 £000	2012 £000
Income			
Net capital gains	2	22,882	25,234
Revenue	3	3,021	3,443
Expenses	4	(316)	(267)
Finance costs: interest	6	(1)	(50)
Net revenue before taxation		2,704	3,126
Taxation	5	(206)	(316)
Net revenue after taxation		2,498	2,810
Total return before distributions/accumulations		25,380	28,044
Finance costs: distributions/accumulations	6	(2,506)	(2,836)
Change in net assets attributable to shareholders from investment activities		22,874	25,208

BALANCE SHEET

as at 31 December 2013

	Notes	2013 £000	2012 £000
Assets			
Investment assets		118,885	134,959
Other assets			
Debtors	8	436	190
Cash and bank balances		1,193	2,953
Total other assets		1,629	3,143
Total assets		120,514	138,102
Liabilities			
Derivative liabilities		(30)	(106)
Other liabilities			
Creditors	9	(94)	(745)
Total other liabilities		(94)	(745)
Total liabilities		(124)	(851)
Net assets attributable to shareholders		120,390	137,251

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the accounting period 1 January 2013 to 31 December 2013

	2013 £000	2012 £000
Opening net assets attributable to shareholders	137,251	129,860
Amounts receivable on the issue of shares	27,222	11,513
Amounts payable on the cancellation of shares	(68,835)	(31,786)
	(41,613)	(20,273)
Dilution levy	121	53
Change in net assets attributable to shareholders from investment activities (see statement of total return above)	22,874	25,208
Retained distribution on accumulation shares	1,757	2,403
Closing net assets attributable to shareholders	120,390	137,251

DISTRIBUTION TABLES

for the accounting period 1 January 2013 to 31 December 2013

Dividend distribution in pence per share

Retail Accumulation Share Class

Distribution Period	Net Revenue	Equalisation	Accumulation Paid/Payable 2013	Accumulation Paid 2012
Group 1				
01/01/13 to 30/06/13	3.6359	—	3.6359	3.9086
01/07/13 to 31/12/13	—	—	—	—
Group 2				
01/01/13 to 30/06/13	2.2500	1.3859	3.6359	3.9086
01/07/13 to 31/12/13	—	—	—	—
Total distributions in the period			3.6359	3.9086

LV=Group Accumulation Share Class

Distribution Period	Net Revenue	Equalisation	Accumulation Paid/Payable 2013	Accumulation Paid 2012
Group 1				
01/01/13 to 30/06/13	5.7175	—	5.7175	5.6374
01/07/13 to 31/12/13	0.8546	—	0.8546	0.4670
Group 2				
01/01/13 to 30/06/13	5.7175	—	5.7175	5.6374
01/07/13 to 31/12/13	0.1880	0.6666	0.8546	0.4670
Total distributions in the period			6.5721	6.1044

*In pound Sterling and against UK peer group.
Please refer to page 41 for comparative tables.

Threadneedle European ex-UK Growth Fund

DISTRIBUTION TABLES

(continued)

Second Retail Accumulation Share Class

Distribution Period	Net Revenue	Equalisation	Accumulation Paid/Payable 2013	Accumulation Paid 2012
Group 1				
01/01/13 to 30/06/13	1.5900	—	1.5900	1.8085
01/07/13 to 31/12/13	—	—	—	—
Group 2				
01/01/13 to 30/06/13	0.7234	0.8666	1.5900	1.8085
01/07/13 to 31/12/13	—	—	—	—
Total distributions in the period			1.5900	1.8085

Institutional Income Share Class

Distribution Period	Net Revenue	Equalisation	Distribution Paid/Payable 2013	Distribution Paid 2012
Group 1				
01/01/13 to 30/06/13	1.9840	—	1.9840	2.0830
01/07/13 to 31/12/13	—	—	—	—
Group 2				
01/01/13 to 30/06/13	1.0099	0.9741	1.9840	2.0830
01/07/13 to 31/12/13	—	—	—	—
Total distributions in the period			1.9840	2.0830

Institutional Income GBP Hedged Share Class

Distribution Period	Net Revenue	Equalisation	Distribution Paid/Payable 2013	Distribution Paid 2012
Group 1				
01/01/13 to 30/06/13	1.8092	—	1.8092	1.9614
01/07/13 to 31/12/13	—	—	—	—
Group 2				
01/01/13 to 30/06/13	0.8687	0.9405	1.8092	1.9614
01/07/13 to 31/12/13	—	—	—	—
Total distributions in the period			1.8092	1.9614

Institutional Accumulation Share Class

Distribution Period	Net Revenue	Equalisation	Accumulation Paid/Payable 2013	Accumulation Paid 2012
Group 1				
01/01/13 to 30/06/13	2.5413	—	2.5413	2.6146
01/07/13 to 31/12/13	—	—	—	—
Group 2				
01/01/13 to 30/06/13	2.3140	0.2273	2.5413	2.6146
01/07/13 to 31/12/13	—	—	—	—
Total distributions in the period			2.5413	2.6146

Group 2: shares purchased during a distribution period.

Threadneedle European ex-UK Growth Fund

Notes to the financial statements

for the accounting period 1 January 2013 to 31 December 2013

1. ACCOUNTING POLICIES

The accounting policies for the fund are the same as those disclosed in the aggregated financial statements on page 5.

2. NET CAPITAL GAINS

The net capital gains on investments during the year comprise:

	2013 £000	2012 £000
Non-derivative securities	22,975	24,927
Forward currency contracts	(106)	166
Currency gains	46	47
Transaction costs	(33)	(44)
Capital special dividends	—	138
Net capital gains	22,882	25,234

3. REVENUE

	2013 £000	2012 £000
Overseas dividends	2,995	3,442
Bank interest	—	1
Stock dividends	26	—
Total revenue	3,021	3,443

4. EXPENSES

	2013 £000	2012 £000
Payable to the ACD or associates of the ACD, and the agents of either of them:		
Annual management charge	165	122
	165	122
Payable to the Depositary or associates of the Depositary, and the agents of either of them:		
Depositary fees	22	22
Safe custody fees	34	35
Administration fee	52	49
	108	106
Other expenses:		
Audit fee	8	7
Registration fees	35	32
	43	39
Total expenses	316	267

5. TAXATION

	2013 £000	2012 £000
a) Analysis of charge in year:		
Overseas withholding tax	206	316
Total current tax (note 5b)	206	316
b) Factors affecting current taxation charge for year:		
Net revenue before taxation	2,704	3,126
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	541	625
Effects of:		
Revenue not subject to taxation	(595)	(679)
Current year expenses not utilised	55	54
Overseas withholding tax	206	316
Tax relief on overseas tax suffered	(1)	—
Current tax charge for year (note 5a)	206	316

c) Deferred tax

At 31 December 2013, there are surplus management expenses of £815,000 (2012: £539,000). It is unlikely that the fund will generate sufficient taxable profits in the future to utilise this amount, and therefore a deferred tax asset of £163,000 (2012: £108,000) has not been recognised.

6. FINANCE COSTS

The distributions/accumulations take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	2013 £000	2012 £000
Interim dividend distributions/accumulations	1,886	2,536
Final dividend distributions/accumulations	208	185
	2,094	2,721
Add: Amounts deducted on cancellation of shares	466	129
Deduct: Amounts received on issue of shares	(54)	(14)
Net distribution/accumulation for the year	2,506	2,836
Interest	1	50
Total finance costs	2,507	2,886

7. MOVEMENTS BETWEEN NET REVENUE AND DISTRIBUTIONS/ACCUMULATIONS

	2013 £000	2012 £000
Net revenue after taxation	2,498	2,810
Income deficit transfer to capital	8	26
Net distribution/accumulation for the year	2,506	2,836

8. DEBTORS

	2013 £000	2012 £000
Amounts receivable for the issue of shares	148	83
Overseas tax recoverable	288	107
Total debtors	436	190

9. CREDITORS

	2013 £000	2012 £000
Amounts payable for the cancellation of shares	24	3
Accrued expenses	54	107
Amounts payable to ACD	16	11
Purchases awaiting settlement	—	624
Total creditors	94	745

10. RELATED PARTY TRANSACTIONS

The related parties are set out in detail in note 10 of the aggregated financial statements on page 6.

As at the year end the Liverpool Victoria group of companies held 97.18% (2012: 97.16%) of shares in issue.

11. CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date (2012: nil).

12. FINANCIAL INSTRUMENTS

The financial instruments the fund can hold are the same as disclosed in note 12 of the aggregated financial statements on page 6.

Threadneedle European ex-UK Growth Fund

Notes to the financial statements

(continued)

13. RISK OF FINANCIAL INSTRUMENTS

The risk policies are set out in detail in note 13 of the aggregated financial statements on page 6.

At the year end date a portion of the net assets of the fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movement.

As the reporting currency is in sterling, there is no sterling currency exposure. However, the amount of sterling is included to enable the table to be reconciled back to the balance sheet.

(a) Hedged Share Class – the Hedged Share Class within Threadneedle European ex-UK Growth Fund is designed to mitigate currency risk, by limiting the impact of exchange rate movements between the base currency (sterling) and the currencies in which the assets of that fund are denominated. The effects of hedging will be reflected in the value and the currencies in which the assets of that fund are of this class. The cost and expenses associated with the hedging transactions, and any benefits of those transactions will accrue to Shareholders in this class only.

	Monetary exposures £000	Non- monetary exposures £000	Total £000
Currency 2013			
Danish krone	12	3,026	3,038
Euro	1,532	67,837	69,369
Norwegian krone	3	2,497	2,500
Sterling	(37)	24,144	24,107
Swedish krona	9	8,285	8,294
Swiss franc	16	13,066	13,082
	<u>1,535</u>	<u>118,855</u>	<u>120,390</u>
Currency 2012	£000	£000	£000
Danish krone	27	4,284	4,311
Euro	2,988	76,290	79,278
Norwegian krone	21	4,668	4,689
Sterling	(113)	17,991	17,878
Swedish krona	9	11,232	11,241
Swiss franc	(534)	20,388	19,854
	<u>2,398</u>	<u>134,853</u>	<u>137,251</u>

14. PORTFOLIO TRANSACTION COSTS

	2013 £000	2012 £000
Analysis of total purchase costs		
Purchase in year before transaction costs	81,323	69,739
Commissions	84	75
Taxes	52	10
Total purchase costs	<u>136</u>	<u>85</u>
Gross purchases total	81,459	69,824
Analysis of total sale costs		
Gross sales before transaction costs	120,618	87,724
Commissions	(78)	(76)
Total sale costs	<u>(78)</u>	<u>(76)</u>
Total sales net of transaction costs	120,540	87,648

15. SHAREHOLDERS' FUNDS

European ex-UK Growth Fund currently has five share classes; Retail, Second Retail, LV=Group, Institutional and Institutional GBP Hedged shares. The charges on each share class are as follows:

Annual management charge	
Retail	1.00%
LV=Group	0.00%
Second Retail	1.50%
Institutional	0.55%
Institutional GBP Hedged	0.55%
Registration fees	
Retail	0.06%
LV=Group	0.06%
Second Retail	0.06%
Institutional	0.06%
Institutional GBP Hedged	0.06%

The net asset value of each share class, the net asset value per share, and the number of shares in each share class are given in the comparative tables on page 41. The distribution per share class is given in the distribution table on pages 16 and 17. All classes have the same rights on winding up.

Revenue, and other expenses not included in the table above are allocated each day pro rata to the value of the assets attributable to each share class and taxation is calculated by reference to the net revenue after expenses attributable to each share class. Due to the varying expenses, the level of net revenue after expenses attributable to each share class and the distributable revenue is likely to differ.

Threadneedle Japan Growth Fund

Investment Report

Investment Objectives and Policies

The objective of the Fund is to achieve long-term capital growth from investments principally in Japanese equities.

The Fund will normally be invested in a range of Japanese companies to maximise the return whilst moderating the risk of equity investment at any particular point in the economic and business cycle. The Fund may also invest in other transferable securities, collective investment schemes, money market instruments, deposits, and cash and near cash when deemed appropriate.

Derivatives and forward transactions shall be used only for the purposes of efficient portfolio management and hedging. Subject to at least 60 days' notice to Shareholders, derivatives may also be used for investment purposes, which may change the risk profile of the Fund.

Performance of Group Accumulation Shares*

Over the twelve months to 31 December 2013, the published share price of Threadneedle Japan Growth Fund has risen from 121.9p to 156.6p. Looking at performance within its peer group, the total return on the fund for the twelve months ending 31 December 2013, including net reinvested income, is +28.47% as compared to a sector median return of +24.37% over the same period. (For comparison the TOPIX returned

+24.67% over the same period).

Market Overview

2013 marked the first full year of Mr Abe's second attempt at being Japan's Prime Minister and the first full year of what is now called 'Abenomics'. If success was measured purely in stock market terms, then the year would have to be called an unqualified success, since the market rose over 50% in local currency terms.

Mr Abe can be credited with success in weakening the currency to a level which is extremely positive for export competitiveness and profitability. He can also be credited with the appointment of a reforming Bank of Japan Governor, Mr Kuroda, who managed to exceed even raised expectations for policy action to counter Japan's endemic deflation. His party, the LDP, won the Upper House elections in July, giving a strong mandate to continue their economic growth agenda.

After a gain of over 50%, it is important to question whether valuations have become stretched. However, the highly significant move in the currency will have a very real and measurable impact on corporate profits, and the direction of earnings revisions is extremely positive. Companies and analysts may have gone so far as to assume an exchange rate of ¥/\$90-95 in their forecasts but at the time of writing the rate is ¥/\$105, which provides further upside. This means that even though the market has been so strong, it is not becoming

any more expensive as earnings growth is keeping pace with, if not exceeding, the market's gain.

Our portfolio positioning remains broad-based, with our key overweights in beneficiaries both of a weaker yen (such as Mazda) and of the positive impact of Abenomics on the domestic economy (such as Sekisui Chemical or financials such as Japan Exchange). We have also found some strong stock-specific ideas which are unrelated to Abenomics. An example would be Ono Pharmaceutical, which has a very exciting new cancer drug in its pipeline.

As we enter 2014 we find the market well underpinned by its valuation. Prime Minister Abe has three years ahead of him with a majority in both Diet houses. He may therefore not feel the sense of urgency or impatience the market sometimes reveals when it reacts negatively in the short term to general statements about future policy direction rather than announcements of specific details which it craves. This was clear when the confirmation of the upcoming consumption tax hike was not immediately followed by the specifics of supporting measures during the transition period.

However, for us, the key remains whether or not we can find companies we like on attractive valuations, and this is still very much the case. So long as the direction of policy remains constructive, we can be patient about the timing as the resultant benefits can be meaningful.

STATEMENT OF TOTAL RETURN

for the accounting period 1 January 2013 to 31 December 2013

	Notes	2013 £000	2012 £000
Income			
Net capital gains	2	15,163	85
Revenue	3	1,099	1,500
Expenses	4	(69)	(72)
Net revenue before taxation		1,030	1,428
Taxation	5	(79)	(105)
Net revenue after taxation		951	1,323
Total return before accumulations		16,114	1,408
Finance costs: accumulations	6	(951)	(1,323)
Change in net assets attributable to shareholders from investment activities		15,163	85

BALANCE SHEET

as at 31 December 2013

	Notes	2013 £000	2012 £000
Assets			
Investment assets		45,437	60,505
Other assets			
Debtors	7	39	84
Cash and bank balances		498	1,218
Total other assets		537	1,302
Total assets		45,974	61,807
Liabilities			
Other liabilities			
Creditors	8	(29)	(57)
Total liabilities		(29)	(57)
Net assets attributable to shareholders		45,945	61,750

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the accounting period 1 January 2013 to 31 December 2013

	2013 £000	2012 £000
Opening net assets attributable to shareholders	61,750	59,294
Amounts receivable on the issue of shares	9,811	7,248
Amounts payable on the cancellation of shares	(41,558)	(6,193)
	(31,747)	1,055
Dilution levy	45	7
Change in net assets attributable to shareholders from investment activities (see statement of total return above)	15,163	85
Retained distribution on accumulation shares	734	1,309
Closing net assets attributable to shareholders	45,945	61,750

DISTRIBUTION TABLES

for the accounting period 1 January 2013 to 31 December 2013

Dividend distribution in pence per share

LV=Group Accumulation Share Class

Distribution Period	Net Revenue	Equalisation	Accumulation Paid/Payable 2013	Accumulation Paid 2012
Group 1				
01/01/13 to 30/06/13	1.3788	—	1.3788	1.4288
01/07/13 to 31/12/13	1.0583	—	1.0583	1.2894
Group 2				
01/01/13 to 30/06/13	0.0975	1.2813	1.3788	1.4288
01/07/13 to 31/12/13	0.8741	0.1842	1.0583	1.2894
Total distributions in the period			2.4371	2.7182

Institutional Accumulation Share Class

Distribution Period	Net Revenue	Equalisation	Accumulation Paid/Payable 2013	Accumulation Paid 2012
Group 1				
01/01/13 to 30/06/13	0.9927	—	0.9927	1.1057
01/07/13 to 31/12/13	0.5823	—	0.5823	0.9746
Group 2				
01/01/13 to 30/06/13	0.9927	—	0.9927	1.1057
01/07/13 to 31/12/13	0.5823	—	0.5823	0.9746
Total distributions in the period			1.5750	2.0803

Group 2: shares purchased during a distribution period.

*In pound Sterling and against UK peer group.
Please refer to page 41 for comparative tables.

Threadneedle Japan Growth Fund

Notes to the financial statements

for the accounting period 1 January 2013 to 31 December 2013

1. ACCOUNTING POLICIES

The accounting policies for the fund are the same as those disclosed in the aggregated financial statements on page 5.

2. NET CAPITAL GAINS

The net capital gains on investments during the year comprise:

	2013 £000	2012 £000
Non-derivative securities	15,497	189
Currency losses	(324)	(92)
Transaction costs	(10)	(12)
Net capital gains	15,163	85

3. REVENUE

	2013 £000	2012 £000
Overseas dividends	1,099	1,500
Total revenue	1,099	1,500

4. EXPENSES

	2013 £000	2012 £000
Payable to the ACD or associates of the ACD, and the agents of either of them:		
Annual management charge	—	—
Payable to the Depositary or associates of the Depositary, and the agents of either of them:		
Depositary fees	10	11
Safe custody fees	10	10
Administration fee	24	29
	44	50
Other expenses:		
Audit fee	8	7
Registration fees	17	15
	25	22
Total expenses	69	72

5. TAXATION

	2013 £000	2012 £000
a) Analysis of charge in year:		
Overseas withholding tax	79	105
Total current tax (note 5b)	79	105
b) Factors affecting current taxation charge for year:		
Net revenue before taxation	1,030	1,428
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	206	286
Effects of:		
Revenue not subject to taxation	(220)	(300)
Current year expenses not utilised	14	14
Irrecoverable overseas tax	79	105
Current tax charge for year (note 5a)	79	105

c) Deferred Tax

At 31 December 2013, there are surplus management expenses of £254,000 (2012: £184,000).

It is unlikely that the fund will generate sufficient taxable profits in the future to utilise this amount, and therefore a deferred tax asset of £51,000 (2012: £37,000) has not been recognised.

6. FINANCE COSTS

The accumulations take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	2013 £000	2012 £000
Interim dividend accumulations	423	656
Final dividend accumulations	311	653
	734	1,309
Add: Amounts deducted on cancellation of shares	294	21
Deduct: Amounts received on issue of shares	(77)	(7)
Net accumulation for the year	951	1,323

7. DEBTORS

	2013 £000	2012 £000
Accrued revenue	39	84
Total debtors	39	84

8. CREDITORS

	2013 £000	2012 £000
Accrued expenses	29	57
Total creditors	29	57

9. RELATED PARTY TRANSACTIONS

The related parties are set out in detail in note 10 of the aggregated financial statements on page 6.

As at the year end the Liverpool Victoria group of companies held 100% (2012: 100%) of shares in issue.

10. CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date (2012: nil).

11. FINANCIAL INSTRUMENTS

The financial instruments the fund can hold are the same as disclosed in note 12 of the aggregated financial statements on page 6.

12. RISK OF FINANCIAL INSTRUMENTS

The risk policies are set out in detail in note 13 of the aggregated financial statements on page 6.

At the year end date a portion of the net assets of the fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movement.

As the reporting currency is in sterling, there is no sterling currency exposure. However, the amount of sterling is included to enable the table to be reconciled back to the balance sheet.

	Monetary exposures £000	Non- monetary exposures £000	Total £000
Currency 2013			
Japanese yen	328	45,437	45,765
Sterling	180	—	180
	508	45,437	45,945
Currency 2012	£000	£000	£000
Japanese yen	1,204	60,505	61,709
Sterling	41	—	41
	1,245	60,505	61,750

Threadneedle Japan Growth Fund

Notes to the financial statements

(continued)

13. PORTFOLIO TRANSACTION COSTS

	2013 £000	2012 £000
Analysis of total purchases costs		
Purchases in year before transaction costs	58,133	37,889
Commissions	56	36
Total purchase costs	56	36
Gross purchases total	58,189	37,925
Analysis of total sale costs		
Gross sales before transaction costs	88,816	35,860
Commissions	(62)	(37)
Total sale costs	(62)	(37)
Total sales net of transaction costs	88,754	35,823

14. SHAREHOLDERS' FUNDS

Japan Growth Fund currently has two share classes; LV=Group and Institutional shares. The charges on each share class are as follows:

Annual management charge

LV=Group	0.00%
Institutional	0.55%

Registration fees

LV=Group	0.06%
Institutional	0.06%

The net asset value of each share class, the net asset value per share, and the number of shares in each share class are given in the comparative tables on page 41. The distribution per share class is given in the distribution tables on page 20. All classes have the same rights on winding up.

Revenue, and other expenses not included in the table above are allocated each day pro rata to the value of the assets attributable to each share class and taxation is calculated by reference to the net revenue after expenses attributable to each share class. Due to the varying expenses, the level of net revenue after expenses attributable to each share class and the distributable revenue is likely to differ.

Threadneedle Pacific ex-Japan Growth Fund

Investment Report

Investment Objectives and Policies

The objective of the Fund is to achieve long-term capital growth from investments principally in Far East equities, excluding Japan.

The Fund will normally be invested in a range of Far East markets to maximise the return whilst moderating the risk of equity investment at any particular point in the economic and business cycle. The Fund may also invest in other transferable securities, collective investment schemes, money market instruments, deposits, and cash and near cash when deemed appropriate.

Derivatives and forward transactions shall be used only for the purposes of efficient portfolio management and hedging. Subject to at least 60 days' notice to Shareholders, derivatives may also be used for investment purposes, which may change the risk profile of the Fund.

Performance of LV=Group Accumulation Shares*

Over the twelve months to 31 December 2013, the published share price of Threadneedle Pacific ex-Japan Growth Fund has risen from 348.6p to 362.5p. Looking at performance within its peer group, the total return on the fund for the twelve months ending 31 December 2013, including net reinvested income, is +3.99% as compared to a sector median return of +2.01% over the same period. (For comparison the MSCI AC Asia Pacific ex Japan Total Return Index returned +1.73% over the same period).

Market Overview

Asian equities made modest gains in 2013, with the MSCI Asia Pacific ex Japan index up just 1.7% in sterling terms.

One of the main factors in this lacklustre performance was the speculation as to when the US Federal Reserve (Fed) would reduce its programme of quantitative easing. Fed officials

first raised the prospect of a "tapering" of their monthly bond purchases in late May; thereafter, global equity markets endured periodic sell-offs as Fed pronouncements were scrutinised for signs that a reduction might be imminent. Countries with deteriorating current-account balances – such as Indonesia, Thailand and India – were perceived as particularly vulnerable to a tightening of global liquidity and bore the brunt of the concerns.

Eventually, a consensus grew that September would see the first reduction in quantitative easing. In the event, the Fed left its programme unchanged both in that month and in October, prompting a relief rally. Most market participants began to expect that tapering would not take place until early 2014. There was some surprise, therefore, when the Fed announced in December that it would reduce its monthly purchases by US\$10 billion; Asian markets gave up a significant amount of their year-to-date returns during that month. Meanwhile, the ASEAN countries also had to contend with wage protests (Indonesia), political uncertainty (Thailand) and Typhoon Haiyan (the Philippines).

For much of the year, signs of a slowing Chinese economy were also a concern for investors in Asia and Australia. China's second-quarter GDP growth came in at 7.5%, down from 7.7% in the first quarter of 2013. In the third quarter, however, there was a marked improvement in Chinese data, with the HSBC production managers' index hitting a six-month high in August, alongside robust industrial-production and export figures. In November, the third plenary session of the Central Committee of the Chinese Communist Party produced a series of reform proposals, which were favourably received by the markets. Nevertheless, most Chinese equity indices produced only muted returns for the full year. Several sharp spikes in the Shanghai interbank lending rate also clouded sentiment towards China.

The fund outperformed the index over the year. Country allocation was slightly negative, but stock selection was strongly positive, especially in China. Stock selection also worked well in Hong Kong, Thailand, the Philippines and Taiwan, although it was negative in India and Korea. By sector, our positioning worked well, with the underweight in energy a significant positive. Stock selection was strongest in utilities and IT.

Most of the largest contributors to the fund's outperformance were Hong Kong or Chinese stocks. These included Sands China (casinos), Baidu (internet search), ENN Energy and Towngas China (gas distribution), Tencent (internet services), Guangdong Investment (water utility) and Great Wall Motor (automobiles). Elsewhere, the Philippines' Alliance Global (liquor) and India's Infosys (IT consulting) also performed well. Negatives included Indonesia's Gudang Garam (cigarettes), Korea's Samsung Electronics (consumer electronics) and Australia's QBE (insurance).

In terms of stock-level activity, we initiated a number of new positions during the year including E.SUN Financial, Thai Union Frozen Products, SK Telecom and SK Hynix, all of which registered strong returns for the fund. In terms of sales, we reduced our large position in Samsung Electronics and exited Dairy Farm International and Westfield Retail Trust.

Asian equity valuations remain attractive on price-earnings and price-to-book measures, particularly with exports to the US and Europe expected to pick up. The risk remains market volatility surrounding concerns over the tapering of QE, and any further disappointing news on growth in China and the wider region. Nonetheless, Asia remains well positioned given sustainably stronger economic growth, robust banking systems, strong government and consumer balance sheets, plus positive demographic profiles.

STATEMENT OF TOTAL RETURN

for the accounting period 1 January 2013 to 31 December 2013

	Notes	2013 £000	2012 £000
Income			
Net capital gains	2	12	2,761
Revenue	3	825	557
Expenses	4	(76)	(65)
Finance costs: interest	6	(1)	(1)
Net revenue before taxation		748	491
Taxation	5	(53)	(33)
Net revenue after taxation		695	458
Total return before accumulations		707	3,219
Finance costs: accumulations	6	(695)	(458)
Change in net assets attributable to shareholders from investment activities		12	2,761

BALANCE SHEET

as at 31 December 2013

	Notes	2013 £000	2012 £000
Assets			
Investment assets		36,719	21,473
Other assets			
Debtors	7	9	15
Cash and bank balances		1,044	366
Total other assets		1,053	381
Total assets		37,772	21,854
Liabilities			
Other liabilities			
Creditors	8	(35)	(121)
Total liabilities		(35)	(121)
Net assets attributable to shareholders		37,737	21,733

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the accounting period 1 January 2013 to 31 December 2013

	2013 £000	2012 £000
Opening net assets attributable to shareholders	21,733	24,192
Amounts receivable on the issue of shares	24,461	1,414
Amounts payable on the cancellation of shares	(9,177)	(7,103)
	15,284	(5,689)
Dilution levy	26	26
Change in net assets attributable to shareholders from investment activities (see statement of total return above)	12	2,761
Retained distribution on accumulation shares	682	443
Closing net assets attributable to shareholders	37,737	21,733

DISTRIBUTION TABLES

for the accounting period 1 January 2013 to 31 December 2013

Dividend distribution in pence per share

LV=Group Accumulation Share Class					
Distribution Period	Net Revenue	Equalisation	Accumulation Paid/Payable 2013	Accumulation Paid 2012	
Group 1					
01/01/13 to 30/06/13	4.7447	–	4.7447	3.7763	
01/07/13 to 31/12/13	3.8200	–	3.8200	2.9559	
Group 2					
01/01/13 to 30/06/13	4.7447	–	4.7447	3.7763	
01/07/13 to 31/12/13	2.7745	1.0455	3.8200	2.9559	
Total distributions in the period			8.5647	6.7322	

Institutional Accumulation Share Class

Distribution Period	Net Revenue	Equalisation	Accumulation Paid/Payable 2013	Accumulation Paid 2012	
Group 1					
01/01/13 to 30/06/13	2.0701	–	2.0701	1.6155	
01/07/13 to 31/12/13	1.5596	–	1.5596	1.1409	
Group 2					
01/01/13 to 30/06/13	1.3783	0.6918	2.0701	1.6155	
01/07/13 to 31/12/13	1.5596	–	1.5596	1.1409	
Total distributions in the period			3.6297	2.7564	

Group 2: shares purchased during a distribution period.

*In pound Sterling and against UK peer group.
Please refer to page 41 for comparative tables.

Threadneedle Pacific ex-Japan Growth Fund

Notes to the financial statements

for the accounting period 1 January 2013 to 31 December 2013

1. ACCOUNTING POLICIES

The accounting policies for the fund are the same as those disclosed in the aggregated financial statements on page 5.

2. NET CAPITAL GAINS

The net capital gains on investments during the year comprise:

	2013 £000	2012 £000
Non-derivative securities	(38)	2,810
Currency gains	92	7
Transaction costs	(42)	(56)
Net capital gains	12	2,761

3. REVENUE

	2013 £000	2012 £000
Overseas dividends	778	545
Stock dividends	47	12
Total revenue	825	557

4. EXPENSES

	2013 £000	2012 £000
Payable to the ACD or associates of the ACD, and the agents of either of them:		
Annual management charge	4	4
	4	4
Payable to the Depositary or associates of the Depositary, and the agents of either of them:		
Depositary fees	6	4
Safe custody fees	16	15
Administration fee	36	29
	58	48
Other expenses:		
Audit fee	8	7
Registration fees	6	6
	14	13
Total expenses	76	65

5. TAXATION

	2013 £000	2012 £000
a) Analysis of charge in year:		
Overseas withholding tax	53	33
Total current tax (note 5b)	53	33
b) Factors affecting current taxation charge for year:		
Net revenue before taxation	748	491
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	150	98
Effects of:		
Revenue not subject to taxation	(165)	(111)
Current year expenses not utilised	15	13
Overseas withholding tax	53	33
Current tax charge for year (note 5a)	53	33

c) Deferred Tax

At 31 December 2013, there are surplus management expenses of £274,000 (2012: £198,000).

It is unlikely that the fund will generate sufficient taxable profits in the future to utilise this amount, and therefore a deferred tax asset of £54,000 (2012: £39,000) has not been recognised.

6. FINANCE COSTS

The accumulations take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	2013 £000	2012 £000
Interim dividend accumulations	285	261
Final dividend accumulations	397	183
	682	444
Add: Amounts deducted on cancellation of shares	83	22
Deduct: Amounts received on issue of shares	(70)	(8)
Net accumulation for the year	695	458
Interest	1	1
Total finance costs	696	459

7. DEBTORS

	2013 £000	2012 £000
Sales awaiting settlement	—	15
Accrued revenue	9	—
Total debtors	9	15

8. CREDITORS

	2013 £000	2012 £000
Purchases awaiting settlement	—	38
Accrued expenses	35	83
Total creditors	35	121

9. RELATED PARTY TRANSACTIONS

The related parties are set out in detail in note 10 of the aggregated financial statements on page 6.

As at the year end the Liverpool Victoria group of companies held 53.07% (2012: 100%) of shares in issue.

10. CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date (2012: nil).

11. FINANCIAL INSTRUMENTS

The financial instruments the fund can hold are the same as disclosed in note 12 of the aggregated financial statements on page 6.

Threadneedle Pacific ex-Japan Growth Fund

Notes to the financial statements

(continued)

12. RISK OF FINANCIAL INSTRUMENTS

The risk policies are set out in detail in note 13 of the aggregated financial statements on page 6.

At the year end date a portion of the net assets of the fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movement.

As the reporting currency is in sterling, there is no sterling currency exposure. However, the amount of sterling is included to enable the table to be reconciled back to the balance sheet.

Currency 2013	Monetary exposures £000	Non-monetary exposures £000	Total £000
Australian dollar	5	7,787	7,792
Hong Kong dollar	—	11,008	11,008
Indonesian rupiah	—	561	561
Korean won	—	4,670	4,670
Malaysian ringgit	4	929	933
Philippine peso	—	1,416	1,416
Singapore dollar	—	1,507	1,507
Sterling	915	—	915
Taiwanese dollar	92	3,584	3,676
Thai baht	—	1,427	1,427
US dollar	2	3,830	3,832
	1,018	36,719	37,737

Currency 2012	£000	£000	£000
Australian dollar	1	4,369	4,370
Hong Kong dollar	—	5,924	5,924
Indonesian rupiah	—	965	965
Korean won	—	3,227	3,227
Malaysian ringgit	—	201	201
Philippine peso	—	742	742
Singapore dollar	—	829	829
Sterling	155	—	155
Taiwanese dollar	104	1,646	1,750
Thai baht	—	988	988
US dollar	—	2,582	2,582
	260	21,473	21,733

13. PORTFOLIO TRANSACTION COSTS

	2013 £000	2012 £000
Analysis of total purchase costs		
Purchases in year before transaction costs	48,715	20,730
Commissions	45	37
Tax	6	6
Total purchase costs	51	43
Gross purchases total	48,766	20,773
Analysis of total sale costs		
Gross sales before transaction costs	33,617	25,728
Commissions	(52)	(43)
Tax	(35)	(25)
Total sale costs	(87)	(68)
Total sales net of transaction costs	33,530	25,660

14. SHAREHOLDERS' FUNDS

Pacific ex-Japan Growth Fund currently has two share classes; LV=Group and Institutional shares. The charges on each share class are as follows:

Annual management charge

LV=Group	0.00%
Institutional	0.55%

Registration fees

LV=Group	0.06%
Institutional	0.06%

The net asset value of each share class, the net asset value per share, and the number of shares in each share class are given in the comparative tables on page 41. The distribution per share class is given in the distribution tables on page 23. All classes have the same rights on winding up.

Revenue, and other expenses not included in the table above are allocated each day pro rata to the value of the assets attributable to each share class and taxation is calculated by reference to the net revenue after expenses attributable to each share class. Due to the varying expenses, the level of net revenue after expenses attributable to each share class and the distributable revenue is likely to differ.

Threadneedle US Equity Income Fund

Investment Report

Investment Objectives and Policies

The objective of the Fund is to achieve a high level of income combined with the potential for long-term capital growth.

The Fund will invest principally in a portfolio of US equities, unconstrained by company size or sector classification. The Fund may also invest in other transferable securities, collective investment schemes, money market instruments, deposits, and cash and near cash when deemed appropriate.

Derivatives and forward transactions shall be used only for the purposes of efficient portfolio management and hedging. Subject to at least 60 days' notice to Shareholders, derivatives may also be used for investment purposes, which may change the risk profile of the Fund.

Performance of LV=Group Income Shares*

Over the twelve months to 31 December 2013, the published share price of Threadneedle US Equity Income Fund has risen from 109.3p to 141.5p. Looking at performance within its peer group, the total return on the fund for the twelve months ending 31 December 2013, including net reinvested income, is +31.76% as compared to a sector

median return of +30.19% over the same period. (For comparison the S&P 500 Total Return Index returned +29.93% over the same period).

Market Overview

North American equities performed strongly in 2013. The easing of the sovereign debt crisis in Europe and the resolution of the political and fiscal impasse in the US supported equities at a time when evidence mounted that US economic activity was strengthening. The continued provision of abundant liquidity by the US Federal Reserve and positive corporate results further helped equity markets rally.

The fund performed strongly over the year, both in absolute terms and when compared against the S&P 500 index. Stock selection in the industrial, financial and material sectors contributed to performance, with positions in Prudential (insurer), Boeing (aerospace), Blackstone (private equity) and Deluxe (cheques and printing services) particularly helpful. However, the paucity of income producing securities in the consumer discretionary sector, and hence the fund's underrepresentation in the area, capped returns.

Activity was entirely dictated by stock-level opportunities over the period. We significantly

decreased the fund's capital allocation to the material and industrial sectors as we took profits on positions in aerospace firm Boeing, polymer maker LyondellBasell and containerboard producer International Paper, and exited positions in railroad CSX, logistics solutions firm Ryder Systems, defence company General Dynamics, fastener producer Illinois Tool Works, steel producer Nucor and paper and packaging manufacturer MeadWestvaco. With the proceeds, we added to positions in the financials, consumer, telecoms and utilities sectors. We increased relative exposure in telecom operators AT&T and Verizon, and private equity group Blackstone and initiated new holdings in insurer Prudential, toy makers Hasbro and Mattel, bottler Coca-Cola Enterprises, forest products REIT Weyerhaeuser, integrated natural-gas production, distribution and transportation firm Questar and private equity group Carlyle.

Looking forward, broadening recoveries in the US and Europe are likely to provide a supportive backdrop for companies, with rising earnings and distributions (dividends and buy-backs) underpinning equity performance.

STATEMENT OF TOTAL RETURN

for the accounting period 1 January 2013 to 31 December 2013

	Notes	2013 £000	2012 £000
Income			
Net capital gains	2	29,427	5,423
Revenue	3	3,182	3,699
Expenses	4	(95)	(88)
Finance costs: interest	6	(4)	(10)
Net revenue before taxation		3,083	3,601
Taxation	5	(436)	(491)
Net revenue after taxation		2,647	3,110
Total return before distributions		32,074	8,533
Finance costs: distributions	6	(2,713)	(3,198)
Change in net assets attributable to shareholders from investment activities		29,361	5,335

BALANCE SHEET

as at 31 December 2013

	Notes	2013 £000	2012 £000
Assets			
Investment assets		78,876	104,214
Other Assets			
Debtors	8	164	75
Cash and bank balances		853	694
Total other assets		1,017	769
Total assets		79,893	104,983
Liabilities			
Creditors	9	(38)	(48)
Distribution payable on income shares		(489)	(886)
Total liabilities		(527)	(934)
Net assets attributable to shareholders		79,366	104,049

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the accounting period 1 January 2013 to 31 December 2013

	2013 £000	2012 £000
Opening net assets attributable to shareholders	104,049	117,159
Amounts receivable on the issue of shares	8,887	11,145
Amounts payable on the cancellation of shares	(62,948)	(29,608)
	(54,061)	(18,463)
Dilution levy	17	18
Change in net assets attributable to shareholders from investment activities (see statement of total return above)	29,361	5,335
Closing net assets attributable to shareholders	79,366	104,049

DISTRIBUTION TABLES

for the accounting period 1 January 2013 to 31 December 2013

Dividend distribution in pence per share

LV=Group Income Share Class

Distribution Period	Net Revenue	Equalisation	Distribution Paid/Payable 2013	Distribution Paid 2012
Group 1				
01/01/13 to 31/03/13	0.9083	—	0.9083	0.7099
01/04/13 to 30/06/13	0.8722	—	0.8722	0.7894
01/07/13 to 30/09/13	0.8491	—	0.8491	0.7859
01/10/13 to 31/12/13	0.8672	—	0.8672	0.9317
Group 2				
01/01/13 to 31/03/13	0.5918	0.3165	0.9083	0.7099
01/04/13 to 30/06/13	0.2000	0.6722	0.8722	0.7894
01/07/13 to 30/09/13	0.6025	0.2466	0.8491	0.7859
01/10/13 to 31/12/13	0.1892	0.6780	0.8672	0.9317
Total distributions in the period			3.4968	3.2169
Institutional Income Share Class				
Distribution Period	Net Revenue	Equalisation	Distribution Paid/Payable 2013	Distribution Paid 2012
Group 1				
01/01/13 to 31/03/13	0.8987	—	0.8987	0.7069
01/04/13 to 30/06/13	0.8617	—	0.8617	0.7850
01/07/13 to 30/09/13	0.8378	—	0.8378	0.7799
01/10/13 to 31/12/13	0.8545	—	0.8545	0.9217
Group 2				
01/01/13 to 31/03/13	0.5945	0.3042	0.8987	0.7069
01/04/13 to 30/06/13	0.4764	0.3853	0.8617	0.7850
01/07/13 to 30/09/13	0.2278	0.6100	0.8378	0.7799
01/10/13 to 31/12/13	0.4492	0.4053	0.8545	0.9217
Total distributions in the period			3.4527	3.1935

Group 2: shares purchased during a distribution period

*In pound Sterling and against UK peer group.
Please refer to page 41 for comparative tables.

Threadneedle US Equity Income Fund

Notes to the financial statements

for the accounting period 1 January 2013 to 31 December 2013

1. ACCOUNTING POLICIES

The accounting policies for the fund are the same as those disclosed in the aggregated financial statements on page 5.

2. NET CAPITAL GAINS

The net capital gains on investments during the year comprise:

	2013 £000	2012 £000
Non-derivative securities	29,488	5,423
Currency (losses)/gains	(106)	6
Transaction costs	(4)	(6)
Capital special dividends	49	–
Net capital gains	29,427	5,423

3. REVENUE

	2013 £000	2012 £000
UK dividends	40	42
Overseas dividends	3,142	3,657
Total revenue	3,182	3,699

4. EXPENSES

	2013 £000	2012 £000
Payable to the ACD or associates of the ACD, and the agents of either of them:		
Annual management charge	4	–
	4	–
Payable to the Depositary or associates of the Depositary, and the agents of either of them:		
Depositary fees	19	20
Safe custody fees	14	14
Administration fee	21	19
	54	53
Other expenses:		
Audit fee	7	7
Registration fees	30	28
	37	35
Total expenses	95	88

5. TAXATION

	2013 £000	2012 £000
a) Analysis of charge in year:		
Overseas withholding tax	436	491
Total current tax (note 5b)	436	491
b) Factors affecting current taxation charge for year:		
Net revenue before taxation	3,083	3,601
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	617	720
Effects of:		
Revenue not subject to taxation	(592)	(740)
Current year expenses not utilised	–	20
Utilisation of excess management expenses	(22)	–
Tax relief on overseas tax suffered	(3)	–
Overseas withholding tax	436	491
Current tax charge for year (note 5a)	436	491

c) Deferred Tax

At 31 December 2013, there are surplus management expenses of £30,000 (2012: £142,000). It is unlikely that the fund will generate sufficient taxable profits in the future to utilise this amount, and therefore a deferred tax asset of £7,000 (2012: £29,000) has not been recognised.

6. FINANCE COSTS

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	2013 £000	2012 £000
Interim dividend distributions	2,111	2,242
Final dividend distributions	489	886
	2,600	3,128
Add: Amounts deducted on cancellation of shares	139	126
Deduct: Amounts received on issue of shares	(26)	(56)
Net distribution for the year	2,713	3,198
Interest	4	10
Total finance costs	2,717	3,208

7. MOVEMENTS BETWEEN NET REVENUE AND DISTRIBUTIONS

	2013 £000	2012 £000
Net revenue after taxation	2,647	3,110
Expenses charged to capital	95	88
Tax relief transferred to capital	(29)	–
Net distribution for the year	2,713	3,198

8. DEBTORS

	2013 £000	2012 £000
Accrued revenue	163	75
Overseas tax recoverable	1	–
Total debtors	164	75

9. CREDITORS

	2013 £000	2012 £000
Accrued expenses	37	48
Amounts payable to ACD	1	–
Total creditors	38	48

10. RELATED PARTY TRANSACTIONS

The related parties are set out in detail in note 10 of the aggregated financial statements on page 6.

As at the year end the Liverpool Victoria group of companies held 98.26% (2012: 99.99%) of shares in issue.

11. CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date (2012: nil).

12. FINANCIAL INSTRUMENTS

The financial instruments the fund can hold are the same as disclosed in note 12 of the aggregated financial statements on page 6.

Threadneedle US Equity Income Fund

13. RISK OF FINANCIAL INSTRUMENTS

The risk policies are set out in detail in note 13 of the aggregated financial statements on page 6.

At the year end date a portion of the net assets of the fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movement.

As the reporting currency is in sterling, there is no sterling currency exposure. However, the amount of sterling is included to enable the table to be reconciled back to the balance sheet.

	Monetary exposures £000	Non-monetary exposures £000	Total £000
Currency 2013			
Sterling	(431)	—	(431)
US dollar	921	78,876	79,797
	490	78,876	79,366
Currency 2012	£000	£000	£000
Sterling	(840)	—	(840)
US dollar	675	104,214	104,889
	(165)	104,214	104,049

14. PORTFOLIO TRANSACTION COSTS

	2013 £000	2012 £000
Analysis of total purchase costs		
Purchases in year before transaction costs	61,716	83,107
Commissions	46	49
Total purchase costs	46	49
Gross purchases total	61,762	83,156
Analysis of total sale costs		
Gross sales before transaction costs	116,635	99,807
Commissions	(45)	(46)
Taxes	(1)	(2)
Total sale costs	(46)	(48)
Total sales net of transaction costs	116,589	99,759

15. SHAREHOLDERS' FUNDS

US Equity Fund currently has two share classes; LV=Group and Institutional shares. The charges on each share class are as follows:

Annual management charge

LV=Group	0.00%
Institutional	0.55%

Registration fees

LV=Group	0.06%
Institutional	0.06%

The net asset value of each share class, the net asset value per share, and the number of shares in each share class are given in the comparative tables on page 41. The distribution per share class is given in the distribution table on page 26. All classes have the same rights on winding up.

Revenue, and other expenses not included in the table above are allocated each day pro rata to the value of the assets attributable to each share class and taxation is calculated by reference to the net revenue after expenses attributable to each share class. Due to the varying expenses, the level of net revenue after expenses attributable to each share class and the distributable revenue is likely to differ.

Statement of Authorised Corporate Director's (ACD) Responsibilities in relation to the Financial Statements of the Company

The Open-Ended Investment Companies Regulations 2001 and the Collective Investment Schemes Sourcebook (COLL), as issued (and amended) by the Financial Conduct Authority (FCA), require the ACD to prepare financial statements for each annual accounting period which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Company and of each sub-fund and its net revenue and the net gains on the property of the Company and each sub-fund for the period. In preparing the financial statements the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised funds issued by the Investment Management Association (IMA) in October 2010;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records, which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The ACD is required to keep proper accounting records and to manage the Company in accordance with the Collective Investment Schemes Sourcebook, the Instrument of Incorporation and the Prospectus. The ACD is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Depositary's Responsibilities in Respect of the Scheme

The depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's (formerly the Financial Services Authority (FSA)) Collective Investment Scheme Sourcebook (the Sourcebook), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations) and the Company's Instrument of Incorporation and Prospectus, in relation to the pricing of, and dealings in, shares in the Company; the application of revenue of the Company; and the investment and borrowing powers of the Company.

Report of the Depositary to the Shareholders of the Threadneedle Investment Funds II ICVC (the Company) for the year ended 31 December 2013

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Sourcebook and, where applicable, the OEIC Regulations, the instrument of incorporation and Prospectus of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

HSBC Bank plc
London

14 February 2014

Independent Auditor's Report to the Members of Threadneedle Investment Funds II ICVC

We have audited the financial statements of the Threadneedle Investment Funds II ICVC (the Company) for the year ended 31 December 2013 which comprise the aggregated statement of total return, the aggregated statement of change in net assets attributable to shareholders, the aggregated balance sheet and the related notes 1 to 14 together with the statement of total return, the statement of change in net assets attributable to shareholders, balance sheet, distribution tables and the related notes for each sub-fund. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (formerly the Financial Services Authority (FSA)). Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the authorised corporate director (ACD) and auditor

As explained more fully in the ACD's responsibilities statement set out on page 29, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the ACD; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and of its sub-funds as at 31 December 2013 and of the net revenue and the net gains on the scheme property of the Company and its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Opinion on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (formerly the Financial Services Authority (FSA))

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (formerly the Financial Services Authority (FSA)) and the Instrument of Incorporation;
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit

Edinburgh
14 February 2014

Ernst & Young LLP
Statutory Auditor

Threadneedle UK Equity Income Fund

Portfolio Statement

as at 31 December 2013

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
	Aerospace & Defence 5.58% (5.40%)				Industrial Engineering 3.55% (3.59%)		
133,022	Aero Inventory*	—	—	180,720	IMI	2,756	1.82
841,588	BAE Systems	3,657	2.41	858,900	Melrose	2,626	1.73
843,809	Cobham	2,314	1.52			5,382	3.55
196,218	Rolls-Royce	2,498	1.65		Industrial Transportation 0.45% (0.24%)		
18,303,552	Rolls-Royce Holdings 'C'	—	—	545,162	Wincanton	687	0.45
	8,469	5.58			Life Insurance 7.30% (5.93%)		
	Automobiles & Parts 1.83% (1.58%)			637,515	Aviva	2,866	1.89
743,300	GKN	2,770	1.83	290,074	Chesnara	928	0.61
	Chemicals 2.77% (2.34%)			2,909,597	Legal & General	6,477	4.27
400,000	Elementis	1,076	0.71	112,691	Phoenix Group	815	0.53
95,362	Johnson Matthey	3,121	2.06			11,086	7.30
	4,197	2.77			Media & Entertainment 6.91% (6.03%)		
	Construction & Materials 1.23% (1.12%)			2,132,044	ITV	4,132	2.72
74,022	Kier Group	1,354	0.89	188,351	Pearson	2,526	1.67
66,964	Morgan Sindall	506	0.34	426,310	Reed Elsevier	3,830	2.52
	1,860	1.23				10,488	6.91
	Electronic & Electrical Equipment 1.79% (1.80%)				Non-Life Insurance 2.29% (3.17%)		
492,542	Morgan Crucible	1,556	1.02	3,805,684	RSA Insurance	3,478	2.29
66,399	Oxford Instruments	1,168	0.77		Oil & Gas Producers 5.83% (6.21%)		
	2,724	1.79		147,314	BG	1,911	1.26
	Equity Investment Instruments 1.98% (1.50%)			304,123	Royal Dutch Shell 'B'	6,932	4.57
782,215	3i Group	3,012	1.98			8,843	5.83
	Financial Services 1.08% (1.24%)				Pharmaceuticals & Biotechnology 11.57% (9.94%)		
859,994	F&C Asset Management	789	0.52	257,383	AstraZeneca	9,200	6.06
853,076	Sherborne Investors Guernsey 'B'	793	0.52	519,285	GlaxoSmithKline	8,368	5.51
78,000	W&G Investments*	51	0.04			17,568	11.57
	1,633	1.08			Real Estate Investment Trusts 0.00% (0.43%)		
	Fixed Line Telecommunications 5.64% (4.85%)				Support Services 7.75% (7.30%)		
2,258,029	BT Group	8,558	5.64	237,270	Atkins (WS)	3,350	2.21
	Food & Drug Retailers 3.83% (3.54%)			670,800	Electrocomponents	1,869	1.23
1,764,274	Booker Group	2,865	1.89	1,221,473	Hays	1,578	1.04
1,132,632	Morrison (Wm) Supermarkets	2,955	1.94	2,035,469	Rentokil Initial	2,357	1.55
	5,820	3.83		76,060	Wolseley	2,605	1.72
	Food Producers & Processors 3.66% (4.52%)					11,759	7.75
223,736	Unilever	5,553	3.66		Tobacco 3.89% (5.87%)		
	Gas, Water & Multiutilities 6.38% (5.43%)			252,948	Imperial Tobacco Group	5,911	3.89
675,850	Centrica	2,347	1.55		Travel & Leisure 7.40% (7.71%)		
561,640	National Grid	4,426	2.92	465,304	Compass	4,502	2.97
210,140	Pennon Group	1,384	0.91	77,934	Go-Ahead	1,370	0.90
226,778	United Utilities	1,523	1.00	664,040	Rank	896	0.59
	9,680	6.38		695,045	Stagecoach	2,628	1.73
	General Industrials 4.31% (3.74%)			242,138	Wetherspoon (JD)	1,844	1.21
1,060,166	Smith (David S)	3,520	2.32			11,240	7.40
204,569	Smiths Group	3,026	1.99		Total value of investments 99.19% (95.38%)	150,557	99.19
	6,546	4.31			Net other assets 0.81% (4.62%)	1,237	0.81
	General Retailers 2.17% (1.90%)				Net assets	151,794	100.00
761,316	Marks & Spencer	3,293	2.17				

The calculation of the % net asset value may not sum to 100% due to rounding.

Comparative figures shown in brackets relate to 31 December 2012.

Note: All assets are securities and admitted to official exchanges unless otherwise stated.

*Suspended

Threadneedle UK Growth Fund

Portfolio Statement

as at 31 December 2013

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
	Aerospace & Defence 4.79% (4.47%)				Mining 4.01% (3.27%)		
136,424	Aero Inventory*	—	—	36,726	Rio Tinto	1,251	4.01
140,030	BAE Systems	608	1.95				
69,761	Rolls-Royce	888	2.84		Mobile Telecommunications 5.46% (2.56%)		
5,426,944	Rolls-Royce Holdings 'C'	—	—	719,348	Vodafone	1,705	5.46
		1,496	4.79				
	Automobiles & Parts 3.00% (2.93%)				Non-Life Insurance 2.23% (1.63%)		
251,070	GKN	936	3.00	152,320	Amlin	697	2.23
	Banks 4.34% (6.27%)				Oil & Gas Producers 10.21% (11.43%)		
163,960	Barclays	446	1.43	80,026	BG	1,038	3.33
137,123	HSBC Holdings (London listed)	908	2.91	252,344	BP	1,232	3.95
		1,354	4.34	40,146	Royal Dutch Shell 'B'	915	2.93
						3,185	10.21
	Chemicals 0.00% (4.64%)				Oil Equipment & Services 3.52% (4.20%)		
	Electronic & Electrical Equipment 0.00% (2.06%)			67,856	Hunting	529	1.69
				83,471	John Wood	571	1.83
	Financial Services 3.11% (0.93%)					1,100	3.52
56,249	ICAP	254	0.81		Pharmaceuticals & Biotechnology 5.90% (3.70%)		
27,650	London Stock Exchange	479	1.54	80,628	GlaxoSmithKline	1,299	4.16
253,104	Sherborne Investors Guernsey 'B'	235	0.75	19,019	Shire	542	1.74
4,000	W&G Investments*	3	0.01			1,841	5.90
		971	3.11				
	Fixed Line Telecommunications 4.20% (4.13%)				Real Estate 3.34% (2.98%)		
345,698	BT Group	1,310	4.20	41,818	Derwent London	1,041	3.34
	Food Producers & Processors 2.25% (2.03%)				Support Services 3.15% (2.55%)		
28,243	Unilever	701	2.25	28,704	Wolseley	983	3.15
	Gas, Water & Multiutilities 0.86% (2.00%)				Tobacco 3.59% (4.14%)		
77,145	Centrica	268	0.86	12,029	British American Tobacco	389	1.25
				31,233	Imperial Tobacco	730	2.34
	Healthcare Equipment & Services 2.36% (1.20%)					1,119	3.59
85,620	Smith & Nephew	737	2.36		Travel & Leisure 7.75% (5.40%)		
				54,065	Compass	523	1.68
	Household Goods 2.36% (2.04%)			37,640	InterContinental Hotels	758	2.43
15,379	Reckitt Benckiser	736	2.36	619,048	Spirit Pub	475	1.52
				174,936	Stagecoach	662	2.12
	Industrial Engineering 1.33% (5.48%)					2,418	7.75
85,761	Fenner	416	1.33		Technology Hardware & Equipment 1.67% (3.37%)		
				82,333	CSR	520	1.67
	Industrial Transportation 0.97% (0.00%)						
53,229	Royal Mail	302	0.97		Total value of investments 95.85% (95.06%)	29,906	95.85
					Net other assets 4.15% (4.94%)	1,296	4.15
	Life Assurance 7.42% (7.40%)				Net assets	31,202	100.00
707,837	Legal & General	1,576	5.05				
101,955	St. James's Place Capital	738	2.37				
		2,314	7.42				
	Media & Entertainment 8.03% (4.25%)						
45,995	Merlin Entertainments	163	0.52				
81,102	Informa	464	1.49				
420,179	ITV	814	2.61				
77,173	WPP	1,064	3.41				
		2,505	8.03				

The calculation of the % net asset value may not sum to 100% due to rounding.

Comparative figures shown in brackets relate to 31 December 2012.

*Suspended

Note: All assets are securities and admitted to official exchanges unless otherwise stated.

Threadneedle European ex-UK Growth Fund

Portfolio Statement

as at 31 December 2013

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
40,224	Belgium 3.91% (3.42%) AB InBev	2,585	2.15	290,135	Norway 2.60% (2.86%) Den Norske Bank	3,129	2.60
74,934	Umicore	2,120	1.76				
		4,705	3.91				
33,746	Denmark 3.11% (3.60%) Novo Nordisk 'B'	3,745	3.11	212,874	Portugal 1.75% (1.96%) Galp Energia SGPS	2,111	1.75
29,789	Finland 2.23% (1.23%) Kone 'B'	814	0.68	64,185	Spain 3.27% (3.15%) Amadeus IT Holdings	1,658	1.38
62,975	Sampo Oyj	1,873	1.55	306,135	BBV Argentaria	2,276	1.89
		2,687	2.23			3,934	3.27
58,127	France 16.67% (18.36%) BNP Paribas	2,742	2.28	105,839	Sweden 8.52% (9.42%) Assa Abloy 'B'	3,382	2.81
55,039	Edenred	1,116	0.93	115,695	Elekta AB-B	1,070	0.89
30,746	Essilor International	1,980	1.64	50,201	Investment Kinnevik AB	1,404	1.16
16,725	Iliad	2,075	1.72	261,521	Nordea Bank	2,127	1.77
74,475	Legrand Promesses	2,486	2.07	76,625	SHB 'A'	2,276	1.89
20,596	L'Oreal	2,192	1.82			10,259	8.52
27,283	Numericable	596	0.50		Switzerland 13.58% (17.07%) Cie Financiere Richemont 'A'	1,033	0.86
28,150	Pernod-Ricard	1,943	1.61	17,147	Credit Suisse (registered)	1,027	0.85
21,415	Publicis Groupe	1,187	0.99	55,481	Nestlé (registered)	5,325	4.42
93,714	Rexel SA	1,485	1.23	120,202	Syngenta	3,099	2.57
21,734	Schneider Electric	1,148	0.95	12,853	Syngenta	3,099	2.57
70,166	Vivendi	1,117	0.93	5,288	The Swatch Group 'B'	2,114	1.76
		20,067	16.67	327,194	UBS	3,756	3.12
						16,354	13.58
25,924	Germany 27.44% (25.90%) adidas	2,001	1.66		Forward FX Contracts 0.01% ((0.08%)) Bought Sterling 3,307,699:		
34,979	Allianz (registered)	3,801	3.16		Sold Swiss Franc 4,854,075 J.P. Morgan	11	0.01
45,917	Bayer	3,907	3.25		Bought Sterling 721,501:		
30,315	Bilfinger	2,061	1.71		Sold Danish Krone 6,447,788 J.P. Morgan	1	—
30,084	Brenntag	3,370	2.80		Bought Sterling 17,598,516:		
30,202	Continental	4,013	3.33		Sold Euro 21,088,690 J.P. Morgan	20	0.02
61,162	Deutsche Post	1,356	1.13		Bought Sterling 629,816:		
40,668	Fresenius Medical Care	1,750	1.45		Sold Norwegian Kroner 6,368,074 J.P. Morgan	(4)	—
18,122	Merck KGaA	1,963	1.63		Bought Sterling 1,953,429:		
50,123	ProSiebenSat.1 Media AG	1,503	1.25		Sold Swedish Krona 21,055,130 J.P. Morgan	(26)	(0.02)
80,508	SAP	4,195	3.48		Bought Swiss Franc 13,419:		
40,985	Symrise	1,145	0.95		Sold Sterling 9,155 J.P. Morgan	—	—
6,021	Volkswagen Preference	1,026	0.85		Bought Danish Krone 17,824:		
39,809	Wirecard	951	0.79		Sold Sterling 1,997 J.P. Morgan	—	—
		33,042	27.44		Bought Euro 58,297:		
					Sold Sterling 48,710 J.P. Morgan	—	—
3,744,176	Ireland 3.81% (3.46%) Bank of Ireland	783	0.65		Bought Norwegian Kroner 17,604	—	—
39,594	Kerry Group 'A' (London listed)	1,660	1.38		Sold Sterling 1,743 J.P. Morgan	—	—
411,688	Ryanair	2,139	1.78		Bought Swedish Krona 58,189	—	—
		4,582	3.81		Sold Sterling 5,407 J.P. Morgan	—	—
						2	0.01
248,493	Italy 1.04% (2.81%) Davide Campari	1,258	1.04		Total value of investments# 98.72% (98.25%)	118,855	98.72
					Net other assets 1.28% (1.75%)	1,535	1.28
	Luxembourg 0.00% (1.05%)				Net assets	120,390	100.00
372,521	Netherlands 10.78% (4.04%) Aegon	2,131	1.77				
24,576	ASML Holdings	1,394	1.16				
54,771	Airbus	2,549	2.12				
17,979	Gemalto	1,202	1.00				
105,005	Reed Elsevier	1,348	1.12				
85,109	Unilever	2,077	1.72				
82,512	Ziggo	2,279	1.89				
		12,980	10.78				

The calculation of the % net asset value may not sum to 100% due to rounding.

Comparative figures shown in brackets relate to 31 December 2012.

#This figure includes derivative liabilities.

Note: All assets are securities and admitted to official exchanges unless otherwise stated.

Threadneedle Japan Growth Fund

Portfolio Statement

as at 31 December 2013

Holding	Investment	Value £000	% of Net Asset Value
Automobiles & Parts 9.40% (13.28%)			
36,200	Honda Motor	903	1.97
407,000	Mazda Motor	1,274	2.77
60,300	Nissan Motor	307	0.67
49,600	Toyota Motor	1,833	3.99
		4,317	9.40
Banks 12.82% (11.81%)			
184,000	Chiba Bank	751	1.64
543,100	Mitsubishi UFJ Financial	2,170	4.72
343,800	Mizuho Financial Group	450	0.98
49,700	Sumitomo Mitsui Financial Group	1,550	3.37
304,000	Sumitomo Mitsui Trust Holdings	969	2.11
		5,890	12.82
Beverages 2.44% (2.17%)			
33,000	Asahi Breweries	563	1.23
64,000	Kirin Holdings	558	1.21
		1,121	2.44
Building Material & Construction 2.04% (2.68%)			
17,100	SHO-BOND Holdings	476	1.04
198,000	Taiheiyo Cement	460	1.00
		936	2.04
Chemicals 1.15% (5.45%)			
45,300	JSR	531	1.15
Electricity 1.67% (1.00%)			
43,500	Electric Power Development	767	1.67
Electronic Appliances & Components 9.43% (6.50%)			
107,100	Alps Electric	737	1.60
33,000	Azbil Corporation	465	1.01
250,000	Hitachi	1,146	2.50
71,700	Kuroda Electric	652	1.42
19,300	Omron	516	1.12
87,700	Yokogawa Electric	816	1.78
		4,332	9.43
Foods 2.83% (1.60%)			
8,300	Lawson	376	0.82
48,000	Suntory Beverage & Food	927	2.01
		1,303	2.83
Gas, Water & Multiutilities 0.00% (1.23%)			
General Industrials 1.96% (0.62%)			
404,000	Mitsubishi Materials	901	1.96
General Retailers 6.10% (2.58%)			
123,800	Aeon	1,015	2.21
183,000	J Front Retailing	839	1.83
14,500	Ryohin Keikaku	949	2.06
		2,803	6.10

Holding	Investment	Value £000	% of Net Asset Value
Household Goods & Textiles 4.17% (6.10%)			
169,000	Sekisui Chemical	1,255	2.73
78,000	Sekisui House	660	1.44
		1,915	4.17
Industrial Engineering 9.07% (9.13%)			
17,900	Daikin Industries	675	1.47
30,900	Komatsu	381	0.83
67,600	Mori Seiki	737	1.60
68,300	OSG	703	1.53
154,000	Shimadzu	811	1.76
40,000	Tadano	324	0.71
56,000	Yaskawa Electric	536	1.17
		4,167	9.07
Industrial Metals 2.26% (0.77%)			
39,900	Maruichi Steel Tube	610	1.32
213,000	Nippon Steel & Sumitomo Metal Corporation	431	0.94
		1,041	2.26
Leisure & Hotels 2.97% (4.48%)			
37,400	Konami	523	1.14
2,600	Nintendo	210	0.46
27,500	Sony	289	0.63
23,200	Tamron	341	0.74
		1,363	2.97
Life Insurance 0.00% (0.46%)			
Media 2.54% (0.00%)			
18,300	Dentsu	452	0.98
57,700	Fuji Media	715	1.56
		1,167	2.54
Mobile Telecommunications 1.80% (1.56%)			
15,600	Softbank	826	1.80
Non-Life Insurance 0.00% (1.28%)			
Oil & Gas Producers 0.00% (1.01%)			
Pharmaceuticals & Biotechnology 4.25% (4.39%)			
21,000	Ono Pharmaceutical	1,113	2.42
22,300	Santen Pharmaceuticals	629	1.37
7,600	Takeda Pharmaceutical	211	0.46
		1,953	4.25
Real Estate 4.19% (5.19%)			
100	Aeon REIT	74	0.16
18,000	Mitsubishi Estate	325	0.71
21,000	Mitsui Fudosan	457	0.99
46,200	Nomura Real estate Holdings	629	1.37
140	Nomura Real estate Residential	439	0.96
		1,924	4.19

Threadneedle Japan Growth Fund

Portfolio Statement

(continued)

Holding	Investment	Value £000	% of Net Asset Value
	Software & Computer Services 2.06% (3.31%)		
11,500	Nomura Research Institute	220	0.48
45,800	SCSK Corporation	727	1.58
		947	2.06
	Speciality & Other Finance 7.44% (3.91%)		
76,000	Daiwa Securities Group	460	1.00
73,400	Japan Exchange Group	1,263	2.75
271,200	Monex Group	735	1.60
206,200	Nomura Holdings	960	2.09
		3,418	7.44
	Support Services 4.19% (2.16%)		
238,000	Hanwa Corporation	771	1.68
137,200	Mitsui & Company	1,156	2.51
		1,927	4.19
	Technology Hardware & Equipment 2.09% (2.59%)		
16,400	Sato	225	0.49
172,700	Wacom	734	1.60
		959	2.09
	Telecommunications 0.00% (0.89%)		
	Transport 2.02% (1.83%)		
237,000	Tokyu	929	2.02
	Total value of investments 98.89% (97.98%)	45,437	98.89
	Net other assets 1.11% (2.02%)	508	1.11
	Net assets	45,945	100.00

The calculation of the % net asset value may not sum to 100% due to rounding.

Comparative figures shown in brackets relate to 31 December 2012.

Note: All assets are securities and admitted to official exchanges unless otherwise stated.

Threadneedle Pacific ex-Japan Growth Fund

Portfolio Statement

as at 31 December 2013

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
Australia 18.83% (20.10%)				India 5.10% (7.05%)			
61,755	Amcor	350	0.93	9,979	Bajaj Auto Limited P Note	186	0.49
28,836	Ansell	321	0.85	17,417	ICICI Bank ADR	389	1.03
34,698	Australia and New Zealand Banking	604	1.60	12,988	Infosys Technologies ADR	444	1.18
45,493	BHP Billiton	930	2.47	133,971	ITC P Note	421	1.12
16,739	Commonwealth Bank of Australia	704	1.87	26,787	Larsen & Toubro P Note	280	0.74
11,157	CSL	415	1.10	23,198	Lupin LEPO 22/02/2017	205	0.54
44,999	Lend Lease Group	268	0.71			1,925	5.10
6,011	Macquarie Group	178	0.47	Indonesia 1.49% (4.45%)			
237,666	Mirvac Group	215	0.57	574,538	Bank Mandiri	223	0.59
41,084	National Australia Bank	773	2.05	2,643,500	Surya Citra Media IDR	338	0.90
61,755	Orora	39	0.10			561	1.49
37,812	QBE Insurance Group	235	0.62	Italy 0.72% (0.00%)			
11,979	Rio Tinto	441	1.17	50,700	Prada	272	0.72
6,369	Sydney Airport	13	0.03	Korea 12.38% (14.85%)			
161,686	Telstra Corporation	458	1.21	16,810	GS Retail	270	0.72
23,939	Wesfarmers	569	1.51	13,070	Halla Visteon Climate Control	290	0.77
33,821	Westpac Banking	591	1.57	18,470	Hana Financial Holdings	464	1.23
		7,104	18.83	5,240	Hyundai Motor	708	1.88
Bermuda 0.31% (2.42%)				13,330	Korea Electric Power	265	0.70
6,000	Jardine Strategic	116	0.31	871	LG Household & Healthcare	272	0.72
Cayman Islands 6.96% (4.25%)				1,853	Samsung Electronics	1,455	3.86
5,433	Autohome ADR	118	0.31	8,380	Samsung Heavy Industries	183	0.48
4,577	Baidu.com ADR	482	1.28	22,090	SK Hynix	466	1.23
166,000	CIMC Enric	162	0.43	2,256	SK Telecommunications	297	0.79
16,000	Ginko International	183	0.48			4,670	12.38
135,200	Sands China	669	1.77	Luxembourg 0.00% (0.75%)			
20,900	Tencent Holdings	807	2.14	Malaysia 2.46% (0.92%)			
4,174	Vipshop Holdings	207	0.55	282,800	Axiata Group Berhad	360	0.95
		2,628	6.96	143,400	Malayan Banking	263	0.70
China 9.18% (6.46%)				145,700	Tenaga Nasional Berhad	306	0.81
109,000	Anhui Conch Cement	244	0.65			929	2.46
652,000	Bank of China	181	0.48	Philippines 3.75% (3.41%)			
877,000	China Construction Bank	400	1.05	1,098,900	Alliance Global	385	1.02
755,000	China Petroleum & Chemical 'H'	373	0.99	212,514	BDO Unibank	198	0.52
97,000	China Shenhua Energy	185	0.49	17,760	GT Capital Holdings	183	0.49
130,000	CITIC Securities 'H'	214	0.57	538,070	Robinsons Retail Holdings	405	1.07
148,000	Dongfeng Motor Group	139	0.37	158,940	Universal Robina	245	0.65
112,500	Great Wall Automobiles	375	0.99			1,416	3.75
1,214,000	Industrial & Commercial Bank of China	496	1.31	Singapore 3.99% (3.81%)			
102,000	Ping An Insurance	554	1.47	671,000	Asian Pay Television Trust	234	0.62
140,000	Zhuzhou CRS Times Electric 'H'	305	0.81	71,000	DBS Group	580	1.54
		3,466	9.18	74,400	Keppel Corporation	398	1.05
Hong Kong 14.92% (16.74%)				60,454	Overseas-Chinese Banking Corporation	295	0.78
301,400	AIA Group	913	2.42			1,507	3.99
121,500	BOC Hong Kong Holdings	235	0.62	Taiwan 9.32% (8.01%)			
44,000	Cheung Kong Holdings	420	1.11	1,100,600	Chinatrust Financial Holding	453	1.20
35,000	Cheung Kong Infrastructure	133	0.35	893,900	E.Sun Financial Holdings	358	0.95
132,000	China Mengniu Dairy	377	1.00	58,000	MediaTek	521	1.38
58,000	China Mobile (Hong Kong)	363	0.96	56,000	Merida Industry	246	0.65
220,000	China Overseas Land & Investments	372	0.99	72,000	President Chain Store	301	0.80
374,000	CNOOC	421	1.12	253,000	Taiwan Cement	236	0.62
100,000	ENN Energy Holdings	445	1.18	604,181	Taiwan Semiconductor Manufacturing	1,286	3.41
640,000	Guangdong Investment	378	1.00	10,906	Taiwan Semiconductor Manufacturing ADR	116	0.31
90,000	Hutchison Whampoa	741	1.96			3,517	9.32
622,000	Towngas China	436	1.16				
86,300	Wharf Holdings	398	1.05				
		5,632	14.92				

Threadneedle Pacific ex-Japan Growth Fund

Portfolio Statement

(continued)

Holding	Investment	Value £000	% of Net Asset Value
Thailand 3.78% (4.55%)			
80,715	Kasikornbank FB	235	0.62
186,200	PTT Global Chemical	270	0.71
61,400	Siam Commercial Bank (foreign)	161	0.43
301,200	Thai Union Frozen Products	395	1.05
205,500	Total Access Communications	366	0.97
		1,427	3.78
United States 1.81% (0.00%)			
24,534	Twenty First Century Fox	511	1.35
60,297	ResMed	172	0.46
		683	1.81
Warrants 2.30% (1.03%)			
26,488	Apollo Hospitals Enterprise Warrants 07/11/2017	245	0.65
41,364	Godrej (JPM) Warrants 21/02/2017	345	0.92
38,895	Kotak Mahindra Bank Warrants 16/05/2017	276	0.73
		866	2.30
Total value of investments 97.30% (98.80%)		36,719	97.30
Net other assets 2.70% (1.20%)		1,018	2.70
Net assets		37,737	100.00

The calculation of the % net asset value may not sum to 100% due to rounding.

Comparative figures shown in brackets relate to 31 December 2012.

Note: All assets are securities and admitted to official exchanges unless otherwise stated.

Threadneedle US Equity Income Fund

Portfolio Statement

as at 31 December 2013

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
	Bermuda 0.00% (0.90%)				Electricity 1.80% (3.09%)		
	Non-Life Insurance 0.00% (0.90%)			15,560	Dominion Resources	606	0.76
				16,085	NextEra Energy	827	1.04
	Canada 0.60% (0.00%)					1,433	1.80
	Chemicals 0.60% (0.00%)				Financial Services 6.25% (4.48%)		
13,440	Methanex	476	0.60	65,147	Blackstone Group	1,233	1.55
				30,935	Chicago Mercantile Exchange	1,467	1.85
	Ireland 1.04% (4.08%)			52,946	Fidelity National Title Group	1,042	1.31
	Support Services 1.04% (1.90%)			58,375	The Carlyle Group	1,222	1.54
16,576	Accenture	823	1.04			4,964	6.25
	Technology Hardware & Equipment 0.00% (2.18%)				Fixed Line Telecommunications 4.44% (3.48%)		
	Netherlands 1.20% (2.24%)			77,682	AT & T	1,653	2.08
	Chemicals 1.20% (2.24%)			62,926	Verizon Communications	1,871	2.36
19,559	Lyondell Basell Industries	950	1.20			3,524	4.44
	Switzerland 1.95% (1.08%)				Food Producers 1.73% (1.91%)		
	Industrial Engineering 0.88% (0.00%)			18,491	Kraft Foods	603	0.76
14,854	Pentair	695	0.88	47,064	Pinnacle Foods	767	0.97
	Non-Life Insurance 1.07% (1.08%)					1,370	1.73
13,619	ACE	848	1.07		Forestry & Paper 4.35% (4.72%)		
		1,543	1.95	35,050	International Paper	1,038	1.31
	United Kingdom 1.47% (0.95%)			23,681	Rayonier	612	0.77
	Oil Equipment & Services 1.47% (0.95%)			94,905	Weyerhaeuser	1,803	2.27
34,171	Ensco	1,169	1.47			3,453	4.35
	United States 93.12% (90.91%)				Gas, Water & Multiutilities 5.67% (2.27%)		
	Aerospace & Defence 4.55% (4.54%)			39,433	Ameren	862	1.09
14,355	Boeing	1,180	1.49	79,828	Questar	1,107	1.39
40,291	Garmin	1,137	1.43	79,730	Spectra Energy Corporation	1,695	2.14
19,037	United Technologies	1,298	1.63	33,390	UGI Corporation	833	1.05
		3,615	4.55			4,497	5.67
	Banks 7.30% (7.76%)				General Industrials 2.06% (1.79%)		
36,622	BB & T Financial	823	1.04	97,058	General Electric	1,636	2.06
64,672	Firstmerit	867	1.09		General Retailers 1.96% (4.74%)		
48,600	JP Morgan Chase & Co	1,703	2.15	20,664	Limited Brands	764	0.96
26,642	PNC Financial Services Group	1,249	1.57	26,769	Lowe's Companies	797	1.00
41,882	Wells Fargo & Co	1,151	1.45			1,561	1.96
		5,793	7.30		Industrial Engineering 0.00% (2.91%)		
	Beverages 1.26% (0.00%)				Industrial Metals 0.00% (1.05%)		
37,517	Coca Cola Enterprises	999	1.26		Industrial Transportation 1.01% (3.93%)		
	Chemicals 1.09% (1.67%)			12,590	United Parcel Services	799	1.01
17,949	Eastman Chemicals	867	1.09		Leisure Goods 2.08% (1.94%)		
				25,182	Hasbro	837	1.05
				28,341	Mattel	820	1.03
						1,657	2.08

Threadneedle US Equity Income Fund

Portfolio Statement

(continued)

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
United States 93.12% (90.91%) (continued)				Travel & Leisure 4.26% (1.92%)			
	Life Insurance 3.46% (0.00%)			44,745	Cinemark Holdings	893	1.12
28,493	Aflac	1,149	1.45	24,784	Darden Restaurants	816	1.03
28,804	Prudential Financial	1,594	2.01	17,625	Las Vegas Sands	838	1.06
		2,743	3.46	17,347	Starwood Hotels & Resorts	831	1.05
						3,378	4.26
						73,915	93.12
Mining 0.00% (1.54%)				Total value of investments 99.38% (100.16%)			
Non-Life Insurance 0.00% (1.43%)						78,876	99.38
Oil & Gas Producers 8.38% (7.25%)				Net other assets 0.62% ((0.16%))			
32,878	Chevron	2,472	3.11			490	0.62
32,301	Conoco Phillips	1,366	1.72	Net assets			
26,655	Exxon Mobil	1,618	2.04			79,366	100.00
20,942	Occidental Petroleum	1,197	1.51				
		6,653	8.38				
Oil Equipment & Services 0.00% (1.89%)				<i>The calculation of the % net asset value may not sum to 100% due to rounding.</i>			
Pharmaceuticals & Biotechnology 11.90% (11.41%)				<i>Comparative figures shown in brackets relate to 31 December 2012.</i>			
62,516	Abbvie	2,004	2.53	<i>Note: All assets are securities and admitted to official exchanges unless otherwise stated.</i>			
54,571	Bristol Myers Squibb	1,763	2.22				
23,014	Eli Lilly	712	0.90				
29,341	Johnson & Johnson	1,638	2.06				
58,509	Merck & Co	1,767	2.23				
83,647	Pfizer	1,552	1.96				
		9,436	11.90				
Real Estate 1.18% (0.00%)							
95,912	American Homes 4 Rent	939	1.18				
Software & Computer Services 2.18% (2.66%)							
50,969	CyrusOne	687	0.87				
9,220	IBM	1,039	1.31				
		1,726	2.18				
Support Services 2.00% (2.47%)							
50,597	Deluxe	1,591	2.00				
Technology Hardware & Equipment 9.03% (6.45%)							
20,451	Analog Devices	629	0.79				
7,920	Apple	2,656	3.35				
66,176	Applied Materials	700	0.88				
69,130	Cisco Systems	930	1.17				
78,478	Cypress Semiconductor	495	0.62				
52,668	EMC	798	1.01				
24,724	KLA Tencor	960	1.21				
		7,168	9.03				
Tobacco 5.18% (3.61%)							
69,100	Altria Group	1,603	2.02				
24,937	Lorillard	764	0.96				
33,331	Philip Morris International	1,746	2.20				
		4,113	5.18				

Comparative Tables

	Net asset value of share class £	Net asset value pence per share p	Shares in issue	Calendar Year	Net income per share p	Highest share price p	Lowest share price p
Threadneedle UK Equity Income Fund							
for the year ended 31 December 2011							
Retail income shares	415,132	121.03	342,997	2009	5.7592	117.30	86.24
LV=Group accumulation shares	117,428,540	142.89	82,183,674	Retail income shares ¹	5.8511	122.60	86.32
Second retail income shares	682,299	119.44	571,246	LV=Group accumulation shares ¹	5.7475	116.84	86.29
Institutional income shares	8,770,298	112.14	7,820,766	Second retail income shares ¹	5.8470	122.07	86.28
Institutional accumulation shares	1,557,998	141.00	1,104,974	Institutional accumulation shares ¹			
for the year ended 31 December 2012							
Retail income shares	907,569	133.33	680,709	2010	4.8292	133.10	109.80
LV=Group accumulation shares	150,580,637	165.97	90,726,409	Retail income shares	5.1999	148.20	117.70
Second retail income shares	1,792,978	130.93	1,369,440	LV=Group accumulation shares	4.8030	131.83	109.01
Institutional income shares	5,723,359	124.09	4,612,106	Second retail income shares	1.7483	122.70	100.00
Institutional accumulation shares	2,023,105	162.88	1,242,080	Institutional income shares ²	5.1711	146.80	117.20
for the year ended 31 December 2013							
Retail income shares	1,259,507	166.21	757,784	2011	5.6178	137.00	109.10
LV=Group accumulation shares	137,169,509	217.09	63,185,479	Retail income shares	6.4084	158.20	127.80
Second retail income shares	2,947,559	162.40	1,814,991	LV=Group accumulation shares	5.5546	135.40	107.70
Institutional income shares	7,013,874	155.40	4,513,371	Second retail income shares	5.1883	126.60	100.90
Institutional accumulation shares	3,404,018	211.88	1,606,546	Institutional income shares	6.3381	156.40	126.20
				Institutional accumulation shares			
				2012	5.5750	136.30	118.80
				Retail income shares	6.7214	168.30	142.30
				LV=Group accumulation shares	5.4893	133.90	117.00
				Second retail income shares	5.1763	126.90	110.20
				Institutional income shares	6.6156	165.20	140.10
				Institutional accumulation shares			
				2013	5.9021	167.90	135.80
				Retail income shares	7.4912	217.30	169.20
				LV=Group accumulation shares	5.7813	164.00	133.40
				Second retail income shares	5.5059	156.90	126.50
				Institutional income shares	7.3325	212.00	166.00
				Institutional accumulation shares			

¹The fund and the Retail income, LV=Group accumulation, Institutional accumulation and Second retail income share classes were launched on 28 January 2009.

²The Institutional income share class was launched on 25 May 2010.

Threadneedle UK Growth Fund

for the year ended 31 December 2011							
Retail accumulation shares	7,107,233	120.97	5,875,313	2009	2.6484	108.30	72.69
LV=Group accumulation shares	144,565,456	200.19	72,213,412	Retail accumulation shares	5.7703	175.70	116.90
Second retail accumulation shares	47,216	115.31	40,946	LV=Group accumulation shares	–	104.30	99.94
Institutional accumulation shares	1,728,835	144.25	1,198,516	Second retail accumulation shares ¹	3.6128	128.00	85.57
for the year ended 31 December 2012							
Retail accumulation shares	7,316,414	134.13	5,454,866	2010	1.8909	128.30	101.90
LV=Group accumulation shares	164,274,052	224.20	73,271,016	Retail accumulation shares	5.0864	210.20	165.50
Second retail accumulation shares	72,283	127.20	56,824	LV=Group accumulation shares	1.4063	122.96	98.06
Institutional accumulation shares	1,907,348	160.66	1,187,181	Second retail accumulation shares	2.9524	152.30	120.50
for the year ended 31 December 2013							
Retail accumulation shares	8,603,405	171.66	5,011,983	2011	2.8881	134.70	109.00
LV=Group accumulation shares	20,124,606	289.82	6,943,916	Retail accumulation shares	6.7991	221.90	179.90
Second retail accumulation shares	181,832	161.98	112,255	LV=Group accumulation shares	2.1692	128.75	104.02
Institutional accumulation shares	2,292,373	206.55	1,109,851	Second retail accumulation shares	4.1020	160.30	129.80
				Institutional accumulation shares			
				2012	2.7480	136.30	118.50
				Retail accumulation shares	6.7186	227.10	196.90
				LV=Group accumulation shares	2.0036	129.46	112.69
				Second retail accumulation shares	3.9789	163.00	141.50
				Institutional accumulation shares			
				2013	5.4164	171.80	137.30
				Retail accumulation shares	11.7422	290.00	229.60
				LV=Group accumulation shares	4.3678	162.10	130.20
				Second retail accumulation shares	7.3540	206.70	164.50
				Institutional accumulation shares			

¹The Second retail accumulation share class was launched on 27 November 2009.

Comparative Tables

(continued)

	Net asset value of share class £	Net asset value pence per share p	Shares in issue	Calendar Year	Net income per share p	Highest share price p	Lowest share price p	
Threadneedle European ex-UK Growth Fund								
for the year ended 31 December 2011				2009				
Retail accumulation shares	2,061,272	206.02	1,000,522		Retail accumulation shares	3.6957	237.10	145.50
LV=Group accumulation shares	111,778,210	230.82	48,426,539		LV=Group accumulation shares	5.7633	260.00	158.80
Second retail accumulation shares	173,005	111.12	155,699		Second retail accumulation shares ¹	1.6807	129.30	79.54
Institutional income shares	173,374	97.18	178,409	Institutional accumulation shares	2.5824	138.80	84.99	
Institutional income GBP hedged shares	14,404,028	89.73	16,052,704	2010				
Institutional accumulation shares	1,269,690	121.98	1,040,861		Retail accumulation shares	1.4900	251.60	207.10
for the year ended 31 December 2012					LV=Group accumulation shares	4.1152	278.70	228.60
Retail accumulation shares	1,798,058	253.21	710,101	Second retail accumulation shares	0.5101	136.50	112.50	
LV=Group accumulation shares	113,239,904	286.57	39,516,293	Institutional income shares ²	0.3255	121.30	99.68	
Second retail accumulation shares	214,734	135.90	158,014	Institutional income GBP hedged shares ³	0.2154	109.20	100.00	
Institutional income shares	167,341	117.56	142,342	Institutional accumulation shares	1.3169	148.20	121.80	
Institutional income GBP hedged shares	20,500,877	110.49	18,554,235	2011				
Institutional accumulation shares	1,330,428	150.61	883,332		Retail accumulation shares	4.7230	267.50	189.70
for the year ended 31 December 2013					LV=Group accumulation shares	8.2799	297.60	211.90
Retail accumulation shares	1,928,101	307.13	627,790	Second retail accumulation shares	2.1464	144.70	102.40	
LV=Group accumulation shares	85,421,658	351.08	24,330,779	Institutional income shares	2.9664	128.90	89.80	
Second retail accumulation shares	306,847	164.03	187,072	Institutional income GBP hedged shares	2.6260	112.30	79.89	
Institutional income shares	212,649	141.08	150,730	Institutional accumulation shares	3.6279	157.90	112.20	
Institutional income GBP hedged shares	31,174,000	131.51	23,704,112	2012				
Institutional accumulation shares	1,347,182	183.51	734,117		Retail accumulation shares	3.9086	256.80	204.40
					LV=Group accumulation shares	6.1044	290.60	230.00
					Second retail accumulation shares	1.8085	137.80	110.00
				Institutional income shares	2.0830	119.20	96.62	
				Institutional income GBP hedged shares	1.9614	111.70	91.32	
				Institutional accumulation shares	2.6146	152.70	121.30	
				2013				
					Retail accumulation shares	3.6359	308.10	256.40
					LV=Group accumulation shares	6.5721	352.20	290.20
					Second retail accumulation shares	1.5900	164.60	137.60
				Institutional income shares	1.9840	141.50	119.10	
				Institutional income GBP hedged shares	1.8092	131.60	112.20	
				Institutional accumulation shares	2.5413	184.10	152.50	
¹ The Second retail accumulation share class was launched on 28 January 2009.								
² The Institutional income share class was launched on 25 May 2010.								
³ The Institutional income GBP hedged share class was launched on 1 September 2010.								
Threadneedle Japan Growth Fund								
for the year ended 31 December 2011				2009				
LV=Group accumulation shares	59,218,847	119.70	49,472,089		LV=Group accumulation shares	1.3335	120.70	89.75
Institutional accumulation shares	74,990	121.87	61,531	Institutional accumulation shares	0.8803	124.50	92.73	
for the year ended 31 December 2012				2010				
LV=Group accumulation shares	61,695,653	121.90	50,610,898		LV=Group accumulation shares	1.9009	140.80	114.40
Institutional accumulation shares	54,789	123.42	44,393	Institutional accumulation shares	1.1989	144.20	117.80	
for the year ended 31 December 2013				2011				
LV=Group accumulation shares	45,907,605	156.45	29,342,416		LV=Group accumulation shares	2.5115	143.90	115.30
Institutional accumulation shares	37,454	157.49	23,781	Institutional accumulation shares	1.8318	147.20	117.60	
				2012				
					LV=Group accumulation shares	2.7182	131.20	113.60
				Institutional accumulation shares	2.0803	133.40	115.10	
				2013				
					LV=Group accumulation shares	2.4371	168.80	123.60
				Institutional accumulation shares	1.5750	170.50	125.10	
Threadneedle Pacific ex-Japan Growth Fund								
for the year ended 31 December 2011				2009				
LV=Group accumulation shares	23,353,261	301.02	7,757,992		LV=Group accumulation shares	4.7996	301.70	168.20
Institutional accumulation shares	838,905	168.84	496,854	Institutional accumulation shares	2.1349	171.10	95.80	
for the year ended 31 December 2012				2010				
LV=Group accumulation shares	21,025,316	348.16	6,038,979		LV=Group accumulation shares	6.4179	373.60	277.10
Institutional accumulation shares	708,151	194.21	364,637	Institutional accumulation shares	2.6300	210.70	157.10	
for the year ended 31 December 2013				2011				
LV=Group accumulation shares	37,136,468	361.84	10,263,348		LV=Group accumulation shares	7.5448	379.20	272.40
Institutional accumulation shares	600,055	200.72	298,955	Institutional accumulation shares	3.2070	213.20	153.00	
				2012				
					LV=Group accumulation shares	6.7322	352.20	298.70
				Institutional accumulation shares	2.7564	196.50	167.20	
				2013				
					LV=Group accumulation shares	8.5647	402.30	340.90
				Institutional accumulation shares	3.6297	224.00	189.70	
Threadneedle US Equity Income Fund								
for the year ended 31 December 2011				2011				
LV=Group income shares ¹	117,147,172	103.96	112,685,666		LV=Group income shares ¹	1.5424	104.70	84.98
Institutional income shares ¹	11,394	103.58	11,000	Institutional income shares ¹	1.5397	104.50	84.86	
for the year ended 31 December 2012				2012				
LV=Group income shares	104,033,410	109.41	95,085,386		LV=Group income shares	3.2169	113.90	103.10
Institutional income shares	15,411	108.34	14,224	Institutional income shares	3.1935	112.90	102.50	
for the year ended 31 December 2013				2013				
LV=Group income shares	78,004,536	140.66	55,458,021		LV=Group income shares	3.4968	144.10	112.60
Institutional income shares	1,361,562	138.44	983,520	Institutional income shares	3.4527	142.20	111.70	

¹The Second retail accumulation share class was launched on 28 January 2009.

²The Institutional income share class was launched on 25 May 2010.

³The Institutional income GBP hedged share class was launched on 1 September 2010.

Performance Summary

for the accounting period 1 January 2013 to 31 December 2013

Fund	Sector	Index*	Retail Shares Net Return %	Institutional Shares Net Return %	Sector Median Net Return %	Index Total Return %
Threadneedle UK Equity Income Fund	(IMA) UK Equity Income	FTSE All-Share	+29.40	+30.00	+24.89	+20.81
Threadneedle UK Growth Fund	(IMA) UK All Companies	FTSE All-Share	+27.92	+28.54	+25.09	+20.81
Threadneedle European ex-UK Growth Fund	(IMA) Europe Excluding UK	FTSE World Europe ex UK	+21.32	+21.80	+25.59	+25.18
Threadneedle Japan Growth Fund	(IMA) Japan	TOPIX	+28.47‡	+27.80	+24.37	+24.67
Threadneedle Pacific ex-Japan Growth Fund	(IMA) Asia Pacific Excluding Japan	MSCI AC Asia Pacific ex Japan	+3.99‡	+3.39	+2.01	+1.73
Threadneedle US Equity Income Fund	(IMA) North America	S&P 500	+31.76‡	+31.02	+30.19	+29.93

The fund sector is taken from the UK Unit Trusts/OEICs universe. Comparing the fund's performance to this fund sector is only relevant for UK Investors.

‡This represents the "LV=Group" share class of the fund.

*All of the Indices listed in the table are official benchmarks.

Net returns (source: Morningstar) are calculated using official 2pm prices, bid to bid basis with net income reinvested and are net of assumed fees and expenses but does not include any initial charges (unless otherwise stated). All data shown is in GBP.

Ongoing Charges Figure Summary

for the accounting period 1 January 2013 to 31 December 2013

Fund	Share Class	31 December 2013	31 December 2012
Threadneedle UK Equity Income Fund	Retail income	1.07%	1.08%
	LV=Group accumulation	0.08%	0.08%
	Second retail income	1.57%	1.58%
	Institutional income	0.62%	0.63%
	Institutional accumulation	0.62%	0.63%
Threadneedle UK Growth Fund	Retail accumulation	1.20%	1.07%
	LV=Group accumulation	0.09%	0.07%
	Second retail accumulation	1.73%	1.57%
	Institutional accumulation	0.75%	0.62%
Threadneedle European ex-UK Growth Fund	Retail accumulation	1.15%	1.15%
	LV=Group accumulation	0.15%	0.15%
	Second retail accumulation	1.65%	1.65%
	Institutional income	0.70%	0.70%
	Institutional income GBP hedged	0.70%	0.71%
	Institutional accumulation	0.70%	0.70%
Threadneedle Japan Growth Fund	LV=Group accumulation	0.14%	0.14%
	Institutional accumulation	0.70%	0.69%
Threadneedle Pacific ex-Japan Growth Fund	LV=Group accumulation	0.37%	0.53%
	Institutional accumulation	0.96%	1.08%
Threadneedle US Equity Income Fund	LV=Group income	0.09%	0.09%
	Institutional income	0.71%	0.71%

Ongoing Charges Figure (OCF)

The OCF is the European standard method of disclosing the charges of a share class of a fund based on the last year's expenses and may vary from year to year. It includes charges such as the fund's annual management charge, registration fee, custody fees and distribution cost but ordinarily excludes the costs of buying or selling assets for the fund (unless these assets are shares of another fund). The NURS-KII or KIID, as the case may be, and the Report and Accounts contain the current OCF. For a more detailed breakdown please visit threadneedle.com/fees.

Risk and Reward Profiles

for the accounting period 1 January 2013 to 31 December 2013

Fund	Share Class	SRRI*
Threadneedle UK Equity Income Fund	Retail income	6
	LV=Group accumulation	6
	Second retail income	6
	Institutional income	6
	Institutional accumulation	6
Threadneedle UK Growth Fund	Retail accumulation	6
	LV=Group accumulation	6
	Second retail accumulation	6
	Institutional accumulation	6
Threadneedle European ex-UK Growth Fund	Retail accumulation	6
	LV=Group accumulation	6
	Second retail accumulation	6
	Institutional income	6
	Institutional income GBP hedged	6
	Institutional accumulation	6
Threadneedle Japan Growth Fund	LV=Group accumulation	6
	Institutional accumulation	6
Threadneedle Pacific ex-Japan Growth Fund†	LV=Group accumulation	6
	Institutional accumulation	6
Threadneedle US Equity Income Fund	LV=Group income	6
	Institutional income	6

†The risk and reward profile of the Threadneedle Pacific ex-Japan Growth Fund changed from 7 to 6 on 12 February 2013.

*As at 31 December 2013 the synthetic risk and reward indicator (SRRI) is explained in the table below:

SRRI

- 1 The fund is in this specific category because historically it has shown a low level of volatility (how much the value of the fund went up and down compared to other categories).
- 2 The fund is in this specific category because historically it has shown a relatively low level of volatility (how much the value of the fund went up and down compared to other categories).
- 3 The fund is in this specific category because historically it has shown a medium to low level of volatility (how much the value of the fund went up and down compared to other categories).
- 4 The fund is in this specific category because historically it has shown a medium level of volatility (how much the value of the fund went up and down compared to other categories).
- 5 The fund is in this specific category because historically it has shown a medium to high level of volatility (how much the value of the fund went up and down compared to other categories).
- 6 The fund is in this specific category because historically it has shown a high level of volatility (how much the value of the fund went up and down compared to other categories).
- 7 The fund is in this specific category because historically it has shown a very high level of volatility (how much the value of the fund went up and down compared to other categories).

The Risk and Reward profile is based on past performance data in pound sterling.

Further Information

The Company

The Company, an open-ended investment company with variable capital, is an umbrella company currently consisting of six sub-funds (each a "Fund"). It is authorised and regulated by the Financial Conduct Authority, register number 188233 with effect from 3rd March 1999. Incorporated in England and Wales No. IC24. Head Office: 60 St Mary Axe, London EC3A 8JQ.

The Funds are segregated portfolios of assets and, accordingly, the assets of a Fund belong exclusively to that Fund and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the umbrella, or any other Fund, and shall not be available for any such purpose.

The Authorised Corporate Director (ACD)

The ACD is the sole director of the Company and is responsible for all aspects of its administration and management. The ACD is Threadneedle Investment Services Limited which is authorised and regulated by the Financial Conduct Authority, register number 190437. The ACD is a member of the Investment Management Association. It is incorporated in England and Wales No. 03701768 and its registered office is 60 St Mary Axe London EC3A 8JQ. Please note the administration address for all correspondence to the ACD is PO BOX 10033, Chelmsford, CM99 2AL and its telephone number is 0845 113 0273 (calls may be recorded). The ultimate holding company of the ACD is Ameriprise Financial Inc., a corporation incorporated in Delaware USA.

The Depositary

The Depositary acts as the custodian for all assets relating to the Company. The Depositary is HSBC Bank plc, 8 Canada Square, London, E14 5HQ. The Depositary is authorised and regulated by the Financial Conduct Authority.

Minimum Holding/Transaction

In respect of Retail Shares and Second Retail Shares, shareholders investing monthly amounts can invest a minimum of £100 through the Threadneedle Regular Savings Facility.

The minimum initial lump sum investment is £1,000, the minimum value of a shareholding is £500, and in Retail Shares and Second Retail Shares the minimum value of shares which may be the subject of any one subsequent transaction is £500.

For Institutional Shares the minimum initial lump sum investment is £500,000, the minimum value of a shareholding is £50,000, and the minimum value of shares which may be the subject of any one subsequent transaction is £50,000.

Subscription Days

Shares may be purchased or sold on any business day. The price of shares is calculated daily. A forward pricing basis is used. Prices are published on our website (www.threadneedle.com) or by telephone on 0845 113 0273 (calls may be recorded).

Repurchase of Shares

Shareholders may offer all their shares for sale to the ACD. Alternatively, they may offer a lesser number for sale, provided they retain at least the minimum holding referred to above. All sale instructions must be made to the ACD in writing. The shares will be purchased from the shareholder at the next Valuation Point and a contract note confirming the sale will be sent.

In times of high redemptions, where requested redemptions exceed 10% of a Fund's value, to protect the interests of continuing Shareholders, the ACD may defer redemptions at a particular Valuation Point on a Dealing Day, to the valuation point on the next Dealing Day. This will allow the ACD to match the sale of Scheme Property to the level of redemptions, and should reduce the impact of dilution on a Fund. Subject to sufficient liquidity being raised at the next Valuation Point all deals relating to the earlier Valuation Point will be completed before those relating to the later Valuation Point are considered.

Dilution

The Company may suffer dilution (reduction) in the value of the Scheme Property as a result of the costs incurred in dealing in its investments and of any spread between the buying and selling prices of these investments. It is not, however, possible to predict accurately whether dilution will occur at any point in time.

In order to counter this, the ACD may require the payment of a dilution levy. In cases where a dilution levy is made the value of the capital of the scheme property will not be adversely affected by dilution. If charged, the dilution levy will be shown in addition to (but not part of) the price of Shares on their issue by the Company or sale by the ACD and as a deduction to the price of Shares on their cancellation by the Company or redemption by the ACD. The ACD has no entitlement to the dilution levy. It will either be paid into the Company, in the case of an issue of Shares by the Company or sale by the ACD, or retained in the Company in the case of a cancellation of Shares by the Company or a redemption by the ACD.

The need to charge a dilution levy will depend on the volume of net purchases or redemptions, as described below. The ACD may charge a dilution levy on any purchase or redemption of Shares if, in its opinion, the existing Shareholders (for purchases) or continuing Shareholders (for redemptions) might otherwise materially be adversely affected. A dilution levy must be imposed only in a manner, that so far as practicable, is fair to all Shareholders or potential Shareholders.

In particular, the dilution levy may be charged in the following circumstances:

- if the Company is experiencing large levels of net purchases (i.e. purchases less redemptions) relative to its size;
- if the Company is experiencing large levels of net redemptions (i.e. redemptions less purchases) relative to its size;
- on "large deals". For these purposes, a large deal is defined as a purchase or a redemption in excess of £1,000,000 or 2% or more of the value of the Company whichever shall be lower;
- in any other case where the ACD is of the opinion that the interests of existing/continuing Shareholders and potential Shareholders require the imposition of a dilution levy.

In order to reduce the volatility in the rate of any dilution levy, the ACD may take account of the trend of the Company to expand or to contract; and the transactions in Shares at a particular Valuation Point.

Further Information

(continued)

Characteristics of Shares

The Company is structured as an umbrella company and currently consists of 8 different sub-funds. Several classes of share may be issued in respect of each fund, distinguished by their criteria for subscription and fee structure.

Share Class	Minimum Investment	Subsequent Investment	Eligibility
Retail income shares	£1,000	£500	Retail
Retail accumulation shares	£1,000	£500	Retail
LV=Group income shares	N/A	N/A	Institutional investors within the LV= group of companies
LV=Group accumulation shares	N/A	N/A	Institutional investors within the LV= group of companies
Second retail income shares	£500	N/A	Retail
Second retail accumulation shares	£500	N/A	Retail
Institutional income shares	£500,000	£50,000	Institutional
Institutional income GBP hedged shares	£500,000	£50,000	Institutional
Institutional accumulation shares	£500,000	£50,000	Institutional

Different criteria apply if purchasing units through the Threadneedle Regular Savings Facility. The limits for minimum initial investment, minimum subsequent investment and minimum holding of shares may be waived at the discretion of the ACD. For further information please refer to the Prospectus.

SDRT Provision

SDRT is chargeable on the surrender (i.e. the redemption or switching of shares), and on certain transfers of shares in the funds. The current rate of SDRT is 0.5%.

The liability for SDRT is calculated weekly by reference to share sales and repurchases in that and the following week but is reduced proportionately to the extent that the investments held by the fund are exempt investments, which essentially are any assets other than United Kingdom equities and other collective investment schemes that are not exempt from SDRT. Any fund which only invests in exempt investments, i.e. holds no United Kingdom equities, will therefore be wholly exempt from SDRT.

How it affects shareholders and potential shareholders: The Authorised Corporate Director meets the SDRT liability from the property of the Company. It is not the ACD's intention to require the payment of a further provision for SDRT, however, it reserves the right to do so in respect of large deals (as set out in the Prospectus).

It is expected that legislation will be introduced to abolish Schedule 19 SDRT with effect from 30 March 2014.

Income Equalisation

Since each Fund operates equalisation, the first allocation made after the acquisition of shares will include an amount of equalisation. This amount represents the ACD's best estimate of the income included in the price at which the shares were acquired (subject to grouping where appropriate)

and represents a capital repayment for UK tax purposes which should be deducted from the cost of shares in arriving at any capital gain realised on their subsequent disposal.

Changes to the Prospectus

Further details concerning the Funds are contained in the prospectus, which is available on request from the ACD. The prospectus was updated in December 2013 to reflect the following changes:

- amendment of Dealing Day definition;
- changes to allow the Fund to have the ability to limit the issue of Shares;
- Insertion of definition for Limited Issue Fund;
- Insertion of definition for Limited Issue Shares;
- Insertion of wording relating to segregated assets and allow cross sub-fund investment;
- Desire to introduce deferred redemption rights;
- Amendment to inform investors of the Capital Gains Tax that may apply if there are switches from one class of Share for another class of Share within a Fund except when transferring to or from hedged share classes;
- Insertion of details of anticipated abolition of SDRT in 2014;
- amendment of Fair Value Pricing definition; and
- clarification on the use of derivatives for Efficient Portfolio Management (EPM).

Regulatory Disclosure and Constitution

This document has been issued by Threadneedle Investment Services Ltd as authorised corporate director of the Company. The Company is an investment company with variable capital incorporated under Regulation 14 (Authorisation) of the Open-Ended Investment Companies Regulations 2001. It is an umbrella company for the purposes of the rules of the Collective Investment Schemes Sourcebook (COLL) of the Financial Conduct Authority.

The Company currently comprises of six securities Funds: Threadneedle UK Equity Income Fund, Threadneedle UK Growth Fund, Threadneedle European ex-UK Growth Fund, Threadneedle Japan Growth Fund, Threadneedle Pacific ex-Japan Growth Fund and Threadneedle US Equity Income Fund.

The value of investments held by the Funds and the revenue from them may go down as well as up, and when you redeem your shares you may not get back the amount you put in. When a Fund holds overseas investments, currency exchange rates will be an extra factor affecting its performance. If the investment growth for your Fund is less than the charges deducted, the value of your capital will go down.

The shareholders are not liable for the debts of the Company.

Application for Shares

The first investment in shares of the Company can be made using a standard application form, available from Threadneedle Investment Services Limited, PO Box 10033, Chelmsford, CM99 2AL; telephone 0845 113 0273 (calls may be recorded). Additional investments can be made by letter or by telephone.

Shares in the Company can be bought or sold on a forward pricing basis. That is, if full instructions (and payment in the case of a request to buy shares) are received prior to 2pm on a business day, the price received will be the price calculated later that day. Instructions received after 2pm will be dealt with at the price calculated on the next business day.

Further Information

(continued)

Publication of Prices

The daily prices of the shares in each class of shares in each Fund are currently published on our website (www.threadneedle.com) or can be obtained by telephone on 0845 113 0273 (please note calls may be recorded for training and monitoring purposes). We may also, at our sole discretion, decide to publish certain share prices on third party websites or publications.

Key Investor Information Document (KIID) –

Subscription requirements

The KIID is a pre contractual document and investors will have to confirm that they have read the latest KIID before making a subscription. Threadneedle Investments has the right to reject a subscription if the investor does not confirm that they have read the latest KIID at the time of application. Investors can obtain the latest KIID from threadneedle.com.

Directory

Registered Office

Threadneedle Investment Funds II ICVC
60 St Mary Axe
London
EC3A 8JQ

Authorised Corporate Director (ACD)

Threadneedle Investment Services Ltd
60 St Mary Axe
London
EC3A 8JQ

ACD's Regulator's Address:

The Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Investment Manager

Threadneedle Asset Management Limited
60 St Mary Axe
London
EC3A 8JQ

Client Services Details Address:

Threadneedle Investment Services Limited
International Financial Data Services PO Box 10033
Chelmsford
Essex
CM99 2AL

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Website:

threadneedle.com

**Calls may be recorded*

Important Information

References in this document to any fund do not constitute an offer or invitation to subscribe to shares in such a fund. We recommend you obtain detailed information before the purchase of shares. Subscriptions to a fund may only be made on the basis of the current Prospectus or Key Investor Information Document and the latest annual and interim reports.

Past performance is not a guide to future returns. The value of investments and any income from them is not guaranteed and may fall as well as rise and the investor may not get back the original investment. Exchange rate movements could increase or decrease the value of underlying investments/holdings. The dealing price of the funds may include a dilution adjustment. Further details are available in the Prospectus.

The mention of any specific shares or bonds should not be taken as a recommendation to deal and anyone considering dealing in these financial instruments should consult a stockbroker or financial adviser. The research and analysis included in this document has been produced by Threadneedle for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions expressed are made as at the date of publication but are subject to change without notice.

Key Risks applicable to all funds:

Investment Risk:

The value of investments can fall as well as rise and investors might not get back the sum originally invested.

Currency Risk (except Threadneedle UK Growth Fund and Threadneedle UK Equity Income Fund):

Where investments are made in assets that are denominated in multiple currencies, changes in exchange rates may affect the value of the investments.

High Volatility Risk:

The fund typically carries a risk of high volatility due to its portfolio composition or the portfolio management techniques used. This means that the fund's value is likely to fall and rise more frequently and this could be more pronounced than with other funds.

Investor Currency Risk:

Where investments in the fund are in currencies other than your own, changes in exchange rates may affect the value of your investments.

Key Risks applicable to Threadneedle Pacific ex-Japan Fund only:

Political and Financial Risk:

The fund invests in markets where economic and regulatory risk can be significant. These factors can affect liquidity, settlement and asset values. Any such event can have a negative effect on the value of your investment.

Further risks applicable to the funds can be found in the prospectus.

TO FIND OUT MORE
visit **threadneedle.com**