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Threadneedle Managed Growth Funds

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Introduction

These Annual Reports cover the 12 months to 15 May 2013 and review the performance and market background for the five unit trusts in the Threadneedle Managed Growth Funds range. These comprise the Threadneedle Global Equity Fund, Threadneedle Global Equity & Bond Fund, Threadneedle Equity & Bond Fund, Threadneedle Defensive Equity & Bond Fund and Threadneedle Defensive Fund.

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.

A handwritten signature in black ink, appearing to read 'Campbell Fleming', followed by a horizontal line.

Campbell Fleming

Director

Threadneedle Global Equity Fund

Manager's Report

Investment Objective and Policy

The trust's investment objective and investment policy is to provide above average capital growth from investment in regulated collective investment schemes managed, operated, or advised by Threadneedle Investment Services Limited (or any company within the Group of which it is a member).

The trust will invest internationally and will invest primarily in collective investment schemes that invest in equities. With effect from 1 October 2011 the trust may also invest in collective investment schemes that do not restrict their use of derivatives to efficient portfolio management up to a maximum amount of no more than 20% of the value of the Scheme Property. Further the trust may also invest directly in cash, near cash and/or money market instruments.

The trust will always invest so as to be eligible as an ISA investment.

Review

This report covers the period from 16 May 2012 to 15 May 2013.

Fund Performance

During the period under review the offer price of Class A units rose by 25.31% from 111.40p to 139.60p.

During the period under review the offer price of Class B units rose by 25.55% from 109.20p to 137.10p.

Looking at performance within its peer group (the IMA – Flexible Investment Sector), the total return on the trust for the twelve months ending 30 April 2013, including net reinvested income, is 15.30% as compared to a sector median return of 15.12% over the same period. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer). Please note that this period has been used for peer group comparisons due to updated peer group information only being available from Morningstar at month-end points.

In view of the nature of the trust and its investment remit, there is no directly comparable market index.

Portfolio Activity

Following a volatile start to the review year as the eurozone sovereign debt crisis deepened and concerns grew that the global recovery was losing momentum, equities rallied sharply during the third quarter of 2012. The gains were driven by unprecedented levels of central bank support, with the European Central Bank (ECB) announcing the Outright Monetary Transactions (OMT) programme aimed at capping bailout recipients' borrowing costs through massive government bond purchases.

Meanwhile, despite some more encouraging US economic data, the US Federal Reserve (Fed) launched a third round of quantitative easing (QE3), pledging to spend \$85 billion a month buying mortgage-backed and Treasury bonds until the jobs market showed a sustained improvement. Though data suggested that China's year-long economic slowdown had bottomed-out while the UK, boosted by the Olympics, finally emerged from recession, unease over the looming US 'fiscal cliff' tax rises and spending cuts, and concerns over the eurozone's economic malaise, saw world markets end 2012 on a softer note.

However, global equities rallied strongly during the first quarter of 2013, cheered by a partial resolution of the US fiscal cliff, reassuring US economic news and broadly-encouraging corporate earnings. However, eurozone tensions rose in the aftermath of the inconclusive Italian election result and the bailout of Cyprus that involved significant contributions from larger bank depositors. Although signs emerged that economic activity in China was losing some vigour and the eurozone economic malaise was deepening, stock markets extended their gains as investors anticipated further central bank support should the global economic recovery falter. Meanwhile, the recently-elected Japanese administration embarked on a massive stimulus programme in an effort to fend off deflation and muster growth in the flat-lining Japanese economy.

During bouts of risk aversion, investors were drawn to the perceived safety of core government bond markets, with yields falling to historic lows ahead of the ECB's third quarter OMT announcement. Meanwhile, investors with a less risk-averse profile were attracted to the higher yields available on corporate bonds, which performed strongly over the reporting year. In particular, high yield bonds significantly outperformed core government bond markets during the review year, reflecting investors' preference for yield as central bank support, and investors' anticipation of future measures should the recovery falter, boosted the wider appetite for risk.

Early in the review year, we retained a relatively cautious stance towards eurozone equities given the deepening sovereign debt crisis. We reduced exposure to Asian equities, subsequently raising our weightings in UK equities. Given the importance of income as a component of total return in an uncertain investment environment, we introduced new holdings in both the Threadneedle UK Growth & Income Fund and the Threadneedle Global Equity Income Fund. During the second half of 2012, we added to European equities as the ECB's actions eased the near-term threats to the eurozone. Within the bond portfolio, we added exposure to the Threadneedle High Yield Bond Fund, taking advantage of the market's rising appetite for risk following the Fed's QE3 announcement.

As eurozone concerns eased further around the turn of the calendar year, we introduced new holdings to European equities through purchases of the Threadneedle European Fund. Towards the end of the review year we switched some US equity exposure from the Threadneedle American Fund into the Threadneedle (Lux) – American Absolute Alpha Fund, seeking to capture consistent positive returns regardless of the market's near-term direction. Within the bond portfolio, we disposed of our holdings in the European high yield credit into emerging markets through purchases in the Threadneedle Emerging Markets Local Fund.

In terms of our positioning, we hold relatively large weighting in UK equities and we hold a generally positive view over the prospects for Far East ex Japan equities. We remain on balance cautious on Europe ex UK equities, although we have become more optimistic on the outlook for Japan following the reflation package. In fixed income we favour a slight bias to UK corporate bonds in preference to overseas issues relative to the benchmark.

Although the global economic outlook has broadly improved over the last six months, we believe that the developed world in particular faces major challenges, both political and economic. The outcome of the Italian election and the Cypriot bailout highlight the difficulties facing the eurozone, while significant challenges remain for US politicians to make the tough decisions necessary to improve the fiscal situation. On a more positive note, US and, to a lesser extent more recently, Chinese economic data, have continued to improve while Japan is implementing significant measures to reawaken its economy from a decades-long slumber. Central banks around the world appear committed to maintaining extremely loose monetary policies, while stocks also offer good value despite the recent rally. Thus, while markets may experience volatility in the short term, we hold a positive view of longer-term prospects for equities.

Pages 45 to 50 at the back of these Annual Reports and Accounts form part of the Manager's Report

Directors' Statement

In accordance with the requirements of the Financial Conduct Authority's (formerly Financial Services Authority's) Collective Investment Schemes (COLL) Sourcebook, we hereby certify the Annual Reports & Accounts on behalf of the Directors of Threadneedle Investment Services Limited.

26 June 2013

P J W Reed
N J Ring

Threadneedle Global Equity Fund

STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2012 to 15 May 2013

| | Notes | 2013 £000 | 2012 £000 |
|--|-------|--------------|--------------|
| Income | | | |
| Net capital gains/(losses) | 2 | 55,374 | (19,471) |
| Revenue | 3 | 3,274 | 2,840 |
| Expenses | 4 | (439) | (440) |
| Finance costs: Interest | 6 | – | (1) |
| Net revenue before taxation | | 2,835 | 2,399 |
| Taxation | 5 | (122) | (35) |
| Net revenue after taxation | | 2,713 | 2,364 |
| Total return before distributions | | 58,087 | (17,107) |
| Finance costs: Distributions | 6 | (2,713) | (2,364) |
| Change in net assets attributable to unitholders from investment activities | | 55,374 | (19,471) |

BALANCE SHEET

as at 15 May 2013

| | Notes | 2013 £000 | 2012 £000 |
|---|-------|----------------|----------------|
| Assets | | | |
| Investment assets | | 281,529 | 224,425 |
| Other assets | | | |
| Debtors | 7 | 264 | 613 |
| Cash and bank balances | | 1,040 | 3,699 |
| Total other assets | | 1,304 | 4,312 |
| Total assets | | 282,833 | 228,737 |
| Liabilities | | | |
| Other liabilities | | | |
| Creditors | 8 | (782) | (409) |
| Total other liabilities | | (782) | (409) |
| Total liabilities | | (782) | (409) |
| Net assets attributable to unitholders | | 282,051 | 228,328 |

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2012 to 15 May 2013

| | 2013 £000 | 2012 £000 |
|---|----------------|----------------|
| Opening net assets attributable to unitholders | 228,328 | 235,915 |
| Movement due to sales and repurchases of units: | | |
| Amounts receivable on the issue of units | 14,716 | 25,369 |
| Amounts payable on the cancellation of units | (19,020) | (15,822) |
| | (4,304) | 9,547 |
| Stamp duty reserve tax | (33) | (60) |
| Change in net assets attributable to unitholders from investment activities (see statement of total return above) | 55,374 | (19,471) |
| Retained distribution on accumulation units | 2,686 | 2,397 |
| Closing net assets attributable to unitholders | 282,051 | 228,328 |

DISTRIBUTION TABLE

for the accounting period 16 May 2012 to 15 May 2013

Dividend distribution in pence per unit

| Class A Units | | | | | | |
|--|---------------|------------|-------------|--------------|-----------------------------------|-----------------------------------|
| Net Accumulation Distribution Period | Gross Revenue | Tax Credit | Net Revenue | Equalisation | Net Revenue Accumulated 2012/2013 | Net Revenue Accumulated 2011/2012 |
| Group 1 | | | | | | |
| 16/05/12 to 15/05/13 | 1.3406 | 0.1341 | 1.2065 | – | 1.2065 | 1.0607 |
| Group 2 | | | | | | |
| 16/05/12 to 15/05/13 | 0.8643 | 0.0864 | 0.7779 | 0.4286 | 1.2065 | 1.0607 |
| Total distributions in the period | | | | | 1.2065 | 1.0607 |
| Class B Units | | | | | | |
| Net Accumulation Distribution Period | Gross Revenue | Tax Credit | Net Revenue | Equalisation | Net Revenue Accumulated 2012/2013 | Net Revenue Accumulated 2011/2012 |
| Group 1 | | | | | | |
| 16/05/12 to 15/05/13 | 1.6449 | 0.1645 | 1.4804 | – | 1.4804 | 1.3154 |
| Group 2 | | | | | | |
| 16/05/12 to 15/05/13 | 1.1402 | 0.1140 | 1.0262 | 0.4542 | 1.4804 | 1.3154 |
| Total distributions in the period | | | | | 1.4804 | 1.3154 |

Group 2: units purchased during a distribution period

Threadneedle Global Equity Fund

Notes to the financial statements

for the accounting period 16 May 2012 to 15 May 2013

1 ACCOUNTING POLICIES

(a) 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 ("UKGAAP"), 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.

(b) Recognition of revenue

Revenue is included in the Statement of Total Return on the following bases:

Dividends and distributions from collective investment schemes are recognised when the security is quoted ex-dividend.

Equalisation on distributions received is treated as a repayment of capital and deducted from the cost of the investment. Interest on bank and short-term deposits is recognised on an earned basis.

(c) Treatment of 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.

Fee rebates

In addition to any direct charge for registration and management fees within the trust, there would occur, in the absence of a rebate mechanism, an indirect charge for registration and management fees in respect of investments in other Threadneedle funds. Any such target funds themselves bear registration and management fees, which reduces the values of those funds from what they otherwise would be. The rebate mechanism operates to ensure that investors in the trust bear only the registration and management fees validly applicable to them.

The registration fee rebates of £109,665 (2012: £102,328) and the management fee rebates of £29,645 (2012: £18,949) are netted off against the registration and management fee expenses within the accounts.

(d) Allocation of revenue and expenses to multiple unit classes

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

Annual management charges and registration charges are specific to each unit class.

(e) Distribution policy

Revenue attributable to accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of revenue. All remaining revenue is distributed in accordance with the Collective Investment Schemes sourcebook.

Equalisation on distributions received is treated as a repayment of capital and deducted from the cost of the investment.

Where distributions are unclaimed for a period of six years these are brought back into the trust as capital.

(f) Deferred tax

Deferred taxation liabilities are provided for in full, and deferred tax assets are recognised to the extent that they are considered recoverable, in respect of all items for which recognition falls in different accounting periods for accounting and taxation purposes.

(g) Basis of valuation of investments

The investments of the trust are valued using the single price at 12 noon, being the valuation point on the last working day of the accounting period. The single price may include an adjustment to cover dealing costs in the underlying funds.

(h) Exchange rates

Assets and liabilities expressed in foreign currencies are translated into Sterling at the exchange rates ruling at 12 noon, being the valuation point on the last working day of the accounting period.

Transactions denominated in foreign currency are translated into Sterling at the exchange rates ruling at the date of the transaction.

2 NET CAPITAL GAINS/(LOSSES)

Net capital gains/(losses) during the period comprise:

| | 2013 £000 | 2012 £000 |
|----------------------------|--------------|--------------|
| Non-derivative securities | 55,376 | (19,467) |
| Transaction costs | (2) | (4) |
| Net capital gains/(losses) | 55,374 | (19,471) |

3 REVENUE

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Franked dividend distributions | 2,393 | 2,227 |
| Unfranked dividend distributions | – | 6 |
| Interest distributions | 831 | 559 |
| Interest on short term investments | 7 | – |
| Bank interest | 7 | 22 |
| Registration fee rebate on collective investment scheme holdings | 36 | 26 |
| Total revenue | 3,274 | 2,840 |

4 EXPENSES

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Payable to the Manager or associates of the Manager and the agents of either of them: | | |
| Annual management charge | (411) | (412) |
| | (411) | (412) |
| Payable to the trustee or associate of the trustee and the agents of either of them: | | |
| Trustee's fees | (19) | (19) |
| Safe custody fees | (1) | (1) |
| | (20) | (20) |
| Other expenses: | | |
| Audit fee | (8) | (8) |
| | (8) | (8) |
| *Total expenses | (439) | (440) |

*Including irrecoverable VAT where applicable.

5 TAXATION

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| a) Analysis of charge in period | | |
| Corporation tax | (88) | (35) |
| Adjustments in respect of prior periods | (34) | – |
| Total current tax (note 5b) | (122) | (35) |
| Total tax charge for the period | (122) | (35) |
| b) Factors affecting taxation charge for period | | |
| Net revenue before taxation | 2,835 | 2,399 |
| Net revenue before taxation multiplied by the standard rate of corporation tax of 20% | (567) | (480) |
| Effects of: | | |
| Revenue not subject to taxation | 479 | 445 |
| Adjustments in respect of prior periods | (34) | – |
| Current tax charge for the period (note 5a) | (122) | (35) |

Threadneedle Global Equity Fund

Notes to the financial statements

(continued)

6 FINANCE COSTS

Distributions and Interest

The distribution takes account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprises:

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Final | 2,686 | 2,397 |
| Add: Revenue deducted on cancellation of units | 83 | 46 |
| Deduct: Revenue received on creation of units | (56) | (79) |
| Net distribution for the period | 2,713 | 2,364 |
| Interest | – | 1 |
| Total finance costs | 2,713 | 2,365 |

Details of the distribution per unit are set out in the table on page 4.

7 DEBTORS

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Amounts receivable for the issue of units | – | 351 |
| Accrued revenue | 253 | 166 |
| United Kingdom income tax recoverable | 11 | 96 |
| Total debtors | 264 | 613 |

8 CREDITORS

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Amounts payable for the cancellation of units | (650) | (333) |
| Accrued expenses | (8) | (8) |
| Amounts payable to the Manager | (36) | (33) |
| Corporation tax payable | (88) | (35) |
| Total creditors | (782) | (409) |

9 UNITHOLDER FUNDS

The underlying funds suffer a management fee in the range of 0.5% – 1.5%.

Global Equity Fund currently has two unit classes; Class A and Class B units. The charges on each unit class are as follows:

Annual management charge

| | |
|---------------|-------|
| Class A units | 0.25% |
| Class B units | – |

Registration fees

| | |
|---------------|----------------------|
| Class A units | £7.50 per unitholder |
| Class B units | 0.020% |

The net asset value of each unit class, the net asset value per unit, and the number of units in each class are given in the comparative table on page 45. The distribution per unit class is given in the distribution table on page 4. Both classes have the same rights on winding up.

10 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, a related party, acts as principal in respect of all transactions of units in the trust. The aggregated monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Any amounts due to or from Threadneedle Investment Services Limited in respect of unit transactions at the end of the accounting period are disclosed in Notes 7 and 8.

Amounts payable to and receivable from Threadneedle Investment Services Limited in respect of fund management and registration services are disclosed in Notes 8 and 7. A balance of £35,619 (2012: £33,625) in respect of annual management service charge and £8,651 (2012: £6,504) in respect of registration fees is respectively payable and receivable at the end of the accounting period.

Amounts payable to J.P. Morgan Trustee and Depositary Company Limited, a related party, in respect of trustee services and safe custody charges are disclosed in Note 8. A balance of £1,576 (2012:

£1,638) in respect of trustee services and £270 (2012: £235) in respect of safe custody are due at the end of the accounting period.

The trust receives and pays interest on deposits held with J.P. Morgan Trustee and Depositary Company as disclosed in Notes 3 and 6. A balance of £113 (2012: £419) is receivable at the end of the accounting period. Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The trust invests in a number of funds managed by Threadneedle, all transactions in respect of which are transacted with Threadneedle Investment Services Limited. Details of the investments are shown in the Portfolio Statement and gains and losses in the period are disclosed in Note 2. Details of revenue received from the subfunds are shown in Note 3 and amounts receivable at the end of the accounting period in Note 7. Details of purchases and sales of the sub-funds are shown in Note 13 and any amounts receivable and payable in Notes 7 and 8.

The Manager, or associate of the Manager acted as principal in all investment transactions.

11 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing its investment objectives set out on page 3, the Threadneedle Global Equity Fund may hold the following financial instruments:

- Funds of the Threadneedle Investment Funds ICVC, Threadneedle Specialist Investment Funds ICVC (of which a maximum of 20% of the value of the property of the trust may be invested in any one fund within this range of investment funds) and Threadneedle (Lux) Funds;
- Cash, liquid resources and short term debtors and creditors that arise directly from its operations;
- Unitholders' funds which represent investors monies which are invested on their behalf;
- Borrowing used to finance investment activity; and
- Derivative transactions to manage the currency and market risks arising from the trust's investment activities.

Throughout the period under review, it has been the policy of the trust to buy and sell financial instruments for the purpose of investment rather than trading.

The main risks arising from the trust's financial instruments are market price, liquidity, credit, interest rate and foreign currency risk. The policies for managing each of these risks are reviewed regularly and agreed with the Trustee of the trust and they are summarised below. These policies have remained unchanged since the beginning of the period to which these financial statements relate and are consistently applied throughout the period under review. The same policies also applied throughout the year ending 15 May 2012.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the trust 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 trust is exposed to market risk by virtue of their investments in Collective Investment Schemes.

The Manager 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.

Liquidity risk

Liquidity risk is the risk that the trust cannot raise sufficient cash to meet its liabilities when due.

Threadneedle Global Equity Fund

Notes to the financial statements

(continued)

The main liability of the trust is the cancellation of units that the investors wish to sell.

The trust's assets comprise mainly realisable securities which can readily be sold.

Under normal circumstances, the trust 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 trust, the trust 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 units. The Manager manages the trust's cash to ensure it can meet its liabilities. The Manager receives daily reports of issues and cancellations enabling the Manager to raise cash from the trust's portfolio in order to meet cancellation requests. In addition the Manager monitors market liquidity of all securities, seeking to ensure the trust maintains sufficient liquidity to meet known and potential redemption activity. Trust cash balances are monitored daily by the Manager and Administrator. Where investments cannot be realised in time to meet any potential liability, the trust may borrow up to 10% of its value to ensure settlements. All of the trust's financial liabilities are payable on demand or in less than one year.

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

Credit 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 trust may not receive back the principally originally invested. Thirdly there is the counterparty risk that the counterparty will not deliver the investment for a purchase or cash for a sale after the trust has fulfilled its responsibilities, which could result in the trust suffering a loss.

In order to manage credit risk the trust and underlying investments 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 underlying funds only buy and sell investments through brokers which have been approved by the Manager 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.

Interest rate risk

Interest rate risk is the risk that the value of the trusts' investments will fluctuate as a result of changes in interest rates.

The trust has holdings in other funds with significant interest rate exposure.

Thus any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Manager 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 trust 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.

Foreign currency risk

Foreign currency risk is the risk that the value of the trust's investments will fluctuate as a result of changes in foreign currency exchange rates.

The capital values of the trust's underlying investments can be affected by currency translation movements where the assets are denominated in currencies other than sterling, which is the trust's principal currency.

Two principal areas where foreign currency risk could impact the trust are:

- Where movements in rates affect the value of the underlying investments; the trust may hedge the initial investment;
- Where movements in rates affect the revenue received from the underlying investments; the trust does not hedge or otherwise seek to avoid rate movement risk on revenue accrued but not received.

There is no direct foreign currency exposure within the trust at the balance sheet date. However, a large proportion of the trust's underlying investments have significant currency exposure since their assets are denominated in currencies other than sterling, with the effect that their balance sheets and total returns can be affected by currency movements. Investee fund's significant exposure to non-sterling currencies, based on their most recent published financial statements are as follows:

- The principal exposure of Threadneedle (Lux) – American Absolute Alpha Fund, Threadneedle American Fund, Threadneedle American Select Fund and Threadneedle Emerging Market Bond Fund is to the US Dollar.
- The principal exposures of Threadneedle Asia Fund are to the Australian Dollar, Hong Kong Dollar and South Korean Won.
- The principal exposures of Threadneedle China Opportunities Fund are to the Hong Kong Dollar and US Dollar.
- The principal exposures of Threadneedle European Fund, Threadneedle European Select Fund and Threadneedle Pan European Accelerando Fund are to the Euro and Swiss Franc.
- The principal exposure of Threadneedle European Smaller Companies Fund and Threadneedle Pan European Smaller Companies Fund is to the Euro.
- The principal exposures of Threadneedle Global Emerging Markets Equity Fund are to the Hong Kong Dollar, South Korean Won and US Dollar.
- The principal exposures of Threadneedle Global Equity Income Fund are to the Euro and US Dollar.
- The principal exposures of Threadneedle Global Extended Alpha Fund are to the Japanese Yen and US Dollar.
- The principal exposure of Threadneedle Japan Fund is to the Japanese Yen.
- The principal exposures of Threadneedle Latin America Fund are to the Brazilian Real, Mexican Peso and US Dollar.
- The principal exposures of Threadneedle Emerging Market Local Fund are to the Brazilian Real, Mexican Peso and Turkish Lira.

Fair value of financial assets and financial liabilities

All of the financial assets of the trust are valued using the single price, which is deemed to be fair value.

The primary financial liability is the trust's liability to redeem units issued to finance its operations. These are held at book value and the difference from fair value is deemed to be immaterial.

12 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities and commitments outstanding (2012: Nil).

13 PORTFOLIO TRANSACTION COSTS

The purchases and sales are not subject to portfolio transaction costs. The total cost of purchases during the period was £31,238,547 (2012: £40,279,878) and proceeds received from sales were £30,303,984 (2012: £30,390,311).

Threadneedle Global Equity Fund

Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme

The Collective Investment Schemes Sourcebook (COLL), as issued (and amended) by the Financial Conduct Authority's (formerly Financial Services Authority (FSA)), require the Manager 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 Scheme and of its net revenue and the net gains or losses on the property of the Scheme for the period. In preparing the financial statements the Manager 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 Trust will continue in operation for the foreseeable future.

The Manager is required to keep proper accounting records and to manage the Trust in accordance with the Collective Investment Schemes Sourcebook, the Trust Deed and the Scheme Particulars. The Manager is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Trustee's Responsibilities and Report of the Trustee to the Unitholders of the Threadneedle Global Equity Fund

The Trustee is responsible for the safekeeping of all of the property of the Scheme (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 Trustee to take reasonable care to ensure that the Scheme is managed by the Authorised Fund Manager in accordance with the Financial Conduct Authority's (formerly Financial Services Authority's) Collective Investment Schemes Sourcebook ("the COLL Sourcebook") and the Scheme's Trust Deed and Prospectus, as appropriate, in relation to the pricing of, and dealings in, units in the Scheme; the application of revenue of the Scheme; and the investment and borrowing powers of the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Authorised Fund Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's revenue in accordance with the COLL Sourcebook and, where applicable, the Scheme's Trust Deed and Prospectus; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

Bournemouth
26 June 2013

J.P. Morgan Trustee
and Depositary Company Limited
Trustee

Threadneedle Global Equity Fund

Independent Auditors' Report to the unitholders of Threadneedle Global Equity Fund

We have audited the financial statements of Threadneedle Global Equity Fund (the "Trust") for the year ended 15 May 2013 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, the related notes and the distribution tables. 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) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of Authorised Fund Manager and auditors

As explained more fully in the Authorised Fund Manager's Responsibilities Statement the Authorised Fund Manager 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.

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Manager's Report to identify material inconsistencies with the audited financial statements. 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 Trust at 15 May 2013 and of the net revenue and the net capital gains of the scheme property of the Trust for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Trust have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

London
26 June 2013

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors

The financial statements are published at threadneedle.com, which is a website maintained by Threadneedle Investment Services limited. The maintenance and integrity of the Threadneedle Investment Services Limited's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Threadneedle Global Equity Fund

Portfolio Statement

as at 15 May 2013

| Holding | Investment | Value £000 | % of Net Asset Value | Holding | Investment | Value £000 | % of Net Asset Value |
|--|---|----------------|----------------------------|-----------|--|----------------|----------------------------|
| COLLECTIVE INVESTMENT SCHEMES 99.81% (98.29%) | | | | | Overseas bond 2.43% (2.61%) | | |
| | UK equity 33.42% (31.51%) | | | 1,496,884 | Threadneedle Emerging Market Bond Fund | 1,694 | 0.60 |
| 1,358,297 | Threadneedle Extended Alpha Fund | 4,469 | 1.58 | 3,222,587 | Threadneedle Emerging Market Local Fund | 5,154 | 1.83 |
| 2,513,803 | Threadneedle UK Absolute Alpha Fund | 3,006 | 1.07 | | Total overseas bond | 6,848 | 2.43 |
| 10,658,312 | Threadneedle UK Equity Alpha Income Fund | 6,496 | 2.30 | | Total collective investment schemes | 281,529 | 99.81 |
| 15,234,951 | Threadneedle UK Equity Income Fund | 12,334 | 4.37 | | Total value of investments | 281,529 | 99.81 |
| 15,795,431 | Threadneedle UK Fund | 17,024 | 6.04 | | Net other assets (1.71%) | 522 | 0.19 |
| 8,489,487 | Threadneedle UK Growth & Income Fund | 6,573 | 2.33 | | Net assets | 282,051 | 100.00 |
| 3,015,969 | Threadneedle UK Mid 250 Fund | 5,083 | 1.80 | | <i>The calculation of the % Net Asset Value may not sum to 100% due to rounding.</i> | | |
| 33,829,254 | Threadneedle UK Select Fund | 33,481 | 11.87 | | <i>May 2012 comparatives in brackets.</i> | | |
| 3,485,306 | Threadneedle UK Smaller Companies Fund | 5,797 | 2.06 | | | | |
| | Total UK equity | 94,263 | 33.42 | | | | |
| | UK bond 9.32% (11.39%) | | | | | | |
| 13,173,375 | Threadneedle High Yield Bond Fund | 5,871 | 2.08 | | | | |
| 17,105,820 | Threadneedle Sterling Fund | 17,078 | 6.05 | | | | |
| 5,731,452 | Threadneedle UK Corporate Bond Fund | 3,352 | 1.19 | | | | |
| | Total UK bond | 26,301 | 9.32 | | | | |
| | Overseas equity 54.64% (52.78%) | | | | | | |
| 100,609 | Threadneedle (Lux) – American Absolute Alpha Fund | 1,645 | 0.58 | | | | |
| 7,704,447 | Threadneedle American Fund | 11,361 | 4.03 | | | | |
| 24,162,460 | Threadneedle American Select Fund | 38,073 | 13.50 | | | | |
| 15,396,024 | Threadneedle Asia Fund | 22,024 | 7.81 | | | | |
| 1,799,588 | Threadneedle China Opportunities Fund | 3,287 | 1.17 | | | | |
| 4,396,540 | Threadneedle European Fund | 7,027 | 2.49 | | | | |
| 8,063,632 | Threadneedle European Select Fund | 15,937 | 5.65 | | | | |
| 1,408,236 | Threadneedle European Smaller Companies Fund | 6,415 | 2.27 | | | | |
| 6,518,814 | Threadneedle Global Emerging Markets Equity Fund | 6,140 | 2.18 | | | | |
| 5,078,718 | Threadneedle Global Equity Income Fund | 5,898 | 2.09 | | | | |
| 1,871,432 | Threadneedle Global Extended Alpha Fund | 3,149 | 1.12 | | | | |
| 28,839,032 | Threadneedle Japan Fund | 12,407 | 4.40 | | | | |
| 3,202,994 | Threadneedle Latin America Fund | 9,704 | 3.44 | | | | |
| 3,764,108 | Threadneedle Pan European Accelerando Fund | 6,606 | 2.34 | | | | |
| 3,135,583 | Threadneedle Pan European Smaller Companies Fund | 4,444 | 1.57 | | | | |
| | Total overseas equity | 154,117 | 54.64 | | | | |

Threadneedle Global Equity & Bond Fund

Manager's Report

Investment Objective and Policy

The trust's investment objective and investment policy is to provide capital growth with some income from investment in regulated collective investment schemes operated, managed or advised by Threadneedle Investment Services Limited (or any company within the Group of which it is a member).

The trust will invest internationally and will invest primarily in collective investment schemes that invest in equities, and/or fixed income securities. With effect from 1 October 2011 the trust may also invest in collective investment schemes that do not restrict their use of derivatives to efficient portfolio management up to a maximum amount of no more than 20% of the value of the Scheme Property. Further the trust may also invest directly in cash, near cash and/or money market instruments.

The trust will always invest so as to be eligible as an ISA investment.

Review

This report covers the period from 16 May 2012 to 15 May 2013.

Fund Performance

During the period under review the offer price of Class A units rose by 22.36% from 103.30p to 126.40p.

During the period under review the offer price of Class B units rose by 22.51% from 101.30p to 124.10p.

Looking at performance within its peer group (the IMA – Mixed Investment 40-85% Shares Sector), the total return on the trust for the twelve months ending 30 April 2013, including net reinvested income, is 14.12% as compared to a sector median return of 14.60% over the same period. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

Fully updated peer group information is only available from Morningstar at month-end points.

In view of the nature of the fund and its investment remit, there is no directly comparable market index.

Portfolio Activity

Following a volatile start to the review year as the eurozone sovereign debt crisis deepened and concerns grew that the global recovery was losing momentum, equities rallied sharply during the third quarter of 2012. The gains were driven by unprecedented levels of central bank support, with the European Central Bank (ECB) announcing the Outright Monetary Transactions (OMT) programme aimed at capping bailout recipients' borrowing costs through massive government bond purchases.

Meanwhile, despite some more encouraging US economic data, the US Federal Reserve (Fed) launched a third round of quantitative easing (QE3), pledging to spend \$85 billion a month buying mortgage-backed and Treasury bonds until the jobs market showed a sustained improvement. Though data suggested that China's year-long economic slowdown had bottomed-out while the UK, boosted by the Olympics, finally emerged from recession, unease over the looming US 'fiscal cliff' tax rises and spending cuts, and concerns over the eurozone's economic malaise, saw world markets end 2012 on a softer note.

However, global equities rallied strongly during the first quarter of 2013, cheered by a partial resolution of the US fiscal cliff, reassuring US economic news and broadly-encouraging corporate earnings. However, eurozone tensions rose in the aftermath of the inconclusive Italian election result and the bailout of Cyprus that involved significant contributions from larger bank depositors. Although signs emerged that economic activity in China was losing some vigour and the eurozone economic malaise was deepening, stock markets extended their gains as investors anticipated further central bank support should the global economic recovery falter. Meanwhile, the recently-elected Japanese administration embarked on a massive stimulus programme in an effort to fend off deflation and muster growth in the flat-lining Japanese economy.

During bouts of risk aversion, investors were drawn to the perceived safety of core government bond markets, with yields falling to historic lows ahead of the ECB's third quarter OMT announcement. Meanwhile, investors with a less risk-averse profile were attracted to the higher yields available on corporate bonds, which performed strongly over the

reporting year. In particular, high yield bonds significantly outperformed core government bond markets during the review year, reflecting investors' preference for yield as central bank support, and investors' anticipation of future measures should the recovery falter, boosted the wider appetite for risk.

Early in the review year, we reduced exposure to Asian equities, reflecting concerns over slowing economic growth. We also lowered our weightings in European equities as the sovereign debt crisis deepened, switching exposure into UK equities. However, as tensions in the eurozone were eased by the ECB's unprecedented action, we introduced new holdings to gain further exposure to European equities. Towards the end of 2012, we trimmed investment in US equities, reflecting rising concerns over the potential impact of the looming 'fiscal cliff'. Given the importance of the income component in an uncertain investment environment, we also added exposure to both the Threadneedle UK Growth & Income Fund and the Threadneedle Global Equity Income Fund. Activity in the bond portfolio was relatively limited during the 2012 segment of the review year, while we raised our overall cash holdings.

In early 2013 we raised exposure to the Threadneedle UK Equity Income Fund, reflecting our view that dividend income represents an increasingly-important element of total returns. We also added exposure to American equities, targeting positive returns regardless of market direction through the Threadneedle (Lux) – American Absolute Alpha Fund. This increased exposure was largely funded from a reduction in our exposure to UK smaller companies, Japanese equities and European equities, with the latter looking more exposed to a limited return of eurozone tensions. Within the bond portfolio, we switched some exposure from the Threadneedle Target Return Fund into the Threadneedle Absolute Return Bond Fund, seeking to achieve positive returns amid uncertainty over the direction of markets following a very strong run.

In terms of our positioning, we hold relatively large weighting in UK equities and we hold a generally positive view over the prospects for Far East ex Japan equities. We remain on balance cautious on Europe ex UK equities, although we have become more optimistic on the outlook for Japan following the reflation package. In fixed income we favour a slight bias to UK corporate bonds in preference to overseas issues relative to the benchmark.

Although the global economic outlook has broadly improved over the last six months, we believe that the developed world in particular faces major challenges, both political and economic. The outcome of the Italian election and the Cypriot bailout highlight the difficulties facing the eurozone, while significant challenges remain for US politicians to make the tough decisions necessary to improve the fiscal situation. On a more positive note, US and, to a lesser extent more recently, Chinese economic data continue to improve while Japan is implementing significant measures to reawaken its economy from a decades-long slumber. Central banks around the world appear committed to maintaining extremely loose monetary policies, while stocks also offer good value despite the recent rally. Thus, while markets may experience volatility in the short term, we hold a positive view of longer-term prospects for equities. However, with policymakers worldwide struggling to facilitate a sustainable growth environment, we expect government bond markets to remain volatile in 2013. We remain more positive about the prospects for corporate bonds, as the ongoing search for income forces investors to take some credit risk.

Pages 45 to 50 at the back of these Annual Reports and Accounts form part of the Manager's Report.

Directors' Statement

In accordance with the requirements of the Financial Conduct Authority's (formerly Financial Services Authority's) Collective Investment Schemes (COLL) Sourcebook, we hereby certify the Annual Reports & Accounts on behalf of the Directors of Threadneedle Investment Services Limited.

26 June 2013

P J W Reed
N J Ring

Threadneedle Global Equity & Bond Fund

STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2012 to 15 May 2013

| | Notes | 2013 £000 | 2012 £000 |
|--|-------|----------------|-----------------|
| Income | | | |
| Net capital gains/(losses) | 2 | 121,482 | (47,287) |
| Revenue | 3 | 10,016 | 9,559 |
| Expenses | 4 | (826) | (839) |
| Finance costs: Interest | 6 | (1) | (3) |
| Net revenue before taxation | | 9,189 | 8,717 |
| Taxation | 5 | (745) | (715) |
| Net revenue after taxation | | 8,444 | 8,002 |
| Total return before distributions | | 129,926 | (39,285) |
| Finance costs: Distributions | 6 | (8,444) | (8,002) |
| Change in net assets attributable to unitholders from investment activities | | 121,482 | (47,287) |

BALANCE SHEET

as at 15 May 2013

| | Notes | 2013 £000 | 2012 £000 |
|---|-------|----------------|----------------|
| Assets | | | |
| Investment assets | | 693,791 | 591,521 |
| Other assets | | | |
| Debtors | 7 | 888 | 916 |
| Cash and bank balances | | 800 | 2,597 |
| Total other assets | | 1,688 | 3,513 |
| Total assets | | 695,479 | 595,034 |
| Liabilities | | | |
| Other liabilities | | | |
| Creditors | 8 | (1,887) | (1,773) |
| Total liabilities | | (1,887) | (1,773) |
| Net assets attributable to unitholders | | 693,592 | 593,261 |

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2012 to 15 May 2013

| | 2013 £000 | 2012 £000 |
|---|----------------|----------------|
| Opening net assets attributable to unitholders | 593,261 | 641,827 |
| Movement due to sales and repurchases of units: | | |
| Amounts receivable on the issue of units | 19,540 | 27,823 |
| Amounts payable on the cancellation of units | (48,902) | (36,873) |
| | (29,362) | (9,050) |
| Stamp duty reserve tax | (75) | (142) |
| Change in net assets attributable to unitholders from investment activities (see statement of total return above) | 121,482 | (47,287) |
| Retained distribution on accumulation units | 8,286 | 7,913 |
| Closing net assets attributable to unitholders | 693,592 | 593,261 |

DISTRIBUTION TABLE

for the accounting period 16 May 2012 to 15 May 2013

Dividend distribution in pence per unit

| Class A Units | | | | | | | |
|--|---------------|------------|-------------|--------------|-----------------------------------|-----------------------------------|--|
| Net Accumulation Distribution Period | Gross Revenue | Tax Credit | Net Revenue | Equalisation | Net Revenue Accumulated 2012/2013 | Net Revenue Accumulated 2011/2012 | |
| Group 1 | | | | | | | |
| 16/05/12 to 15/05/13 | 1.4986 | 0.1499 | 1.3487 | — | 1.3487 | 1.2300 | |
| Group 2 | | | | | | | |
| 16/05/12 to 15/05/13 | 1.1319 | 0.1132 | 1.0187 | 0.3300 | 1.3487 | 1.2300 | |
| Total distributions in the period | | | | | 1.3487 | 1.2300 | |
| Class B Units | | | | | | | |
| Net Accumulation Distribution Period | Gross Revenue | Tax Credit | Net Revenue | Equalisation | Net Revenue Accumulated 2012/2013 | Net Revenue Accumulated 2011/2012 | |
| Group 1 | | | | | | | |
| 16/05/12 to 15/05/13 | 1.7969 | 0.1797 | 1.6172 | — | 1.6172 | 1.4812 | |
| Group 2 | | | | | | | |
| 16/05/12 to 15/05/13 | 1.1506 | 0.1151 | 1.0355 | 0.5817 | 1.6172 | 1.4812 | |
| Total distributions in the period | | | | | 1.6172 | 1.4812 | |

Group 2: units purchased during a distribution period

Threadneedle Global Equity & Bond Fund

Notes to the financial statements

for the accounting period 16 May 2012 to 15 May 2013

1 ACCOUNTING POLICIES

(a) 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 ("UKGAAP"), 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.

(b) Recognition of revenue

Revenue is included in the Statement of Total Return on the following bases:

Dividends and distributions from collective investment schemes are recognised when the security is quoted ex-dividend.

Equalisation on distributions received is treated as a repayment of capital and deducted from the cost of the investment. Interest on bank and short-term deposits is recognised on an earned basis.

(c) Treatment of 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.

Fee rebates

In addition to any direct charge for registration and management fees within the trust, there would occur, in the absence of a rebate mechanism, an indirect charge for registration and management fees in respect of investments in other Threadneedle funds. Any such target funds themselves bear registration and management fees, which reduces the values of those funds from what they otherwise would be. The rebate mechanism operates to ensure that investors in the trust bear only the registration and management fees validly applicable to them.

The registration fee rebates of £254,954 (2012: £277,973) and the management fee rebates of £97,253 (2012: £83,960) are netted off against the registration and management fee expenses within the accounts.

(d) Allocation of revenue and expenses to multiple unit classes

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

Annual management charges and registration charges are specific to each unit class.

(e) Distribution policy

Revenue attributable to accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of revenue. All remaining revenue is distributed in accordance with the Collective Investment Schemes sourcebook.

Equalisation on distributions received is treated as a repayment of capital and deducted from the cost of the investment.

Where distributions are unclaimed for a period of six years these are brought back into the trust as capital.

(f) Deferred tax

Deferred taxation liabilities are provided for in full, and deferred tax assets are recognised to the extent that they are considered recoverable, in respect of all items for which recognition falls in different accounting periods for accounting and taxation purposes.

(g) Basis of valuation of investments

The investments of the trust are valued using the single price at 12 noon, being the valuation point on the last working day of the accounting period. The single price may include an adjustment to cover dealing costs in the underlying funds.

(h) Exchange rates

Assets and liabilities expressed in foreign currencies are translated into Sterling at the exchange rates ruling at 12 noon, being the valuation point on the last working day of the accounting period. Transactions denominated in foreign currency are translated into Sterling at the exchange rates ruling at the date of the transaction.

2 NET CAPITAL GAINS/(LOSSES)

Net capital gains/(losses) during the period comprise:

| | 2013 £000 | 2012 £000 |
|----------------------------|--------------|--------------|
| Non-derivative securities | 121,481 | (47,281) |
| Other gains/(losses) | 4 | (1) |
| Transaction costs | (3) | (5) |
| Net capital gains/(losses) | 121,482 | (47,287) |

3 REVENUE

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Franked dividend distributions | 5,464 | 5,142 |
| Unfranked dividend distributions | – | 13 |
| Interest distributions | 4,496 | 4,334 |
| Interest on short term investments | 14 | – |
| Bank interest | 11 | 31 |
| Registration fee rebate on collective investment scheme holdings | 31 | 39 |
| Total revenue | 10,016 | 9,559 |

4 EXPENSES

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Payable to the Manager or associates of the Manager and the agents of either of them: | | |
| Annual management charge | (791) | (805) |
| | (791) | (805) |
| Payable to the trustee or associate of the trustee and the agents of either of them: | | |
| Trustee's fees | (24) | (23) |
| Safe custody fees | (3) | (3) |
| | (27) | (26) |
| Other expenses: | | |
| Audit fee | (8) | (8) |
| | (8) | (8) |
| *Total expenses | (826) | (839) |

*Including irrecoverable VAT where applicable.

5 TAXATION

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| a) Analysis of charge in period | | |
| Corporation tax | (745) | (716) |
| Total current tax (note 5b) | (745) | (716) |
| Deferred tax – origination and reversal of timing difference (note 5c) | – | 1 |
| Total tax charge for the period | (745) | (715) |
| b) Factors affecting taxation charge for period | | |
| Net revenue before taxation | 9,189 | 8,717 |
| Net revenue before taxation multiplied by the standard rate of corporation tax of 20% | (1,838) | (1,743) |
| Effects of: | | |
| Revenue not subject to taxation | 1,093 | 1,028 |
| Revenue taxable in other periods | – | (1) |
| Current tax charge for the period (note 5a) | (745) | (716) |
| c) Deferred tax | | |
| Provision at start of period | – | (1) |
| Deferred tax charge in statement of total return for period (note 5a) | – | 1 |
| Provision at end of period | – | – |

Threadneedle Global Equity & Bond Fund

Notes to the financial statements

(continued)

6 FINANCE COSTS

Distributions and Interest

The distribution takes account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprises:

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Final | 8,286 | 7,912 |
| Add: Revenue deducted on cancellation of units | 259 | 175 |
| Deduct: Revenue received on creation of units | (101) | (85) |
| Net distribution for the period | 8,444 | 8,002 |
| Interest | 1 | 3 |
| Total finance costs | 8,445 | 8,005 |

Details of the distribution per unit are set out in the table on page 12.

7 DEBTORS

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Amounts receivable for the issue of units | 54 | 202 |
| Accrued revenue | 748 | 561 |
| United Kingdom income tax recoverable | 86 | 153 |
| Total debtors | 888 | 916 |

8 CREDITORS

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Amounts payable for the cancellation of units | (1,374) | (1,249) |
| Accrued expenses | (9) | (10) |
| Amounts payable to the Manager | (65) | (66) |
| Corporation tax payable | (439) | (448) |
| Total creditors | (1,887) | (1,773) |

9 UNITHOLDER FUNDS

The underlying funds suffer a management fee in the range of 0.5% – 1.5%. Global Equity & Bond Fund currently has two unit classes; Class A and Class B units. The charges on each unit class are as follows:

Annual management charge

| | |
|---------------|-------|
| Class A units | 0.25% |
| Class B units | – |

Registration fees

| | |
|---------------|----------------------|
| Class A units | £7.50 per unitholder |
| Class B units | 0.020% |

The net asset value of each unit class, the net asset value per unit, and the number of units in each class are given in the comparative table on page 45. The distribution per unit class is given in the distribution table on page 12. Both classes have the same rights on winding up.

10 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, a related party, acts as principal in respect of all transactions of units in the trust. The aggregated monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Any amounts due to or from Threadneedle Investment Services Limited in respect of unit transactions at the end of the accounting period are disclosed in Notes 7 and 8.

Amounts payable to and receivable from Threadneedle Investment Services Limited in respect of fund management and registration services are disclosed in Notes 7 and 8. A balance of £64,725 (2012: £66,148), in respect of annual management service charge and £14,756 (2012: £14,225) in respect of registration fees is respectively payable and receivable at the end of the accounting period.

Amounts payable to J.P. Morgan Trustee and Depositary Company Limited, a related party, in respect of trustee services and safe custody charges are disclosed in Note 8. A balance of £1,973 (2012: £2,033), in respect of trustee services and £668 (2012: £622) in respect of safe custody are due at the end of the accounting period.

The trust receives and pays interest on deposits held with J.P. Morgan Trustee and Depositary Company as disclosed in Notes 3 and 6. A balance of £96 (2012: £207) is receivable at the end of the accounting period. Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The trust invests in a number of funds managed by Threadneedle, all transactions in respect of which are transacted with Threadneedle Investment Services Limited. Details of the investments are shown in the Portfolio Statement and gains and losses in the period are disclosed in Note 2. Details of revenue received from the subfunds are shown in Note 3 and amounts receivable at the end of the accounting period in Note 7. Details of purchases and sales of the sub-funds are shown in Note 13 and any amounts receivable and payable in Notes 7 and 8.

The Manager, or associate of the Manager acted as principal in all investment transactions.

11 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing its investment objectives set out on page 11, the Threadneedle Global Equity & Bond Fund may hold the following financial instruments:

- Funds of the Threadneedle Investment Funds ICVC, Threadneedle Specialist Investment Funds ICVC, Threadneedle Focus Investment Funds ICVC (of which a maximum of 20% of the value of the property of the trust may be invested in any one fund within this range of investment funds) and Threadneedle (Lux) Funds;
- Cash, liquid resources and short term debtors and creditors that arise directly from its operations;
- Unitholders' funds which represent investors monies which are invested on their behalf;
- Borrowing used to finance investment activity; and
- Derivative transactions to manage the currency and market risks arising from the trust's investment activities.

Throughout the period under review, it has been the policy of the trust to buy and sell financial instruments for the purpose of investment rather than trading.

The main risks arising from the trust's financial instruments are market price, liquidity, credit, interest rate and foreign currency risk. The policies for managing each of these risks are reviewed regularly and agreed with the Trustee of the trust and they are summarised below. These policies have remained unchanged since the beginning of the period to which these financial statements relate and are consistently applied throughout the period under review. The same policies also applied throughout the year ending 15 May 2012.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the trust 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 trust is exposed to market risk by virtue of their investments in Collective Investment Schemes.

The Manager 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.

Liquidity risk

Liquidity risk is the risk that the trust cannot raise sufficient cash to meet its liabilities when due.

The main liability of the trust is the cancellation of units that the investors wish to sell.

The trust's assets comprise mainly realisable securities which can readily be sold.

Threadneedle Global Equity & Bond Fund

Notes to the financial statements

(continued)

Under normal circumstances, the trust 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 trust, the trust 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 units. The Manager manages the trust's cash to ensure it can meet its liabilities. The Manager receives daily reports of issues and cancellations enabling the Manager to raise cash from the trust's portfolio in order to meet cancellation requests. In addition the Manager monitors market liquidity of all securities, seeking to ensure the trust maintains sufficient liquidity to meet known and potential redemption activity. Trust cash balances are monitored daily by the Manager and Administrator. Where investments cannot be realised in time to meet any potential liability, the trust may borrow up to 10% of its value to ensure settlements. All of the trust's financial liabilities are payable on demand or in less than one year.

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

Credit 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 trust may not receive back the principally originally invested. Thirdly there is the counterparty risk that the counterparty will not deliver the investment for a purchase or cash for a sale after the trust has fulfilled its responsibilities, which could result in the trust suffering a loss.

In order to manage credit risk the trust and underlying investments 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 underlying funds only buy and sell investments through brokers which have been approved by the Manager 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.

Interest rate risk

Interest rate risk is the risk that the value of the trusts' investments will fluctuate as a result of changes in interest rates.

The trust has holdings in other funds with significant interest rate exposure.

Thus any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Manager 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 trust 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.

Foreign currency risk

Foreign currency risk is the risk that the value of the trust's investments will fluctuate as a result of changes in foreign currency exchange rates.

The capital values of the trust's underlying investments can be affected by currency translation movements where the assets are denominated in currencies other than sterling, which is the trust's principal currency.

Two principal areas where foreign currency risk could impact the trust are:

- Where movements in rates affect the value of the underlying investments; the trust may hedge the initial investment;
- Where movements in rates affect the revenue received from the underlying investments; the trust does not hedge or otherwise seek to avoid rate movement risk on revenue accrued but not received.

There is no direct foreign currency exposure within the trust at the balance sheet date. However, a large proportion of the trust's underlying investments have significant currency exposure since their assets are denominated in currencies other than sterling, with the effect that their balance sheets and total returns can be affected by currency movements. Investee fund's significant exposure to non-sterling currencies, based on their most recent published financial statements are as follows:

- The principal exposure of Threadneedle (Lux) – American Absolute Alpha Fund, Threadneedle American Fund and Threadneedle Emerging Market Bond Fund is to the US Dollar.
- The principal exposures of Threadneedle Asia Fund are to the Australian Dollar, Hong Kong Dollar and South Korean Won.
- The principal exposures of Threadneedle China Opportunities Fund are to the Hong Kong Dollar and US Dollar and Swiss Franc.
- The principal exposures of Threadneedle European Fund and Threadneedle Pan European Accelerando Fund are to the Euro and Swiss Franc.
- The principal exposure of Threadneedle Credit Opportunities Fund, Threadneedle European Smaller Companies Fund, Threadneedle European Bond Fund, Threadneedle European Corporate Bond Fund and Threadneedle Pan European Smaller Companies Fund is to the Euro.
- The principal exposures of Threadneedle Global Emerging Markets Equity Fund are to the Hong Kong Dollar, South Korean Won and US Dollar.
- The principal exposures of Threadneedle Global Equity Income Fund are to the Euro and US Dollar.
- The principal exposures of Threadneedle Global Extended Alpha Fund are to the Japanese Yen and US Dollar.
- The principal exposure of Threadneedle Japan Fund is to the Japanese Yen.
- The principal exposures of Threadneedle Latin America Fund are to the Brazilian Real, Mexican Peso and US Dollar.
- The principal exposures of Threadneedle Emerging Market Local Fund are to the Brazilian Real, Mexican Peso and Turkish Lira.
- The principal exposures of Threadneedle Global Bond Fund are to the Euro, Japanese Yen and US Dollar.

Fair value of financial assets and financial liabilities

All of the financial assets of the trust are valued using the single price, which is deemed to be fair value.

The primary financial liability is the trust's liability to redeem units issued to finance its operations. These are held at book value and the difference from fair value is deemed to be immaterial.

12 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities and commitments outstanding (2012: Nil).

13 PORTFOLIO TRANSACTION COSTS

The purchases and sales are not subject to portfolio transaction costs. The total cost of purchases during the period was £79,244,028 (2012: £95,963,984) and proceeds received from sales were £101,793,397 (2012: £94,470,376).

Threadneedle Global Equity & Bond Fund

Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme

The Collective Investment Schemes Sourcebook (COLL), as issued (and amended) by the Financial Conduct Authority's (formerly Financial Services Authority (FSA)), require the Manager 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 Scheme and of its net revenue and the net gains or losses on the property of the Scheme for the period. In preparing the financial statements the Manager 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 Trust will continue in operation for the foreseeable future.

The Manager is required to keep proper accounting records and to manage the Trust in accordance with the Collective Investment Schemes Sourcebook, the Trust Deed and the Scheme Particulars. The Manager is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Trustee's Responsibilities and Report of the Trustee to the Unitholders of the Threadneedle Global Equity & Bond Fund

The Trustee is responsible for the safekeeping of all of the property of the Scheme (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 Trustee to take reasonable care to ensure that the Scheme is managed by the Authorised Fund Manager in accordance with the Financial Conduct Authority's (formerly Financial Services Authority's) Collective Investment Schemes Sourcebook ("the COLL Sourcebook") and the Scheme's Trust Deed and Prospectus, as appropriate, in relation to the pricing of, and dealings in, units in the Scheme; the application of revenue of the Scheme; and the investment and borrowing powers of the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Authorised Fund Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's revenue in accordance with the COLL Sourcebook and, where applicable, the Scheme's Trust Deed and Prospectus; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

Bournemouth
26 June 2013

J.P. Morgan Trustee
and Depositary Company Limited
Trustee

Threadneedle Global Equity & Bond Fund

Independent Auditors' Report to the unitholders of Threadneedle Global Equity & Bond Fund

We have audited the financial statements of Threadneedle Global Equity & Bond Fund (the "Trust") for the year ended 15 May 2013 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, the related notes and the distribution tables. 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) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of Authorised Fund Manager and auditors

As explained more fully in the Authorised Fund Manager's Responsibilities Statement the Authorised Fund Manager 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.

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Manager's Report to identify material inconsistencies with the audited financial statements. 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 Trust at 15 May 2013 and of the net revenue and the net capital gains of the scheme property of the Trust for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Trust have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

London
26 June 2013

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors

The financial statements are published at threadneedle.com, which is a website maintained by Threadneedle Investment Services limited. The maintenance and integrity of the Threadneedle Investment Services Limited's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Threadneedle Global Equity & Bond Fund

Portfolio Statement

as at 15 May 2013

| Holding | Investment | Value £000 | % of Net Asset Value | Holding | Investment | Value £000 | % of Net Asset Value |
|---|---|----------------|----------------------------|--|---|----------------|----------------------------|
| COLLECTIVE INVESTMENT SCHEMES 100.03% (99.71%) | | | | Overseas bond 5.13% (5.77%) | | | |
| UK equity 35.13% (32.61%) | | | | 2,170,811 | Threadneedle Credit Opportunities Fund | 2,725 | 0.39 |
| 11,544,197 | Threadneedle UK Absolute Alpha Fund | 13,803 | 1.99 | 3,602,256 | Threadneedle Emerging Market Bond Fund | 4,077 | 0.59 |
| 36,023,631 | Threadneedle UK Equity Alpha Income Fund | 21,956 | 3.17 | 7,040,009 | Threadneedle Emerging Market Local Fund | 12,607 | 1.82 |
| 32,322,895 | Threadneedle UK Equity Income Fund | 26,169 | 3.77 | 4,317,251 | Threadneedle European Bond Fund | 5,587 | 0.80 |
| 83,688,199 | Threadneedle UK Fund | 90,199 | 13.00 | 4,391,871 | Threadneedle European Corporate Bond Fund | 4,134 | 0.60 |
| 30,058,155 | Threadneedle UK Growth & Income Fund | 23,271 | 3.36 | 7,924,891 | Threadneedle Global Bond Fund | 6,457 | 0.93 |
| 52,733,717 | Threadneedle UK Select Fund | 52,191 | 7.52 | Total overseas bond | | 35,587 | 5.13 |
| 9,680,786 | Threadneedle UK Smaller Companies Fund | 16,101 | 2.32 | Total collective investment schemes | | 693,791 | 100.03 |
| Total UK equity | | 243,690 | 35.13 | Total value of investments | | 693,791 | 100.03 |
| UK bond 20.60% (22.84%) | | | | Net other (liabilities)/assets (0.29%) | | (199) | (0.03) |
| 32,851,942 | Threadneedle Absolute Return Bond Fund | 21,610 | 3.12 | Net assets | | 693,592 | 100.00 |
| 15,560,396 | Threadneedle High Yield Bond Fund | 6,935 | 1.00 | <i>The calculation of the % Net Asset Value may not sum to 100% due to rounding.</i> | | | |
| 19,040,996 | Threadneedle Sterling Bond Fund | 9,979 | 1.44 | <i>May 2012 comparatives in brackets.</i> | | | |
| 48,506,336 | Threadneedle Sterling Fund | 48,429 | 6.98 | | | | |
| 23,693,365 | Threadneedle Strategic Bond Fund | 11,690 | 1.69 | | | | |
| 46,817,098 | Threadneedle UK Corporate Bond Fund | 44,214 | 6.37 | | | | |
| Total UK bond | | 142,857 | 20.60 | | | | |
| Overseas equity 39.17% (38.49%) | | | | | | | |
| 248,862 | Threadneedle (Lux) – American Absolute Alpha Fund | 4,068 | 0.59 | | | | |
| 58,772,891 | Threadneedle American Fund | 86,667 | 12.50 | | | | |
| 21,647,852 | Threadneedle Asia Fund | 30,967 | 4.46 | | | | |
| 1,792,373 | Threadneedle China Opportunities Fund | 3,273 | 0.47 | | | | |
| 27,057,388 | Threadneedle European Fund | 43,246 | 6.24 | | | | |
| 3,427,304 | Threadneedle European Smaller Companies Fund | 15,614 | 2.25 | | | | |
| 12,897,721 | Threadneedle Global Emerging Markets Equity Fund | 12,148 | 1.75 | | | | |
| 12,902,334 | Threadneedle Global Equity Income Fund | 14,984 | 2.16 | | | | |
| 3,134,437 | Threadneedle Global Extended Alpha Fund | 5,274 | 0.76 | | | | |
| 50,805,121 | Threadneedle Japan Fund | 21,856 | 3.15 | | | | |
| 3,961,662 | Threadneedle Latin America Fund | 12,003 | 1.73 | | | | |
| 6,434,964 | Threadneedle Pan European Accelerando Fund | 11,780 | 1.70 | | | | |
| 6,898,282 | Threadneedle Pan European Smaller Companies Fund | 9,777 | 1.41 | | | | |
| Total overseas equity | | 271,657 | 39.17 | | | | |

Threadneedle Equity & Bond Fund

Manager's Report

Investment Objective and Policy

The trust's investment objective and investment policy is to provide a return by way of capital growth and income from defensively managed investment in regulated collective investment schemes operated, managed or advised by Threadneedle Investment Services Limited (or any company within the Group of which it is a member).

The trust may invest internationally and will invest primarily in collective investment schemes that invest in equities, fixed interest securities, cash or near cash. With effect from 1 October 2011 the trust may also invest in collective investment schemes that do not restrict their use of derivatives to efficient portfolio management up to a maximum amount of no more than 20% of the value of the Scheme Property. Further the trust may also invest directly in cash, near cash and/or money market instruments.

The trust will always invest so as to be eligible as an ISA investment.

Review

This report covers the period from 16 May 2012 to 15 May 2013.

Fund Performance

During the period under review the offer price of Class A units rose by 16.97% from 104.90p to 122.70p.

During the period under review the offer price of Class B units rose by 17.25% from 102.60p to 120.30p.

Looking at performance within its peer group (the IMA – Mixed Investment 20-60% Shares Sector), the total return on the trust for the twelve months ending 30 April 2013, including net reinvested income, is 12.72% as compared to a sector median return of 12.39% over the same period. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

Fully updated peer group information is only available from Morningstar at month-end points.

In view of the nature of the fund and its investment remit, there is no directly comparable market index.

Portfolio Activity

Following a volatile start to the review year as the eurozone sovereign debt crisis deepened and concerns grew that the global recovery was losing momentum, equities rallied sharply during the third quarter of 2012. The gains were driven by unprecedented levels of central bank support, with the European Central Bank (ECB) announcing the Outright Monetary Transactions (OMT) programme aimed at capping bailout recipients' borrowing costs through massive government bond purchases.

Meanwhile, despite some more encouraging US economic data, the US Federal Reserve (Fed) launched a third round of quantitative easing (QE3), pledging to spend \$85 billion a month buying mortgage-backed and Treasury bonds until the jobs market showed a sustained improvement. Though data suggested that China's year-long economic slowdown had bottomed-out while the UK, boosted by the Olympics, finally emerged from recession, unease over the looming US 'fiscal cliff' tax rises and spending cuts, and concerns over the eurozone's economic malaise, saw world markets end 2012 on a softer note.

However, global equities rallied strongly during the first quarter of 2013, cheered by a partial resolution of the US fiscal cliff, reassuring US economic news and broadly-encouraging corporate earnings. However, eurozone tensions rose in the aftermath of the inconclusive Italian election result and the bailout of Cyprus that involved significant contributions from larger bank depositors. Although signs emerged that economic activity in China was losing some vigour and the eurozone economic malaise was deepening, stock markets extended their gains as investors anticipated further central bank support should the global economic recovery falter. Meanwhile, the recently-elected Japanese administration embarked on a massive stimulus programme in an effort to fend off deflation and muster growth in the flat-lining Japanese economy.

During bouts of risk aversion, investors were drawn to the perceived safety of core government bond markets, with yields falling to historic lows ahead of the ECB's third quarter OMT announcement. Meanwhile, investors with a less risk-averse profile were attracted to the higher yields available on corporate bonds, which performed strongly over the reporting year. In particular, high yield bonds significantly outperformed core government bond markets during the review year, reflecting investors' preference for yield as central bank support, and investors' anticipation of future measures should the recovery falter, boosted the wider appetite for risk.

While we reduced exposure to European equities early in the review year amid concerns over the ongoing sovereign debt crisis, following the ECB's subsequent support measures we raised exposure to European stocks (including European smaller companies) given the significant effects of the intervention. Towards the end of 2012 we lowered exposure to US equities amid growing concerns over the potential impact of the looming fiscal cliff. Given the importance of income as a component of total return in an uncertain investment environment, we introduced new holdings in both the Threadneedle UK Growth & Income Fund and the Threadneedle Global Equity Income Fund. Within the fixed income portfolio, we raised exposure to UK corporate bonds, reflecting the fact that UK corporate balance sheets remain in better health than those of sovereign issuers.

In January, we added exposure to US equities through purchases of the Threadneedle American Fund as worries over the fiscal cliff abated, subsequently adding significant exposure to the Threadneedle (Lux) – American Absolute Alpha Fund as we sought to capture positive returns throughout the full range of market conditions. We lowered our holdings in UK smaller companies, switching exposure into the Threadneedle UK Growth & Income Fund. Towards the end of the review year, within the fixed income portfolio we increased our investment in absolute return funds. We also added exposure to funds offering attractive potential returns in return for higher risk, such as the Threadneedle Emerging Markets Local Fund and the Threadneedle High Yield Fund, exposure funded from sales of the Threadneedle Target Return Fund.

In terms of our positioning, we hold relatively large weighting in UK equities and we hold a generally positive view over the prospects for Far East ex Japan equities. We remain on balance cautious on Europe ex UK equities, although we have become more optimistic on the outlook for Japan following the reflation package. We hold significant exposure to absolute return funds. In fixed income we favour a slight bias to UK corporate bonds in preference to overseas issues relative to the benchmark.

Although the global economic outlook has broadly improved over the last six months, we believe that the developed world in particular faces major challenges, both political and economic. The outcome of the Italian election and the Cypriot bailout highlight the difficulties facing the eurozone, while significant challenges remain for US politicians to make the tough decisions necessary to improve the fiscal situation. On a more positive note, US and, to a lesser extent more recently, Chinese economic data continue to improve while Japan is implementing significant measures to reawaken its economy from a decades-long slumber. Central banks around the world appear committed to maintaining extremely loose monetary policies, while stocks also offer good value despite the recent rally. Thus, while markets may experience volatility in the short term, we hold a positive view of longer-term prospects for equities. However, with policymakers worldwide struggling to facilitate a sustainable growth environment, we expect government bond markets to remain volatile in 2013. We remain more positive about the prospects for corporate bonds, as the ongoing search for income forces investors to take some credit risk.

Pages 45 to 50 at the back of these Annual Reports and Accounts form part of the Manager's Report.

Directors' Statement

In accordance with the requirements of the Financial Conduct Authority's (formerly Financial Services Authority's) Collective Investment Schemes (COLL) Sourcebook, we hereby certify the Annual Reports & Accounts on behalf of the Directors of Threadneedle Investment Services Limited.

26 June 2013

P J W Reed
N J Ring

Threadneedle Equity & Bond Fund

STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2012 to 15 May 2013

| | Notes | 2013 £000 | 2012 £000 |
|--|-------|--------------|--------------|
| Income | | | |
| Net capital gains/(losses) | 2 | 130,640 | (42,810) |
| Revenue | 3 | 22,612 | 22,171 |
| Expenses | 4 | (1,218) | (1,177) |
| Finance costs: Interest | 6 | (4) | (11) |
| Net revenue before taxation | | 21,390 | 20,983 |
| Taxation | 5 | (2,385) | (2,344) |
| Net revenue after taxation | | 19,005 | 18,639 |
| Total return before distributions | | 149,645 | (24,171) |
| Finance costs: Distributions | 6 | (19,005) | (18,639) |
| Change in net assets attributable to unitholders from investment activities | | 130,640 | (42,810) |

BALANCE SHEET

as at 15 May 2013

| | Notes | 2013 £000 | 2012 £000 |
|---|-------|--------------|--------------|
| Assets | | | |
| Investment assets | | 1,022,083 | 856,227 |
| Other assets | | | |
| Debtors | 7 | 2,458 | 3,622 |
| Cash and bank balances | | 1,603 | 6,252 |
| Total other assets | | 4,061 | 9,874 |
| Total assets | | 1,026,144 | 866,101 |
| Liabilities | | | |
| Other liabilities | | | |
| Creditors | 8 | (3,914) | (3,112) |
| Total other liabilities | | (3,914) | (3,112) |
| Total liabilities | | (3,914) | (3,112) |
| Net assets attributable to unitholders | | 1,022,230 | 862,989 |

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2012 to 15 May 2013

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Opening net assets attributable to unitholders | 862,989 | 871,517 |
| Movement due to sales and repurchases of units: | | |
| Amounts receivable on the issue of units | 62,264 | 58,779 |
| Amounts payable on the cancellation of units | (52,549) | (43,064) |
| | 9,715 | 15,715 |
| Stamp duty reserve tax | (92) | (193) |
| Change in net assets attributable to unitholders from investment activities (see statement of total return above) | 130,640 | (42,810) |
| Retained distribution on accumulation units | 18,978 | 18,760 |
| Closing net assets attributable to unitholders | 1,022,230 | 862,989 |

DISTRIBUTION TABLE

for the accounting period 16 May 2012 to 15 May 2013

Dividend distribution in pence per unit

| Class A Units | | | | | | |
|--|---------------|------------|-------------|--------------|-----------------------------------|-----------------------------------|
| Net Accumulation Distribution Period | Gross Revenue | Tax Credit | Net Revenue | Equalisation | Net Revenue Accumulated 2012/2013 | Net Revenue Accumulated 2011/2012 |
| Group 1 | | | | | | |
| 16/05/12 to 15/05/13 | 2.3288 | 0.2329 | 2.0959 | – | 2.0959 | 2.1102 |
| Group 2 | | | | | | |
| 16/05/12 to 15/05/13 | 1.5733 | 0.1573 | 1.4160 | 0.6799 | 2.0959 | 2.1102 |
| Total distributions in the period | | | | | 2.0959 | 2.1102 |
| Class B Units | | | | | | |
| Net Accumulation Distribution Period | Gross Revenue | Tax Credit | Net Revenue | Equalisation | Net Revenue Accumulated 2012/2013 | Net Revenue Accumulated 2011/2012 |
| Group 1 | | | | | | |
| 16/05/12 to 15/05/13 | 2.6111 | 0.2611 | 2.3500 | – | 2.3500 | 2.3478 |
| Group 2 | | | | | | |
| 16/05/12 to 15/05/13 | 1.8047 | 0.1805 | 1.6242 | 0.7258 | 2.3500 | 2.3478 |
| Total distributions in the period | | | | | 2.3500 | 2.3478 |

Group 2: units purchased during a distribution period

Threadneedle Equity & Bond Fund

Notes to the financial statements

for the accounting period 16 May 2012 to 15 May 2013

1 ACCOUNTING POLICIES

(a) 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 ("UKGAAP"), 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.

(b) Recognition of revenue

Revenue is included in the Statement of Total Return on the following bases:

Dividends and distributions from collective investment schemes are recognised when the security is quoted ex-dividend.

Equalisation on distributions received is treated as a repayment of capital and deducted from the cost of the investment. Interest on bank and short-term deposits is recognised on an earned basis.

(c) Treatment of 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.

Fee rebates

In addition to any direct charge for registration and management fees within the trust, there would occur, in the absence of a rebate mechanism, an indirect charge for registration and management fees in respect of investments in other Threadneedle funds. Any such target funds themselves bear registration and management fees, which reduces the values of those funds from what they otherwise would be. The rebate mechanism operates to ensure that investors in the trust bear only the registration and management fees validly applicable to them.

The registration fee rebates of £253,734 (2012: £287,551) and the management fee rebates of £122,518 (2012: £124,891) are netted off against the registration and management fee expenses within the accounts.

(d) Allocation of revenue and expenses to multiple unit classes

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

Annual management charges and registration charges are specific to each unit class.

(e) Distribution policy

Revenue attributable to accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of revenue. All remaining revenue is distributed in accordance with the Collective Investment Schemes sourcebook.

Equalisation on distributions received is treated as a repayment of capital and deducted from the cost of the investment.

Where distributions are unclaimed for a period of six years these are brought back into the trust as capital.

(f) Deferred tax

Deferred taxation liabilities are provided for in full, and deferred tax assets are recognised to the extent that they are considered recoverable, in respect of all items for which recognition falls in different accounting periods for accounting and taxation purposes.

(g) Basis of valuation of investments

The investments of the trust are valued using the single price at 12 noon, being the valuation point on the last working day of the accounting period. The single price may include an adjustment to cover dealing costs in the underlying funds.

(h) Exchange rates

Assets and liabilities expressed in foreign currencies are translated into Sterling at the exchange rates ruling at 12 noon, being the valuation point on the last working day of the accounting period. Transactions denominated in foreign currency are translated into Sterling at the exchange rates ruling at the date of the transaction.

2 NET CAPITAL GAINS/(LOSSES)

Net capital gains/(losses) during the period comprise:

| | 2013 £000 | 2012 £000 |
|----------------------------|--------------|--------------|
| Non-derivative securities | 130,636 | (42,807) |
| Other gains | 6 | – |
| Transaction costs | (2) | (3) |
| Net capital gains/(losses) | 130,640 | (42,810) |

3 REVENUE

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Franked dividend distributions | 9,465 | 9,264 |
| Unfranked dividend distributions | – | 778 |
| Interest distributions | 13,022 | 11,976 |
| Interest on short term investments | 34 | – |
| Bank interest | 25 | 50 |
| Registration fee rebate on collective investment scheme holdings | 66 | 103 |
| Total revenue | 22,612 | 22,171 |

4 EXPENSES

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Payable to the Manager or associates of the Manager and the agents of either of them: | | |
| Annual management charge | (1,178) | (1,138) |
| | (1,178) | (1,138) |
| Payable to the trustee or associate of the trustee and the agents of either of them: | | |
| Trustee's fees | (27) | (27) |
| Safe custody fees | (5) | (4) |
| | (32) | (31) |
| Other expenses: | | |
| Audit fee | (8) | (8) |
| | (8) | (8) |
| *Total expenses | (1,218) | (1,177) |

*Including irrecoverable VAT where applicable.

5 TAXATION

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| a) Analysis of charge in period | | |
| Corporation tax | (2,385) | (2,361) |
| Total current tax (note 5b) | (2,385) | (2,361) |
| Deferred tax – origination and reversal of timing difference (note 5c) | – | 17 |
| Total tax charge for the period | (2,385) | (2,344) |
| b) Factors affecting taxation charge for period | | |
| Net revenue before taxation | 21,390 | 20,983 |
| Net revenue before taxation multiplied by the standard rate of corporation tax of 20% | (4,278) | (4,197) |
| Effects of: | | |
| Revenue not subject to taxation | 1,893 | 1,853 |
| Revenue taxable in other periods | – | (17) |
| Current tax charge for the period (note 5a) | (2,385) | (2,361) |
| c) Deferred tax | | |
| Provision at start of the period | – | (17) |
| Deferred tax charge in statement of total return for period (note 5a) | – | 17 |
| Provision at end of period | – | – |

Threadneedle Equity & Bond Fund

Notes to the financial statements

(continued)

6 FINANCE COSTS

Distributions and Interest

The distribution takes account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprises:

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Final | 18,978 | 18,760 |
| Add: Revenue deducted on cancellation of units | 442 | 327 |
| Deduct: Revenue received on creation of units | (415) | (448) |
| Net distribution for the period | 19,005 | 18,639 |
| Interest | 4 | 11 |
| Total finance costs | 19,009 | 18,650 |

Details of the distribution per unit are set out in the table on page 20.

7 DEBTORS

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Amounts receivable for the issue of units | 45 | 1,120 |
| Accrued revenue | 2,191 | 1,974 |
| United Kingdom income tax recoverable | 222 | 528 |
| Total debtors | 2,458 | 3,622 |

8 CREDITORS

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Amounts payable for the cancellation of units | (2,436) | (1,592) |
| Accrued expenses | (10) | (11) |
| Amounts payable to the Manager | (96) | (92) |
| Corporation tax payable | (1,372) | (1,417) |
| Total creditors | (3,914) | (3,112) |

9 UNITHOLDER FUNDS

The underlying funds suffer a management fee in the range of 0.5% – 1.5%. Equity & Bond Fund currently has two unit classes; Class A and Class B units. The charges on each unit class are as follows:

Annual management charge

| | |
|---------------|-------|
| Class A units | 0.25% |
| Class B units | – |

Registration fees

| | |
|---------------|----------------------|
| Class A units | £7.50 per unitholder |
| Class B units | 0.020% |

The net asset value of each unit class, the net asset value per unit, and the number of units in each class are given in the comparative table on page 45. The distribution per unit class is given in the distribution table on page 20. Both classes have the same rights on winding up.

10 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, a related party, acts as principal in respect of all transactions of units in the trust. The aggregated monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Any amounts due to or from Threadneedle Investment Services Limited in respect of unit transactions at the end of the accounting period are disclosed in Notes 7 and 8.

Amounts payable to and receivable from Threadneedle Investment Services Limited in respect of fund management and registration services are disclosed in Notes 7 and 8. A balance of £96,098 (2012: £91,667), in respect of annual management service charge and £16,777 (2012: £17,040) in respect of registration fees is respectively payable and receivable at the end of the accounting period.

Amounts payable to J.P. Morgan Trustee and Depositary Company Limited, a related party, in respect of trustee services and safe custody charges are disclosed in Note 8. A balance of £2,300 (2012: £2,309), in respect of trustee services and £992 (2012: £882) in respect of safe custody are due at the end of the accounting period.

The trust receives and pays interest on deposits held with J.P. Morgan Trustee and Depositary Company as disclosed in Notes 3 and 6. A balance of £283 (2012: £644) is receivable at the end of the accounting period. Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The trust invests in a number of funds managed by Threadneedle, all transactions in respect of which are transacted with Threadneedle Investment Services Limited. Details of the investments are shown in the Portfolio Statement and gains and losses in the period are disclosed in Note 2. Details of revenue received from the subfunds are shown in Note 3 and amounts receivable at the end of the accounting period in Note 7. Details of purchases and sales of the sub-funds are shown in Note 13 and any amounts receivable and payable in Notes 7 and 8.

The Manager, or associate of the Manager acted as principal in all investment transactions.

11 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing its investment objectives set out on page 19, the Threadneedle Equity & Bond Fund may hold the following financial instruments:

- Funds of the Threadneedle Investment Funds ICVC, Threadneedle Specialist Investment Funds ICVC, Threadneedle Focus Investment Funds ICVC (of which a maximum of 20% of the value of the property of the trust may be invested in any one fund within this range of investment funds) and Threadneedle (Lux) Funds;
- Cash, liquid resources and short term debtors and creditors that arise directly from its operations;
- Unitholders' funds which represent investors monies which are invested on their behalf;
- Borrowing used to finance investment activity; and
- Derivative transactions to manage the currency and market risks arising from the trust's investment activities.

Throughout the period under review, it has been the policy of the trust to buy and sell financial instruments for the purpose of investment rather than trading.

The main risks arising from the trust's financial instruments are market price, liquidity, credit, interest rate and foreign currency risk. The policies for managing each of these risks are reviewed regularly and agreed with the Trustee of the trust and they are summarised below. These policies have remained unchanged since the beginning of the period to which these financial statements relate and are consistently applied throughout the period under review. The same policies also applied throughout the year ending 15 May 2012.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the trust 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 trust is exposed to market risk by virtue of their investments in Collective Investment Schemes.

The Manager 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.

Liquidity risk

Liquidity risk is the risk that the trust cannot raise sufficient cash to meet its liabilities when due.

The main liability of the trust is the cancellation of units that the investors wish to sell.

The trust's assets comprise mainly realisable securities which can readily be sold.

Threadneedle Equity & Bond Fund

Notes to the financial statements

(continued)

Under normal circumstances, the trust 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 trust, the trust 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 units. The Manager manages the trust's cash to ensure it can meet its liabilities. The Manager receives daily reports of issues and cancellations enabling the Manager to raise cash from the trust's portfolio in order to meet cancellation requests. In addition the Manager monitors market liquidity of all securities, seeking to ensure the trust maintains sufficient liquidity to meet known and potential redemption activity. Trust cash balances are monitored daily by the Manager and Administrator. Where investments cannot be realised in time to meet any potential liability, the trust may borrow up to 10% of its value to ensure settlements. All of the trust's financial liabilities are payable on demand or in less than one year.

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

Credit 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 trust may not receive back the principally originally invested. Thirdly there is the counterparty risk that the counterparty will not deliver the investment for a purchase or cash for a sale after the trust has fulfilled its responsibilities, which could result in the trust suffering a loss.

In order to manage credit risk the trust and underlying investments 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 underlying funds only buy and sell investments through brokers which have been approved by the Manager 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.

Interest rate risk

Interest rate risk is the risk that the value of the trusts' investments will fluctuate as a result of changes in interest rates.

The trust has holdings in other funds with significant interest rate exposure.

Thus any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Manager 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 trust 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.

Foreign currency risk

Foreign currency risk is the risk that the value of the trust's investments will fluctuate as a result of changes in foreign currency exchange rates.

The capital values of the trust's underlying investments can be affected by currency translation movements where the assets are denominated in currencies other than sterling, which is the trust's principal currency.

Two principal areas where foreign currency risk could impact the trust are:

- Where movements in rates affect the value of the underlying investments; the trust may hedge the initial investment;
- Where movements in rates affect the revenue received from the underlying investments; the trust does not hedge or otherwise seek to avoid rate movement risk on revenue accrued but not received.

There is no direct foreign currency exposure within the trust at the balance sheet date. However, a large proportion of the trust's underlying investments have significant currency exposure since their assets are denominated in currencies other than sterling, with the effect that their balance sheets and total returns can be affected by currency movements. Investee fund's significant exposure to non-sterling currencies, based on their most recent published financial statements are as follows:

- The principal exposure of Threadneedle (Lux) – American Absolute Alpha Fund, Threadneedle American Fund, Threadneedle Global Select Fund and Threadneedle Emerging Market Bond Fund is to the US Dollar.
- The principal exposures of Threadneedle Asia Fund are to the Australian Dollar, Hong Kong Dollar and South Korean Won.
- The principal exposures of Threadneedle European Fund are to the Euro and Swiss Franc.
- The principal exposure of Threadneedle Credit Opportunities Fund, Threadneedle European Smaller Companies Fund, Threadneedle European Bond Fund and Threadneedle European Corporate Bond Fund is to the Euro.
- The principal exposures of Threadneedle Global Emerging Markets Equity Fund are to the Hong Kong Dollar, South Korean Won and US Dollar.
- The principal exposures of Threadneedle Global Equity Income Fund are to the Euro and US Dollar.
- The principal exposure of Threadneedle Japan Fund is to the Japanese Yen.
- The principal exposures of Threadneedle Latin America Fund are to the Brazilian Real, Mexican Peso and US Dollar.
- The principal exposures of Threadneedle Emerging Market Local Fund are to the Brazilian Real, Mexican Peso and Turkish Lira.
- The principal exposures of Threadneedle Global Bond Fund are to the Euro, Japanese Yen and US Dollar.

Fair value of financial assets and financial liabilities

All of the financial assets of the trust are valued using the single price, which is deemed to be fair value.

The primary financial liability is the trust's liability to redeem units issued to finance its operations. These are held at book value and the difference from fair value is deemed to be immaterial.

12 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities and commitments outstanding (2012: Nil).

13 PORTFOLIO TRANSACTION COSTS

The purchases and sales are not subject to portfolio transaction costs. The total cost of purchases during the period was £140,916,858 (2012: £162,423,850) and proceeds received from sales were £114,164,456 (2012: £132,096,308).

Threadneedle Equity & Bond Fund

Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme

The Collective Investment Schemes Sourcebook (COLL), as issued (and amended) by the Financial Conduct Authority's (formerly Financial Services Authority (FSA)), require the Manager 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 Scheme and of its net revenue and the net gains or losses on the property of the Scheme for the period. In preparing the financial statements the Manager 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 Trust will continue in operation for the foreseeable future.

The Manager is required to keep proper accounting records and to manage the Trust in accordance with the Collective Investment Schemes Sourcebook, the Trust Deed and the Scheme Particulars. The Manager is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Trustee's Responsibilities and Report of the Trustee to the Unitholders of the Threadneedle Equity & Bond Fund

The Trustee is responsible for the safekeeping of all of the property of the Scheme (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 Trustee to take reasonable care to ensure that the Scheme is managed by the Authorised Fund Manager in accordance with the Financial Conduct Authority's (formerly Financial Services Authority's) Collective Investment Schemes Sourcebook ("the COLL Sourcebook") and the Scheme's Trust Deed and Prospectus, as appropriate, in relation to the pricing of, and dealings in, units in the Scheme; the application of revenue of the Scheme; and the investment and borrowing powers of the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Authorised Fund Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's revenue in accordance with the COLL Sourcebook and, where applicable, the Scheme's Trust Deed and Prospectus; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

Bournemouth
26 June 2013

J.P. Morgan Trustee
and Depositary Company Limited
Trustee

Threadneedle Equity & Bond Fund

Independent Auditors' Report to the unitholders of Threadneedle Equity & Bond Fund

We have audited the financial statements of Threadneedle Equity & Bond Fund (the "Trust") for the year ended 15 May 2013 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, the related notes and the distribution tables. 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) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of Authorised Fund Manager and auditors

As explained more fully in the Authorised Fund Manager's Responsibilities Statement the Authorised Fund Manager 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.

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Manager's Report to identify material inconsistencies with the audited financial statements. 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 Trust at 15 May 2013 and of the net revenue and the net capital gains of the scheme property of the Trust for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Trust have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

London
26 June 2013

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors

The financial statements are published at threadneedle.com, which is a website maintained by Threadneedle Investment Services limited. The maintenance and integrity of the Threadneedle Investment Services Limited's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Threadneedle Equity & Bond Fund

Portfolio Statement

as at 15 May 2013

| Holding | Investment | Value £000 | % of Net Asset Value | Holding | Investment | Value £000 | % of Net Asset Value |
|--|---|---------------|----------------------------|--|---|------------------|----------------------------|
| COLLECTIVE INVESTMENT SCHEMES 99.99% (99.22%) | | | | Overseas bond 14.77% (17.46%) | | | |
| UK equity 25.89% (24.85%) | | | | 6,344,100 | Threadneedle Credit Opportunities Fund | 7,964 | 0.78 |
| 68,184,809 | Threadneedle Monthly Extra Income Fund | 47,293 | 4.63 | 5,939,882 | Threadneedle Emerging Market Bond Fund | 6,722 | 0.66 |
| 17,017,327 | Threadneedle UK Absolute Alpha Fund | 20,348 | 1.99 | 11,087,237 | Threadneedle Emerging Market Local Fund | 19,854 | 1.94 |
| 101,051,041 | Threadneedle UK Equity Alpha Income Fund | 61,591 | 6.02 | 15,356,752 | Threadneedle European Bond Fund | 19,875 | 1.94 |
| 61,840,610 | Threadneedle UK Equity Income Fund | 50,066 | 4.90 | 13,088,549 | Threadneedle European Corporate Bond Fund | 12,319 | 1.20 |
| 32,772,899 | Threadneedle UK Fund | 35,323 | 3.46 | 103,457,561 | Threadneedle Global Bond Fund | 84,297 | 8.25 |
| 41,828,382 | Threadneedle UK Growth & Income Fund | 32,383 | 3.17 | Total overseas bond | | 151,031 | 14.77 |
| 4,121,016 | Threadneedle UK Mid 250 Fund | 6,946 | 0.68 | Total collective investment schemes | | 1,022,083 | 99.99 |
| 6,408,607 | Threadneedle UK Smaller Companies Fund | 10,659 | 1.04 | Total value of investments | | 1,022,083 | 99.99 |
| Total UK equity | | | | Net other assets (0.78%) | | 147 | 0.01 |
| UK bond 34.16% (35.65%) | | | | Net assets | | 1,022,230 | 100.00 |
| 59,446,323 | Threadneedle Absolute Return Bond Fund | 39,104 | 3.83 | <i>The calculation of the % Net Asset Value may not sum to 100% due to rounding.</i> | | | |
| 33,333,014 | Threadneedle High Yield Bond Fund | 14,856 | 1.45 | <i>May 2012 comparatives in brackets.</i> | | | |
| 37,141,186 | Threadneedle Sterling Bond Fund | 19,466 | 1.90 | | | | |
| 92,498,884 | Threadneedle Sterling Fund | 92,351 | 9.04 | | | | |
| 37,609,283 | Threadneedle Strategic Bond Fund | 18,556 | 1.82 | | | | |
| 174,519,662 | Threadneedle UK Corporate Bond Fund | 164,816 | 16.12 | | | | |
| Total UK bond | | | | | | | |
| 349,149 | | | | | | | |
| 34.16 | | | | | | | |
| Overseas equity 25.17% (21.26%) | | | | | | | |
| 372,702 | Threadneedle (Lux) – American Absolute Alpha Fund | 6,092 | 0.60 | | | | |
| 26,826,051 | Threadneedle American Fund | 39,558 | 3.87 | | | | |
| 20,600,383 | Threadneedle Asia Fund | 29,469 | 2.88 | | | | |
| 27,941,058 | Threadneedle European Fund | 44,658 | 4.37 | | | | |
| 1,251,065 | Threadneedle European Smaller Companies Fund | 5,699 | 0.56 | | | | |
| 12,849,948 | Threadneedle Global Emerging Markets Equity Fund | 12,103 | 1.18 | | | | |
| 41,528,159 | Threadneedle Global Equity Income Fund | 48,227 | 4.72 | | | | |
| 34,828,315 | Threadneedle Global Select Fund | 43,372 | 4.24 | | | | |
| 37,455,096 | Threadneedle Japan Fund | 16,113 | 1.58 | | | | |
| 3,961,553 | Threadneedle Latin America Fund | 12,003 | 1.17 | | | | |
| Total overseas equity | | | | | | | |
| 257,294 | | | | | | | |
| 25.17 | | | | | | | |

Threadneedle Defensive Equity & Bond Fund

Manager's Report

Investment Objective and Policy

The trust's investment objective and investment policy is to provide a return by way of capital growth and income from a defensively managed investment in regulated collective investment schemes operated, managed or advised by Threadneedle Investment Services Limited (or any company within the Group of which it is a member).

The trust may invest internationally and will invest primarily in collective investment schemes that invest in (i) fixed interest securities and/or (ii) equities of companies that are domiciled in the UK or have significant UK operations. With effect from 1 October 2011 the trust may also invest in collective investment schemes that do not restrict their use of derivatives to efficient portfolio management up to a maximum amount of no more than 20% of the value of the Scheme Property. Further the trust may also invest directly in cash, near cash and/or money market instruments.

The trust will always invest so as to be eligible as an ISA investment.

Review

This report covers the period from 16 May 2012 to 15 May 2013.

Fund Performance

During the period under review the offer price of Class A units rose by 11.95% from 86.21p to 96.51p.

During the period under review the offer price of Class B units rose by 12.17% from 84.37p to 94.64p.

The total return on the trust for the twelve months ending 30 April 2013, including net reinvested income, is 9.39%. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

Over the same period the sector median return of the peer group (IMA – Mixed Investment 0-35% Shares Sector) was 10.50%. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

Fully updated peer group information is only available from Morningstar at month-end points.

In view of the nature of the fund and its investment remit, there is no directly comparable market index.

Portfolio Activity

Following a period of risk aversion amid concerns over faltering global economic growth and the deepening eurozone sovereign debt crisis, risk-based assets, such as equities and corporate bonds, rallied sharply over the last 12 months. The gains were driven by unprecedented measures from global central banks, with the European Central Bank's (ECB's) bond-buying Outright Monetary Transactions (OMT) plan announcement followed by an expansion of the US Federal Reserve's QE programme through which the central bank committed to massive ongoing purchases of mortgage-backed debt. Investors' appetite for risk was spurred still further by signs that the Chinese economy had averted a hard landing, while the newly-elected Japanese government acted on its commitment for massive stimulus in an effort to purge deflation and promote growth. The rally in risk-based assets continued into 2013, albeit with brief setbacks on the inconclusive Italian election result and the depositor contribution model set by the EU/IMF's bailout of Cyprus. Towards the end of the review year, safe-haven assets attracted sporadic buying from risk-averse investors concerned by the deepening eurozone recession and signs that the Chinese economic recovery could be losing momentum.

The main activity early in the review year involved investing new inflows into the Threadneedle Sterling Bond Fund, the Threadneedle European Corporate Bond Fund, the Threadneedle UK Equity Income Fund, the Threadneedle Emerging Market Local Fund and the Threadneedle UK Corporate Bond Fund. Towards the end of 2012, we added exposure to European equities in the wake of the ECB's proposals to cap struggling countries' borrowing costs via the OMT programme, while also raising our holding in the Threadneedle UK Equity Income Fund. Within the fixed income portfolio we sold some of our exposure to the Threadneedle

Sterling Bond Fund while adding exposure to the Threadneedle Emerging Market Local Fund and introducing a new holding in the Threadneedle High Yield Bond Fund, with our purchases of the latter two funds continuing into 2013. We reduced our holding the Threadneedle Strategic Bond Fund, switching exposure and investing new fund inflows into the Threadneedle (Lux) – Global Opportunities Bond Fund. Within the equities portfolio, we introduced a new holding in the Threadneedle American Fund, taking the view that the improving economic environment was not fully reflected in valuations.

In terms of fund positioning, we have maintained a relatively cautious stance; in the equity portfolio, we favour the UK market but hold a more wary view of Far East ex Japan and, to a lesser extent, the US. In the fixed income portfolio, we hold significant exposure to absolute returns funds as we aim to achieve positive returns across all market conditions. Although we do not anticipate a rapid escalation in interest rates, we see little value in core government bonds, preferring holdings with limited interest rate exposure.

While we remain generally positive on the outlook for equities, with policymakers worldwide struggling to facilitate a sustainable growth environment, we expect government bond markets to remain volatile in 2013. We remain more positive about the prospects among corporates, emerging market debt and high yield bonds, as the ongoing search for income forces investors to take some credit risk. We believe that investor demand for higher-yielding issues in particular is likely to remain healthy, fuelled by the scale of QE in the developed world.

Pages 45 to 50 at the back of these Annual Reports and Accounts form part of the Manager's Report.

Directors' Statement

In accordance with the requirements of the Financial Conduct Authority's (formerly Financial Services Authority's) Collective Investment Schemes (COLL) Sourcebook, we hereby certify the Annual Reports & Accounts on behalf of the Directors of Threadneedle Investment Services Limited.

P J W Reed

N J Ring

26 June 2013

Threadneedle Defensive Equity & Bond Fund

STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2012 to 15 May 2013

| | Notes | 2013 £000 | 2012 £000 |
|--|-------|---------------|--------------|
| Income | | | |
| Net capital gains | 2 | 32,809 | 1,683 |
| Revenue | 3 | 8,959 | 7,446 |
| Expenses | 4 | (435) | (433) |
| Finance costs: Interest | 6 | – | (1) |
| Net revenue before taxation | | 8,524 | 7,012 |
| Taxation | 5 | 53 | (53) |
| Net revenue after taxation | | 8,577 | 6,959 |
| Total return before distributions | | 41,386 | 8,642 |
| Finance costs: Distributions | 6 | (8,577) | (6,959) |
| Change in net assets attributable to unitholders from investment activities | | 32,809 | 1,683 |

BALANCE SHEET

as at 15 May 2013

| | Notes | 2013 £000 | 2012 £000 |
|---|-------|----------------|----------------|
| Assets | | | |
| Investment assets | | 378,836 | 281,113 |
| Other assets | | | |
| Debtors | 7 | 819 | 4,498 |
| Cash and bank balances | | 1,899 | 10,854 |
| Total other assets | | 2,718 | 15,352 |
| Total assets | | 381,554 | 296,465 |
| Liabilities | | | |
| Derivative liabilities | | (124) | (82) |
| Other liabilities | | | |
| Creditors | 8 | (2,611) | (1,457) |
| Total other liabilities | | (2,611) | (1,457) |
| Total liabilities | | (2,735) | (1,539) |
| Net assets attributable to unitholders | | 378,819 | 294,926 |

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2012 to 15 May 2013

| | 2013 £000 | 2012 £000 |
|---|----------------|----------------|
| Opening net assets attributable to unitholders | 294,926 | 265,569 |
| Movement due to sales and repurchases of units: | | |
| Amounts receivable on the issue of units | 66,844 | 40,291 |
| Amounts payable on the cancellation of units | (22,783) | (18,470) |
| | 44,061 | 21,821 |
| Stamp duty reserve tax | (46) | (63) |
| Change in net assets attributable to unitholders from investment activities (see statement of total return above) | 32,809 | 1,683 |
| Retained distribution on accumulation units | 7,069 | 5,916 |
| Closing net assets attributable to unitholders | 378,819 | 294,926 |

DISTRIBUTION TABLE

for the accounting period 16 May 2012 to 15 May 2013

Interest distribution in pence per unit

Class A Units

| Net Accumulation Distribution Period | Gross Revenue | Income Tax | Net Revenue | Equalisation | Net Revenue Accumulated 2012/2013 | Net Revenue Accumulated 2011/2012 |
|--|---------------|------------|-------------|--------------|-----------------------------------|-----------------------------------|
| Group 1 | | | | | | |
| 16/05/12 to 15/05/13 | 2.0569 | 0.4114 | 1.6455 | – | 1.6455 | 1.5908 |
| Group 2 | | | | | | |
| 16/05/12 to 15/05/13 | 1.3725 | 0.2745 | 1.0980 | 0.5475 | 1.6455 | 1.5908 |
| Total distributions in the period | | | | | 1.6455 | 1.5908 |

Class B Units

| Net Accumulation Distribution Period | Gross Revenue | Income Tax | Net Revenue | Equalisation | Net Revenue Accumulated 2012/2013 | Net Revenue Accumulated 2011/2012 |
|--|---------------|------------|-------------|--------------|-----------------------------------|-----------------------------------|
| Group 1 | | | | | | |
| 16/05/12 to 15/05/13 | 2.3170 | 0.4634 | 1.8536 | – | 1.8536 | 1.7858 |
| Group 2 | | | | | | |
| 16/05/12 to 15/05/13 | 1.5134 | 0.3027 | 1.2107 | 0.6429 | 1.8536 | 1.7858 |
| Total distributions in the period | | | | | 1.8536 | 1.7858 |

Group 2: units purchased during a distribution period

Threadneedle Defensive Equity & Bond Fund

Notes to the financial statements

for the accounting period 16 May 2012 to 15 May 2013

1 ACCOUNTING POLICIES

(a) 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 ("UKGAAP"), 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.

(b) Recognition of revenue

Revenue is included in the Statement of Total Return on the following bases:

Dividends and distributions from collective investment schemes are recognised when the security is quoted ex-dividend.

Equalisation on distributions received is treated as a repayment of capital and deducted from the cost of the investment. Interest on bank and short-term deposits is recognised on an earned basis.

(c) Treatment of 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.

Fee rebates

In addition to any direct charge for registration and management fees within the trust, there would occur, in the absence of a rebate mechanism, an indirect charge for registration and management fees in respect of investments in other Threadneedle funds. Any such target funds themselves bear registration and management fees, which reduces the values of those funds from what they otherwise would be. The rebate mechanism operates to ensure that investors in the trust bear only the registration and management fees validly applicable to them.

The registration fee rebates of £115,809 (2012: £105,211) and the management fee rebates of £35,751 (2012: -£3,895) are netted off against the registration and management fee expenses within the accounts.

(d) Allocation of revenue and expenses to multiple unit classes

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

Annual management charges and registration charges are specific to each unit class.

(e) Distribution policy

Revenue attributable to accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of revenue. All remaining revenue is distributed in accordance with the Collective Investment Schemes sourcebook.

Equalisation on distributions received is treated as a repayment of capital and deducted from the cost of the investment.

Where distributions are unclaimed for a period of six years these are brought back into the trust as capital.

(f) Deferred tax

Deferred taxation liabilities are provided for in full, and deferred tax assets are recognised to the extent that they are considered recoverable, in respect of all items for which recognition falls in different accounting periods for accounting and taxation purposes.

(g) Basis of valuation of investments

The investments of the trust are valued using the single price at 12 noon, being the valuation point on the last working day of the accounting period. The single price may include an adjustment to cover dealing costs in the underlying funds.

(h) Exchange rates

Assets and liabilities expressed in foreign currencies are translated into Sterling at the exchange rates ruling at 12 noon, being the valuation point on the last working day of the accounting period. Transactions denominated in foreign currency are translated into Sterling at the exchange rates ruling at the date of the transaction.

(i) 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 "Finance costs" respectively, in the Statement of Total Return.

The revenue return element in respect of Futures is calculated by reference to the quoted yield of the index upon which the Future is based, compared to LIBOR. The revenue so calculated may represent revenue or expense in a trust's accounts, in accordance with whether the trust has held a net long or short position, when considering the accounting period as a whole. The revenue or expense position is reversed, where LIBOR exceeds the quoted yield of the relevant index.

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

2 NET CAPITAL GAINS

Net capital gains during the period comprise:

| | 2013 £000 | 2012 £000 |
|----------------------------|--------------|--------------|
| Non-derivative securities | 36,732 | (1,279) |
| Forward currency contracts | (3,921) | 2,965 |
| Transaction costs | (2) | (3) |
| Net capital gains | 32,809 | 1,683 |

3 REVENUE

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Franked dividend distributions | 3,187 | 2,432 |
| Unfranked dividend distributions | – | 246 |
| Interest distributions | 5,675 | 4,707 |
| Interest on short term investments | 29 | – |
| Bank interest | 29 | 25 |
| Registration fee rebate on collective investment scheme holdings | 39 | 36 |
| Total revenue | 8,959 | 7,446 |

4 EXPENSES

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Payable to the Manager or associates of the Manager and the agents of either of them: | | |
| Annual management charge | (405) | (405) |
| | (405) | (405) |
| Payable to the trustee or associate of the trustee and the agents of either of them: | | |
| Trustee's fees | (20) | (19) |
| Safe custody fees | (2) | (1) |
| | (22) | (20) |
| Other expenses: | | |
| Audit fee | (8) | (8) |
| | (8) | (8) |
| *Total expenses | (435) | (433) |

*Including irrecoverable VAT where applicable.

Threadneedle Defensive Equity & Bond Fund

Notes to the financial statements

(continued)

5 TAXATION

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| a) Analysis of charge in period | | |
| Irrecoverable tax | – | (53) |
| Adjustments in respect of prior periods | 53 | – |
| Total current tax (note 5b) | 53 | (53) |
| Total tax charge for the period | 53 | (53) |
| b) Factors affecting taxation charge for period | | |
| Net revenue before taxation | 8,524 | 7,012 |
| Net revenue before taxation multiplied by the standard rate of corporation tax of 20% | (1,705) | (1,402) |
| Effects of: | | |
| Revenue not subject to taxation | 638 | 486 |
| Excess expenses | (648) | (476) |
| Distributions treated as tax deductible | 1,715 | 1,392 |
| Irrecoverable tax | – | (53) |
| Adjustments in respect of prior periods | 53 | – |
| Current tax charge for the period (note 5a) | 53 | (53) |

The trust has not recognised a deferred tax asset of £3,547,279 (2012: £2,899,275) arising as a result of having unutilised management expenses.

These expenses will only be utilised if the treatment of interest distributions made by the trust or the nature of capital gains changes. Interest distributions have been made in respect of all distributions during the period. Income Tax at 20% will be accounted for on unitholders' behalf to HM Revenue & Customs.

6 FINANCE COSTS

Distributions and Interest

The distribution takes account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprises:

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Final | 8,717 | 7,274 |
| Add: Revenue deducted on cancellation of units | 336 | 167 |
| Deduct: Revenue received on creation of units | (476) | (482) |
| Net distribution for the period | 8,577 | 6,959 |
| Interest | – | 1 |
| Total finance costs | 8,577 | 6,960 |

Details of the distribution per unit are set out in the table on page 28.

7 DEBTORS

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Amounts receivable for the issue of units | 243 | 3,462 |
| Accrued revenue | 256 | 208 |
| United Kingdom income tax recoverable | 320 | 828 |
| Total debtors | 819 | 4,498 |

8 CREDITORS

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Amounts payable for the cancellation of units | (891) | (50) |
| Accrued expenses | (9) | (8) |
| Amounts payable to the Manager | (34) | (36) |
| United Kingdom income tax payable | (1,677) | (1,363) |
| Total creditors | (2,611) | (1,457) |

9 UNITHOLDER FUNDS

The underlying funds suffer a management fee in the range of 0.5% – 1.5%.

Defensive Equity & Bond Fund currently has two unit classes; Class A and Class B units. The charges on each unit class are as follows:

Annual management charge

| | |
|---------------|-------|
| Class A units | 0.25% |
| Class B units | – |

Registration fees

| | |
|---------------|----------------------|
| Class A units | £7.50 per unitholder |
| Class B units | 0.020% |

The net asset value of each unit class, the net asset value per unit, and the number of units in each class are given in the comparative table on page 46. The distribution per unit class is given in the distribution table on page 28.

10 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, a related party, acts as principal in respect of all transactions of units in the trust. The aggregated monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Any amounts due to or from Threadneedle Investment Services Limited in respect of unit transactions at the end of the accounting period are disclosed in Notes 7 and 8.

Amounts payable to and receivable from Threadneedle Investment Services Limited in respect of fund management and registration services are disclosed in Notes 7 and 8. A balance of £33,686 (2012: £35,545), in respect of annual management service charge and £7,768 (2012: £7,499) in respect of registration fees is respectively payable and receivable at the end of the accounting period.

Amounts payable to J.P. Morgan Trustee and Depositary Company Limited, a related party, in respect of trustee services and safe custody charges are disclosed in Note 8. A balance of £1,677 (2012: £1,697), in respect of trustee services and £358 (2012: £282) in respect of safe custody are due at the end of the accounting period.

The trust receives and pays interest on deposits held with J.P. Morgan Trustee and Depositary Company as disclosed in Notes 3 and 6. A balance of £152 (2012: £1,514) is receivable at the end of the accounting period. Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The trust invests in a number of funds managed by Threadneedle, all transactions in respect of which are transacted with Threadneedle Investment Services Limited. Details of the investments are shown in the Portfolio Statement and gains and losses in the period are disclosed in Note 2. Details of revenue received from the subfunds are shown in Note 3 and amounts receivable at the end of the accounting period in Note 7. Details of purchases and sales of the sub-funds are shown in Note 13 and any amounts receivable and payable in Notes 7 and 8.

The Manager, or associate of the Manager acted as principal in all investment transactions.

Threadneedle Defensive Equity & Bond Fund

Notes to the financial statements

(continued)

11 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing its investment objectives set out on page 27, the Threadneedle Defensive Equity & Bond Fund may hold the following financial instruments:

- Funds of the Threadneedle Investment Funds ICVC, Threadneedle Specialist Investment Funds ICVC (of which a maximum of 20% of the value of the property of the trust may be invested in any one fund within this range of investment funds) and Threadneedle (Lux) Funds;
- Cash, liquid resources and short term debtors and creditors that arise directly from its operations;
- Unitholders' funds which represent investors monies which are invested on their behalf;
- Borrowing used to finance investment activity; and
- Derivative transactions to manage the currency and market risks arising from the trust's investment activities.

Throughout the period under review, it has been the policy of the trust to buy and sell financial instruments for the purpose of investment rather than trading.

The main risks arising from the trust's financial instruments are market price, liquidity, credit, interest rate and foreign currency risk. The policies for managing each of these risks are reviewed regularly and agreed with the Trustee of the trust and they are summarised below. These policies have remained unchanged since the beginning of the period to which these financial statements relate and are consistently applied throughout the period under review. The same policies also applied throughout the year ending 15 May 2012.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the trust 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 trust is exposed to market risk by virtue of their investments in Collective Investment Schemes.

The Manager 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.

Liquidity risk

Liquidity risk is the risk that the trust cannot raise sufficient cash to meet its liabilities when due.

The main liability of the trust is the cancellation of units that the investors wish to sell.

The trust's assets comprise mainly cancellation securities which can readily be sold.

Under normal circumstances, the trust 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 trust, the trust 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 units.

The Manager manages the trust's cash to ensure it can meet its liabilities. The Manager receives daily reports of issues and cancellations enabling the Manager to raise cash from the trust's portfolio in order to meet cancellation requests. In addition the Manager monitors market liquidity of all securities, seeking to ensure the trust maintains sufficient liquidity to meet known and potential cancellation activity. Trust cash balances are monitored daily by the Manager and Administrator. Where investments cannot be realised in time to meet any potential liability, the trust may borrow up to 10%

of its value to ensure settlements. All of the trust's financial liabilities are payable on demand or in less than one year.

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

Credit 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 trust may not receive back the principally originally invested. Thirdly there is the counterparty risk that the counterparty will not deliver the investment for a purchase or cash for a sale after the trust has fulfilled its responsibilities, which could result in the trust suffering a loss.

In order to manage credit risk the trust and underlying investments 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 underlying funds only buy and sell investments through brokers which have been approved by the Manager 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.

Interest rate risk

Interest rate risk is the risk that the value of the trusts' investments will fluctuate as a result of changes in interest rates.

The trust has holdings in other funds with significant interest rate exposure.

Thus any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Manager 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 trust 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.

Foreign currency risk

Foreign currency risk is the risk that the value of the trust's investments will fluctuate as a result of changes in foreign currency exchange rates.

The capital values of the trust's underlying investments can be affected by currency translation movements where the assets are denominated in currencies other than sterling, which is the trust's principal currency.

Two principal areas where foreign currency risk could impact the trust are:

- Where movements in rates affect the value of the underlying investments; the trust may hedge the initial investment;
- Where movements in rates affect the revenue received from the underlying investments; the trust does not hedge or otherwise seek to avoid rate movement risk on revenue accrued but not received.

Threadneedle Defensive Equity & Bond Fund

Notes to the financial statements

(continued)

There is no direct foreign currency exposure within the trust at the balance sheet date. However, a large proportion of the trust's underlying investments have significant currency exposure since their assets are denominated in currencies other than sterling, with the effect that their balance sheets and total returns can be affected by currency movements. Investee fund's significant exposure to non-sterling currencies, based on their most recent published financial statements are as follows:

- The principal exposure of Threadneedle American Fund, Threadneedle (Lux) – Global Opportunities Bond Fund and Threadneedle Dollar Bond Fund is to the US Dollar.
- The principal exposures of Threadneedle Emerging Market Local Fund are to the Brazilian Real, Mexican Peso and Turkish Lira.
- The principal exposure of Threadneedle European Bond Fund and Threadneedle European Corporate Bond Fund is to the Euro.
- The principal exposures of Threadneedle Global Bond Fund are to the Euro, Japanese Yen and US Dollar.

Fair value of financial assets and financial liabilities

All of the financial assets of the trust are valued using the single price, which is deemed to be fair value.

The primary financial liability is the trust's liability to redeem units issued to finance its operations. These are held at book value and the difference from fair value is deemed to be immaterial.

At 15 May 2013, the trust had outstanding open forward foreign exchange contracts of £1,050,000 (2012: £2,162,000).

Cash balances are held in floating rate accounts where interest is calculated with reference to prevailing market rates.

12 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities and commitments outstanding (2012: Nil).

13 PORTFOLIO TRANSACTION COSTS

The purchases and sales are not subject to portfolio transaction costs. The total cost of purchases during the period was £103,190,717 (2012: £39,290,259) and proceeds received from sales were £43,100,000 (2012: £23,253,427).

Threadneedle Defensive Equity & Bond Fund

Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme

The Collective Investment Schemes Sourcebook (COLL), as issued (and amended) by the Financial Conduct Authority's (formerly Financial Services Authority (FSA)), require the Manager 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 Scheme and of its net revenue and the net gains or losses on the property of the Scheme for the period. In preparing the financial statements the Manager 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 Trust will continue in operation for the foreseeable future.

The Manager is required to keep proper accounting records and to manage the Trust in accordance with the Collective Investment Schemes Sourcebook, the Trust Deed and the Scheme Particulars. The Manager is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Trustee's Responsibilities and Report of the Trustee to the Unitholders of the Threadneedle Defensive Equity & Bond Fund

The Trustee is responsible for the safekeeping of all of the property of the Scheme (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 Trustee to take reasonable care to ensure that the Scheme is managed by the Authorised Fund Manager in accordance with the Financial Conduct Authority's (formerly Financial Services Authority's) Collective Investment Schemes Sourcebook ("the COLL Sourcebook") and the Scheme's Trust Deed and Prospectus, as appropriate, in relation to the pricing of, and dealings in, units in the Scheme; the application of revenue of the Scheme; and the investment and borrowing powers of the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Authorised Fund Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's revenue in accordance with the COLL Sourcebook and, where applicable, the Scheme's Trust Deed and Prospectus; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

Bournemouth
26 June 2013

J.P. Morgan Trustee
and Depositary Company Limited
Trustee

Threadneedle Defensive Equity & Bond Fund

Independent Auditors' report to the unitholders of Threadneedle Defensive Equity & Bond Fund

We have audited the financial statements of Threadneedle Defensive Equity & Bond Fund (the "Trust") for the year ended 15 May 2013 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, the related notes and the distribution tables. 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) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of Authorised Fund Manager and auditors

As explained more fully in the Authorised Fund Manager's Responsibilities Statement the Authorised Fund Manager 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.

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Manager's Report to identify material inconsistencies with the audited financial statements. 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 Trust at 15 May 2013 and of the net revenue and the net capital gains of the scheme property of the Trust for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion;

- proper accounting records for the Trust have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

London
26 June 2013

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors

The financial statements are published at threadneedle.com, which is a website maintained by Threadneedle Investment Services limited. The maintenance and integrity of the Threadneedle Investment Services Limited's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Threadneedle Defensive Equity & Bond Fund

Portfolio Statement

as at 15 May 2013

| Holding | Investment | Value £000 | % of Net Asset Value | Holding | Investment | Value £000 | % of Net Asset Value |
|--|---|----------------|----------------------------|----------------------------------|---|----------------|----------------------------|
| COLLECTIVE INVESTMENT SCHEMES 99.69% (94.56%) | | | | DERIVATIVES 0.28% (0.73%) | | | |
| | UK equity 35.74% (30.41%) | | | | Forward foreign exchange contracts 0.28% (0.73%) | | |
| 30,681,608 | Threadneedle Monthly Extra Income Fund | 21,281 | 5.62 | | Sell EUR 47,429,022 | | |
| 74,150,517 | Threadneedle UK Equity Income Fund | 60,032 | 15.85 | | Buy GBP 41,103,888 HSBC | 1,014 | 0.27 |
| 12,253,343 | Threadneedle UK Fund | 13,207 | 3.49 | | Sell USD 57,379,793 | | |
| 6,079,319 | Threadneedle UK Growth & Income Fund | 4,707 | 1.24 | | Buy GBP 35,670,576 HSBC | (93) | (0.02) |
| 30,061,347 | Threadneedle UK Institutional Fund | 36,161 | 9.54 | | Sell EUR 3,525,127 | | |
| | Total UK equity | 135,388 | 35.74 | | Buy GBP 3,100,000 RBS | 120 | 0.03 |
| | UK bond 32.23% (39.32%) | | | | Sell USD 2,264,984 | | |
| 41,844,860 | Threadneedle Absolute Return Bond Fund | 26,860 | 7.09 | | Buy GBP 1,500,000 RBS | 10 | – |
| 37,102,488 | Threadneedle High Yield Bond Fund | 16,537 | 4.36 | | Sell USD 1,062,195 | | |
| 25,993,800 | Threadneedle Sterling Bond Fund | 13,623 | 3.60 | | Buy GBP 700,000 J.P. Morgan | 2 | – |
| 18,111,486 | Threadneedle Sterling Fund | 18,082 | 4.77 | | Sell GBP 600,000 | | |
| 36,973,662 | Threadneedle Strategic Bond Fund | 18,243 | 4.82 | | Buy USD 934,212 Citibank | 14 | – |
| 30,428,795 | Threadneedle UK Corporate Bond Fund | 28,737 | 7.59 | | Sell GBP 400,000 | | |
| | Total UK bond | 122,082 | 32.23 | | Buy EUR 457,889 Citibank | (13) | – |
| | Overseas equity 1.97% (0.00%) | | | | Sell EUR 469,951 | | |
| 4,628,862 | Threadneedle American Fund | 7,488 | 1.97 | | Buy GBP 400,000 RBS | 3 | – |
| | Total overseas equity | 7,488 | 1.97 | | Sell USD 612,859 | | |
| | Overseas bond 29.75% (24.83%) | | | | Buy GBP 400,000 J.P. Morgan | (3) | – |
| 39,000,805 | Threadneedle Dollar Bond Fund | 21,333 | 5.63 | | Sell GBP 300,000 | | |
| 7,887,232 | Threadneedle Emerging Market Local Fund | 12,616 | 3.33 | | Buy USD 447,034 HSBC | (6) | – |
| 30,748,022 | Threadneedle European Bond Fund | 21,696 | 5.73 | | Sell USD 465,079 | | |
| 16,204,958 | Threadneedle European Corporate Bond Fund | 15,252 | 4.02 | | Buy GBP 300,000 RBS | (6) | – |
| 29,001,043 | Threadneedle Global Bond Fund | 23,630 | 6.24 | | Sell GBP 300,000 | | |
| 1,086,301 | Threadneedle (Lux) – Global Opportunities Bond Fund | 18,177 | 4.80 | | Buy EUR 355,147 RBS | – | – |
| | Total overseas bond | 112,704 | 29.75 | | Sell EUR 231,444 | | |
| | Total collective investment schemes | 377,662 | 99.69 | | Buy GBP 200,000 J.P. Morgan | 4 | – |
| | | | | | Sell USD 301,164 | | |
| | | | | | Buy GBP 200,000 J.P. Morgan | 2 | – |
| | | | | | Sell EUR 233,334 | | |
| | | | | | Buy GBP 200,000 RBS | 3 | – |
| | | | | | Sell EUR 235,838 | | |
| | | | | | Buy GBP 200,000 HSBC | 1 | – |
| | | | | | Sell USD 306,406 | | |
| | | | | | Buy GBP 200,000 RBS | (1) | – |
| | | | | | Sell GBP 200,000 | | |
| | | | | | Buy USD 304,690 Citibank | – | – |
| | | | | | Sell EUR 236,819 | | |
| | | | | | Buy GBP 200,000 HSBC | – | – |
| | | | | | Sell GBP 100,000 | | |
| | | | | | Buy EUR 116,965 J.P.Morgan | (1) | – |
| | | | | | Sell EUR 116,764 | | |
| | | | | | Buy GBP 100,000 RBS | 1 | – |
| | | | | | Sell GBP 100,000 | | |
| | | | | | Buy EUR 117,579 RBS | (1) | – |
| | | | | | Total derivatives | 1,050 | 0.28 |
| | | | | | Total value of investments | 378,712 | 99.97 |
| | | | | | Net other assets (4.71%) | 107 | 0.03 |
| | | | | | Net assets | 378,819 | 100.00 |

The calculation of the % Net Asset Value may not sum to 100% due to rounding.

May 2012 comparatives in brackets.

Threadneedle Defensive Fund

Manager's Report

Investment Objective and Policy

The trust's investment objective and investment policy is to provide a total return primarily by way of income from a defensively managed investment in regulated collective investment schemes operated, managed or advised by Threadneedle Investment Services Limited (or any company within the Group of which it is a member).

The trust may invest internationally and will invest primarily in collective investment schemes that invest in fixed interest securities, cash or near cash. The trust may also invest in collective investment schemes that invest in equities, and these collective investment schemes will not normally represent more than 20% of the portfolio. With effect from 1 October 2011 the trust may also invest in collective investment schemes that do not restrict their use of derivatives to efficient portfolio management up to a maximum amount of no more than 20% of the value of the Scheme Property. Further the trust may also invest directly in cash, near cash and/or money market instruments.

The trust will always invest so as to be eligible as an ISA investment.

Review

This report covers the period from 16 May 2012 to 15 May 2013.

Fund Performance

During the period under review the offer price of Class A units rose by 8.33% from 76.97p to 83.38p.

During the period under review the offer price of Class B units rose by 8.56% from 75.22p to 81.66p.

The total return on the fund for the twelve months ending 30 April 2012, including net reinvested income, is 7.47%. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

Over the same period the sector median return of the peer group (IMA – Mixed Investment 0-35% Share Sector) was 10.50%. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

In view of the nature of the trust and its investment remit, there is no directly comparable market index. The fund's remit is to pursue an investment strategy designed to achieve total return from a defensively-managed portfolio of fixed interest and UK equity funds managed by Threadneedle.

Portfolio Activity

Following a period of risk aversion amid concerns over faltering global economic growth and the deepening eurozone sovereign debt crisis, risk-based assets, such as equities and corporate bonds, rallied sharply over the last 12 months. The gains were driven by unprecedented measures from global central banks, with the European Central Bank's (ECB's) bond-buying Outright Monetary Transactions (OMT) plan announcement followed by an expansion of the Fed's QE programme through which the central bank committed to massive ongoing purchases of mortgage-backed debt. Investors' appetite for risk was spurred still further by signs that the Chinese economy had averted a hard landing, while the newly-elected Japanese government acted on its commitment for massive stimulus in an effort to purge deflation and promote growth. The rally in risk-based assets continued into 2013, albeit with brief setbacks on the inconclusive Italian election result and the depositor contribution model set by the EU/IMF's bailout of Cyprus. Towards the end of the review year, safe-haven assets attracted sporadic buying from risk-averse investors concerned by the deepening eurozone recession and signs that the Chinese economic recovery could be losing momentum.

The main activity early in the review year involved investing new inflows into the Threadneedle Strategic Bond Fund, the Threadneedle European Corporate Bond Fund, the Threadneedle UK Equity Income Fund, the Threadneedle Emerging Market Local Fund and the Threadneedle UK Corporate Bond Fund. Meanwhile, we reduced our exposure to the Threadneedle Sterling Bond Fund, while towards the end of 2012 we put some of our cash to work in the Threadneedle High Yield Bond Fund, a position funded from a reduction in our holding in the Threadneedle Sterling Fund.

We maintained our purchases of the Threadneedle High Yield Bond Fund and Threadneedle Emerging Markets Local Fund into 2013, while also adding to our holdings in the Threadneedle European Corporate Bond Fund. We reduced our holding the Threadneedle Strategic Bond Fund and the Threadneedle Sterling Bond Fund. Within the equities portfolio, towards the end of the review year we introduced a new holding in the Threadneedle American Fund, taking the view that the improving economic environment was not adequately reflected in valuations.

In terms of fund positioning, we have maintained a relatively cautious stance. In the fixed income portfolio, we hold significant exposure to absolute returns funds as we aim to achieve positive returns across all market conditions. Although we do not anticipate a rapid escalation in interest rates, we see little value in core government bonds, preferring holdings with limited interest rate exposure. In the equity portfolio, we favour the UK and Europe ex UK markets but hold a more wary view of the US and the Far East ex Japan.

While we remain generally positive on the outlook for equities, with policymakers worldwide struggling to facilitate a sustainable growth environment, we expect government bond markets to remain volatile in 2013. We remain more positive about the prospects among corporates, emerging market debt and high yield bonds, as the ongoing search for income forces investors to take some credit risk. We believe that investor demand for higher-yielding issues in particular is likely to remain healthy, fuelled by the scale of QE in the developed world.

Pages 45 to 50 at the back of these Annual Reports and Accounts form part of the Manager's Report.

Directors' Statement

In accordance with the requirements of the Financial Conduct Authority's (formerly Financial Services Authority's) Collective Investment Schemes (COLL) Sourcebook, we hereby certify the Annual Reports & Accounts on behalf of the Directors of Threadneedle Investment Services Limited.

P J W Reed

N J Ring

26 June 2013

Threadneedle Defensive Fund

STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2012 to 15 May 2013

| | Notes | 2013 £000 | 2012 £000 |
|--|-------|--------------|--------------|
| Income | | | |
| Net capital gains | 2 | 12,956 | 3,108 |
| Revenue | 3 | 5,033 | 3,613 |
| Expenses | 4 | (227) | (198) |
| Net revenue before taxation | | 4,806 | 3,415 |
| Taxation | 5 | 1 | (1) |
| Net revenue after taxation | | 4,807 | 3,414 |
| Total return before distributions | | 17,763 | 6,522 |
| Finance costs: Distributions | 6 | (4,807) | (3,414) |
| Change in net assets attributable to unitholders from investment activities | | 12,956 | 3,108 |

BALANCE SHEET

as at 15 May 2013

| | Notes | 2013 £000 | 2012 £000 |
|---|-------|--------------|--------------|
| Assets | | | |
| Investment assets | | 213,125 | 180,001 |
| Other assets | | | |
| Debtors | 7 | 383 | 7,777 |
| Cash and bank balances | | 788 | 8,034 |
| Total other assets | | 1,171 | 15,811 |
| Total assets | | 214,296 | 195,812 |
| Liabilities | | | |
| Derivative liabilities | | (92) | (59) |
| Other liabilities | | | |
| Creditors | 8 | (1,952) | (1,084) |
| Total other liabilities | | (1,952) | (1,084) |
| Total liabilities | | (2,044) | (1,143) |
| Net assets attributable to unitholders | | 212,252 | 194,669 |

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2012 to 15 May 2013

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Opening net assets attributable to unitholders | 194,669 | 128,936 |
| Movement due to sales and repurchases of units: | | |
| Amounts receivable on the issue of units | 36,445 | 79,599 |
| Amounts payable on the cancellation of units | (35,543) | (20,371) |
| | 902 | 59,228 |
| Stamp duty reserve tax | (23) | (34) |
| Change in net assets attributable to unitholders from investment activities (see statement of total return above) | 12,956 | 3,108 |
| Retained distribution on accumulation units | 3,748 | 3,431 |
| Closing net assets attributable to unitholders | 212,252 | 194,669 |

DISTRIBUTION TABLE

for the accounting period 16 May 2012 to 15 May 2013

Interest distribution in pence per unit

Class A Units

| Net Accumulation Distribution Period | Gross Revenue | Income Tax | Net Revenue | Equalisation | Net Revenue Accumulated 2012/2013 | Net Revenue Accumulated 2011/2012 |
|--|---------------|------------|-------------|--------------|-----------------------------------|-----------------------------------|
| Group 1 | | | | | | |
| 16/05/12 to 15/05/13 | 1.6696 | 0.3339 | 1.3357 | — | 1.3357 | 1.2297 |
| Group 2 | | | | | | |
| 16/05/12 to 15/05/13 | 1.0273 | 0.2055 | 0.8218 | 0.5139 | 1.3357 | 1.2297 |
| Total distributions in the period | | | | | 1.3357 | 1.2297 |

Class B Units

| Net Accumulation Distribution Period | Gross Revenue | Income Tax | Net Revenue | Equalisation | Net Revenue Accumulated 2012/2013 | Net Revenue Accumulated 2011/2012 |
|--|---------------|------------|-------------|--------------|-----------------------------------|-----------------------------------|
| Group 1 | | | | | | |
| 16/05/12 to 15/05/13 | 1.8899 | 0.3780 | 1.5119 | — | 1.5119 | 1.3968 |
| Group 2 | | | | | | |
| 16/05/12 to 15/05/13 | 1.3853 | 0.2771 | 1.1082 | 0.4037 | 1.5119 | 1.3968 |
| Total distributions in the period | | | | | 1.5119 | 1.3968 |

Group 2: units purchased during a distribution period

Threadneedle Defensive Fund

Notes to the financial statements

for the accounting period 16 May 2012 to 15 May 2013

1 ACCOUNTING POLICIES

(a) 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 ("UKGAAP"), 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.

(b) Recognition of revenue

Revenue is included in the Statement of Total Return on the following bases:

Dividends and distributions from collective investment schemes are recognised when the security is quoted ex-dividend.

Equalisation on distributions received is treated as a repayment of capital and deducted from the cost of the investment. Interest on bank and short-term deposits is recognised on an earned basis.

(c) Treatment of 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.

Fee rebates

In addition to any direct charge for registration and management fees within the trust, there would occur, in the absence of a rebate mechanism, an indirect charge for registration and management fees in respect of investments in other Threadneedle funds. Any such target funds themselves bear registration and management fees, which reduces the values of those funds from what they otherwise would be. The rebate mechanism operates to ensure that investors in the trust bear only the registration and management fees validly applicable to them.

The registration fee rebates of £57,761 (2012: £45,250) and the management fee rebates of £40,047 (2012: £34,315) are netted off against the registration and management fee expenses within the accounts.

(d) Allocation of revenue and expenses to multiple unit classes

The allocation of revenue and expenses to each unit class is based upon the proportion of the trust's capital net assets attributable to each unit class, on the day the revenue is earned or the expense is suffered. Annual management charges and registration charges are specific to each unit class.

(e) Distribution policy

Revenue attributable to accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of revenue. All remaining revenue is distributed in accordance with the Collective Investment Schemes sourcebook.

Equalisation on distributions received is treated as a repayment of capital and deducted from the cost of the investment.

Where distributions are unclaimed for a period of six years these are brought back into the trust as capital.

(f) Deferred tax

Deferred taxation liabilities are provided for in full, and deferred tax assets are recognised to the extent that they are considered recoverable, in respect of all items for which recognition falls in different accounting periods for accounting and taxation purposes.

(g) Basis of valuation of investments

The investments of the trust are valued using the single price at 12 noon, being the valuation point on the last working day of the accounting period. The single price may include an adjustment to cover dealing costs in the underlying funds.

(h) Exchange rates

Assets and liabilities expressed in foreign currencies are translated into Sterling at the exchange rates ruling at 12 noon, being the valuation point on the last working day of the accounting period.

Transactions denominated in foreign currency are translated into Sterling at the exchange rates ruling at the date of the transaction.

(i) 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 "Finance costs" respectively, in the Statement of Total Return.

The revenue return element in respect of Futures is calculated by reference to the quoted yield of the index upon which the Future is based, compared to LIBOR. The revenue so calculated may represent revenue or expense in a trust's accounts, in accordance with whether the trust has held a net long or short position, when considering the accounting period as a whole. The revenue or expense position is reversed, where LIBOR exceeds the quoted yield of the relevant index.

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

2 NET CAPITAL GAINS

Net capital gains during the period comprise:

| | 2013 £000 | 2012 £000 |
|----------------------------|--------------|--------------|
| Non-derivative securities | 15,656 | 1,098 |
| Forward currency contracts | (2,697) | 2,014 |
| Transaction costs | (3) | (4) |
| Net capital gains | 12,956 | 3,108 |

3 REVENUE

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Franked dividend distributions | 1,114 | 725 |
| Unfranked dividend distributions | – | 4 |
| Interest distributions | 3,871 | 2,850 |
| Interest on short term investments | 13 | – |
| Bank interest | 18 | 24 |
| Registration fee rebate on collective investment scheme holdings | 17 | 10 |
| Total revenue | 5,033 | 3,613 |

4 EXPENSES

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Payable to the Manager or associates of the Manager and the agents of either of them: | | |
| Annual management charge | (199) | (173) |
| | (199) | (173) |
| Payable to the trustee or associate of the trustee and the agents of either of them: | | |
| Trustee's fees | (19) | (16) |
| Safe custody fees | (1) | (1) |
| | (20) | (17) |
| Other expenses: | | |
| Audit fee | (8) | (8) |
| | (8) | (8) |
| *Total expenses | (227) | (198) |

*Including irrecoverable VAT where applicable.

Threadneedle Defensive Fund

Notes to the financial statements

(continued)

5 TAXATION

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| a) Analysis of charge in period | | |
| Irrecoverable tax | – | (1) |
| Adjustments in respect of prior periods | 1 | – |
| Total current tax (note 5b) | 1 | (1) |
| Total tax charge for the period | 1 | (1) |
| b) Factors affecting taxation charge for period | | |
| Net revenue before taxation | 4,806 | 3,415 |
| Net revenue before taxation multiplied by the standard rate of corporation tax of 20% | (961) | (683) |
| Effects of: | | |
| Revenue not subject to taxation | 223 | 145 |
| Excess expenses | (223) | (145) |
| Distributions treated as tax deductible | 961 | 683 |
| Irrecoverable tax | – | (1) |
| Adjustments in respect of prior periods | 1 | – |
| Current tax charge for the period (note 5a) | 1 | (1) |

The trust has not recognised a deferred tax asset of £995,365 (2012: £772,434) arising as a result of having unutilised management expenses.

These expenses will only be utilised if the treatment of interest distributions made by the trust or the nature of capital gains changes. Interest distributions have been made in respect of all distributions during the period. Income Tax at 20% will be accounted for on unitholders' behalf to HM Revenue & Customs.

6 FINANCE COSTS

Distributions and Interest

The distribution takes account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprises:

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Final | 4,633 | 4,074 |
| Add: Revenue deducted on cancellation of units | 379 | 199 |
| Deduct: Revenue received on creation of units | (205) | (859) |
| Net distribution for the period | 4,807 | 3,414 |
| Total finance costs | 4,807 | 3,414 |

Details of the distribution per unit are set out in the table on page 37.

7 DEBTORS

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Amounts receivable for the issue of units | 48 | 7,255 |
| Accrued revenue | 105 | 29 |
| United Kingdom income tax recoverable | 230 | 493 |
| Total debtors | 383 | 7,777 |

8 CREDITORS

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Amounts payable for the cancellation of units | (1,018) | (410) |
| Accrued expenses | (9) | (9) |
| Amounts payable to the Manager | (16) | (14) |
| United Kingdom income tax payable | (909) | (651) |
| Total creditors | (1,952) | (1,084) |

9 UNITHOLDER FUNDS

The underlying funds suffer a management fee in the range of 0.5% – 1.5%.

Defensive Fund currently has two unit classes; Class A and Class B units. The charges on each unit class are as follows:

Annual management charge

| | |
|---------------|-------|
| Class A units | 0.25% |
| Class B units | – |

Registration fees

| | |
|---------------|----------------------|
| Class A units | £7.50 per unitholder |
| Class B units | 0.020% |

The net asset value of each unit class, the net asset value per unit, and the number of units in each class are given in the comparative table on page 46. The distribution per unit class is given in the distribution table on page 37. Both classes have the same rights on winding up.

10 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, a related party, acts as principal in respect of all transactions of units in the trust. The aggregated monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Any amounts due to or from Threadneedle Investment Services Limited in respect of unit transactions at the end of the accounting period are disclosed in Notes 7 and 8.

Amounts payable to and receivable from Threadneedle Investment Services Limited in respect of fund management and registration services are disclosed in Notes 8 and 7. A balance of £15,629 (2012: £14,228), in respect of annual management service charge and £3,975 (2012: £2,695) in respect of registration fees is respectively payable and receivable at the end of the accounting period.

Amounts payable to J.P. Morgan Trustee and Depositary Company Limited, a related party, in respect of trustee services and safe custody charges are disclosed in Note 8. A balance of £1,516 (2012: £1,549), in respect of trustee services and £216 (2012: £178) in respect of safe custody are due at the end of the accounting period.

The trust receives and pays interest on deposits held with J.P. Morgan Trustee and Depositary Company as disclosed in Notes 3 and 6. A balance of £71 (2012: £772) is receivable at the end of the accounting period. Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The trust invests in a number of funds managed by Threadneedle, all transactions in respect of which are transacted with Threadneedle Investment Services Limited. Details of the investments are shown in the Portfolio Statement and gains and losses in the period are disclosed in Note 2. Details of revenue received from the subfunds are shown in Note 3 and amounts receivable at the end of the accounting period in Note 7. Details of purchases and sales of the sub-funds are shown in Note 13 and any amounts receivable and payable in Notes 7 and 8.

The Manager, or associates of the Manager acted as principal in all investment transactions.

Threadneedle Defensive Fund

Notes to the financial statements

(continued)

11 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing its investment objectives set out on page 36, the Threadneedle Defensive Fund may hold the following financial instruments:

- Funds of the Threadneedle Investment Funds ICVC and Threadneedle Specialist Investment Funds ICVC, of which a maximum of 20% of the value of the property of the trust may be invested in any one fund within this range of investment funds;
- Cash, liquid resources and short term debtors and creditors that arise directly from its operations;
- Unitholders' funds which represent investors monies which are invested on their behalf;
- Borrowing used to finance investment activity; and
- Derivative transactions to manage the currency and market risks arising from the trust's investment activities.

Throughout the period under review, it has been the policy of the trust to buy and sell financial instruments for the purpose of investment rather than trading.

The main risks arising from the trust's financial instruments are market price, liquidity, credit, interest rate and foreign currency risk. The policies for managing each of these risks are reviewed regularly and agreed with the Trustee of the trust and they are summarised below. These policies have remained unchanged since the beginning of the period to which these financial statements relate and are consistently applied throughout the period under review. The same policies also applied throughout the year ending 15 May 2012.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the trust 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 trust is exposed to market risk by virtue of their investments in Collective Investment Schemes.

The Manager 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.

Liquidity risk

Liquidity risk is the risk that the trust cannot raise sufficient cash to meet its liabilities when due.

The main liability of the trust is the cancellation of units that the investors wish to sell.

The trust's assets comprise mainly realisable securities which can readily be sold.

Under normal circumstances, the trust 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 trust, the trust 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 units. The Manager manages the trust's cash to ensure it can meet its liabilities. The Manager receives daily reports of issues and cancellations enabling the Manager to raise cash from the trust's portfolio in order to meet cancellation requests. In addition the Manager monitors market liquidity of all securities, seeking to ensure the trust maintains sufficient liquidity to meet known and potential redemption activity. Trust cash balances are monitored daily by the Manager and Administrator. Where investments cannot be realised in time to meet any potential liability, the trust may borrow up to 10%

of its value to ensure settlements. All of the trust's financial liabilities are payable on demand or in less than one year.

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

Credit 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 trust may not receive back the principally originally invested. Thirdly there is the counterparty risk that the counterparty will not deliver the investment for a purchase or cash for a sale after the trust has fulfilled its responsibilities, which could result in the trust suffering a loss.

In order to manage credit risk the trust and underlying investments 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 underlying funds only buy and sell investments through brokers which have been approved by the Manager 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.

Interest rate risk

Interest rate risk is the risk that the value of the trusts' investments will fluctuate as a result of changes in interest rates.

The trust has holdings in other funds with significant interest rate exposure.

Thus any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Manager 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 trust 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.

Foreign currency risk

Foreign currency risk is the risk that the value of the trust's investments will fluctuate as a result of changes in foreign currency exchange rates.

The capital values of the trust's underlying investments can be affected by currency translation movements where the assets are denominated in currencies other than sterling, which is the trust's principal currency.

Two principal areas where foreign currency risk could impact the trust are:

- Where movements in rates affect the value of the underlying investments; the trust may hedge the initial investment;
- Where movements in rates affect the revenue received from the underlying investments; the trust does not hedge or otherwise seek to avoid rate movement risk on revenue accrued but not received.

Threadneedle Defensive Fund

Notes to the financial statements

(continued)

There is no direct foreign currency exposure within the trust at the balance sheet date. However, a large proportion of the trust's underlying investments have significant currency exposure since their assets are denominated in currencies other than sterling, with the effect that their balance sheets and total returns can be affected by currency movements. Investee fund's significant exposure to non-sterling currencies, based on their most recent published financial statements are as follows:

- The principal exposure of Threadneedle American Fund and Threadneedle Dollar Bond Fund is to the US Dollar.
- The principal exposures of Threadneedle Emerging Market Local Fund are to the Brazilian Real, Mexican Peso and Turkish Lira.
- The principal exposure of Threadneedle European Bond Fund and Threadneedle European Corporate Bond Fund is to the Euro.
- The principal exposures of Threadneedle Global Bond Fund are to the Euro, Japanes Yen and US Dollar.

Fair value of financial assets and financial liabilities

All of the financial assets of the trust are valued using the single price, which is deemed to be fair value.

The primary financial liability is the trust's liability to redeem units issued to finance its operations. These are held at book value and the difference from fair value is deemed to be immaterial.

At 15 May 2013, the trust had outstanding open forward foreign exchange contracts of £722,000 (2012: £1,522,000).

Cash balances are held in floating rate accounts where interest is calculated with reference to prevailing market rates.

12 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities and commitments outstanding (2012: Nil).

13 PORTFOLIO TRANSACTION COSTS

The purchases and sales are not subject to portfolio transaction costs.

The total cost of purchases during the period was £50,194,546 (2012: £51,001,863) and proceeds received from sales were £33,100,000 (2012: £3,320,974).

Threadneedle Defensive Fund

Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme

The Collective Investment Schemes Sourcebook (COLL), as issued (and amended) by the Financial Conduct Authority's (formerly Financial Services Authority (FSA)), require the Manager 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 Scheme and of its net revenue and the net gains or losses on the property of the Scheme for the period. In preparing the financial statements the Manager 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 Trust will continue in operation for the foreseeable future.

The Manager is required to keep proper accounting records and to manage the Trust in accordance with the Collective Investment Schemes Sourcebook, the Trust Deed and the Scheme Particulars. The Manager is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Trustee's Responsibilities and Report of the Trustee to the Unitholders of the Threadneedle Defensive Fund

The Trustee is responsible for the safekeeping of all of the property of the Scheme (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 Trustee to take reasonable care to ensure that the Scheme is managed by the Authorised Fund Manager in accordance with the Financial Conduct Authority's (formerly Financial Services Authority's) Collective Investment Schemes Sourcebook ("the COLL Sourcebook") and the Scheme's Trust Deed and Prospectus, as appropriate, in relation to the pricing of, and dealings in, units in the Scheme; the application of revenue of the Scheme; and the investment and borrowing powers of the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Authorised Fund Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's revenue in accordance with the COLL Sourcebook and, where applicable, the Scheme's Trust Deed and Prospectus; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

Bournemouth
26 June 2013

J.P. Morgan Trustee
and Depositary Company Limited
Trustee

Threadneedle Defensive Fund

Independent Auditors' report to the unitholders of Threadneedle Defensive Fund

We have audited the financial statements of Threadneedle Defensive Fund (the "Trust") for the year ended 15 May 2013 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, the related notes and the distribution tables. 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) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of Authorised Fund Manager and auditors

As explained more fully in the Authorised Fund Manager's Responsibilities Statement the Authorised Fund Manager 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.

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Manager's Report to identify material inconsistencies with the audited financial statements. 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 Trust at 15 May 2013 and of the net revenue and the net capital gains of the scheme property of the Trust for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion;

- proper accounting records for the Trust have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

London
26 June 2013

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors

The financial statements are published at threadneedle.com, which is a website maintained by Threadneedle Investment Services limited. The maintenance and integrity of the Threadneedle Investment Services Limited's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Threadneedle Defensive Fund

Portfolio Statement

as at 15 May 2013

| Holding | Investment | Value £000 | % of Net Asset Value | Holding | Investment | Value £000 | % of Net Asset Value |
|--------------------------------------|--|----------------|----------------------------|---|----------------|---------------|----------------------------|
| COLLECTIVE INVESTMENT SCHEMES | | | | DERIVATIVES 0.34% (0.78%) | | | |
| 100.03% (91.65%) | | | | Forward foreign exchange contracts 0.34% (0.78%) | | | |
| | UK equity 19.87% (13.50%) | | | Sell EUR 32,159,305 | | | |
| 34,372,790 | Threadneedle UK Equity Income Fund | 27,828 | 13.11 | Buy GBP 27,850,540 HSBC | 687 | 0.32 | |
| 10,252,818 | Threadneedle UK Growth & Income Fund | 7,938 | 3.74 | Sell USD 38,777,597 | | | |
| 5,324,332 | Threadneedle UK Institutional Fund | 6,405 | 3.02 | Buy GBP 25,436,272 HSBC | (66) | (0.03) | |
| | Total UK equity | 42,171 | 19.87 | Sell EUR 2,594,223 | | | |
| | UK bond 47.02% (51.38%) | | | Buy GBP 2,200,000 HSBC | 7 | — | |
| 42,580,186 | Threadneedle Absolute Return Bond Fund | 27,332 | 12.88 | Sell EUR 2,387,989 | | | |
| 23,907,720 | Threadneedle High Yield Bond Fund | 10,656 | 5.02 | Buy GBP 2,100,000 RBS | 82 | 0.04 | |
| 12,250,330 | Threadneedle Sterling Bond Fund | 6,420 | 3.03 | Sell EUR 1,894,119 | | | |
| 20,136,133 | Threadneedle Sterling Fund | 20,104 | 9.47 | Buy GBP 1,600,000 RBS | (1) | — | |
| 12,663,263 | Threadneedle Strategic Bond Fund | 6,248 | 2.94 | Sell USD 1,660,988 | | | |
| 30,745,674 | Threadneedle UK Corporate Bond Fund | 29,036 | 13.68 | Buy GBP 1,100,000 RBS | 8 | — | |
| | Total UK bond | 99,796 | 47.02 | Sell USD 1,517,421 | | | |
| | Overseas equity 1.26% (0.00%) | | | Buy GBP 1,000,000 J.P. Morgan | 2 | — | |
| 1,652,355 | Threadneedle American Fund | 2,673 | 1.26 | Sell GBP 900,000 | | | |
| | Total overseas equity | 2,673 | 1.26 | Buy USD 1,401,318 Citibank | 22 | 0.01 | |
| | Overseas bond 31.88% (26.77%) | | | Sell GBP 300,000 | | | |
| 37,781,574 | Threadneedle Dollar Bond Fund | 20,666 | 9.74 | Buy USD 447,034 HSBC | (6) | — | |
| 4,529,922 | Threadneedle Emerging Market Local Fund | 7,246 | 3.41 | Sell GBP 300,000 | | | |
| 25,684,214 | Threadneedle European Bond Fund | 18,123 | 8.54 | Buy EUR 343,417 Citibank | (10) | — | |
| 13,305,879 | Threadneedle European Corporate Bond Fund | 12,523 | 5.90 | Sell USD 465,079 | | | |
| 11,184,037 | Threadneedle Global Bond Fund | 9,113 | 4.29 | Buy GBP 300,000 RBS | (6) | — | |
| | Total overseas bond | 67,671 | 31.88 | Sell USD 306,406 | | | |
| | Total collective investment schemes | 212,311 | 100.03 | Buy GBP 200,000 RBS | (1) | — | |
| | | | | Sell EUR 234,976 | | | |
| | | | | Buy GBP 200,000 RBS | 1 | — | |
| | | | | Sell USD 306,430 | | | |
| | | | | Buy GBP 200,000 J.P. Morgan | (1) | — | |
| | | | | Sell EUR 115,722 | | | |
| | | | | Buy GBP 100,000 RBS | 2 | — | |
| | | | | Sell USD 150,582 | | | |
| | | | | Buy GBP 100,000 J.P. Morgan | 1 | — | |
| | | | | Sell GBP 150,582 | | | |
| | | | | Buy USD 100,000 J.P. Morgan | — | — | |
| | | | | Sell EUR 116,667 | | | |
| | | | | Buy GBP 100,000 RBS | 1 | — | |
| | | | | Sell GBP 100,000 | | | |
| | | | | Buy USD 152,345 Citibank | — | — | |
| | | | | Sell EUR 116,764 | | | |
| | | | | Buy GBP 100,000 RBS | 1 | — | |
| | | | | Sell EUR 118,410 | | | |
| | | | | Buy GBP 100,000 HSBC | — | — | |
| | | | | Sell GBP 100,000 | | | |
| | | | | Buy EUR 117,579 RBS | (1) | — | |
| | | | | Sell GBP 100,000 | | | |
| | | | | Buy USD 152,559 HSBC | — | — | |
| | | | | Total derivatives | 722 | 0.34 | |
| | | | | Total value of investments | 213,033 | 100.37 | |
| | | | | Net other (liabilities)/assets (7.57%) | (781) | (0.37) | |
| | | | | Net assets | 212,252 | 100.00 | |

The calculation of the % Net Asset Value may not sum to 100% due to rounding.

May 2012 comparatives in brackets.

Comparative Tables

| Accounting Period | Net asset value of trust £000 | Net asset value per unit p | Units in issue | Calendar Year | Net income per unit p | Highest offer p | Lowest bid p |
|---|-------------------------------|----------------------------|----------------|-----------------------------------|-----------------------|-----------------|--------------|
| Threadneedle Global Equity Fund | | | | 2008 | | | |
| for the year ended 15 May 2011 | | | | Class A – Net accumulation units | 0.7460 | 107.70 | 64.94 |
| Class A – Net accumulation units | 187,441 | 115.89p | 161,737,432 | Class B – Net accumulation units | 0.9533 | 104.40 | 65.51 |
| Class B – Net accumulation units | 48,474 | 117.58p | 41,225,784 | 2009 | | | |
| for the year ended 15 May 2012 | | | | Class A – Net accumulation units | 1.1724 | 100.60 | 67.01 |
| Class A – Net accumulation units | 164,040 | 107.29p | 152,887,715 | Class B – Net accumulation units | 1.3689 | 97.99 | 67.66 |
| Class B – Net accumulation units | 64,288 | 109.11p | 58,921,380 | 2010 | | | |
| for the year ended 15 May 2013 | | | | Class A – Net accumulation units | 0.9036 | 118.40 | 91.18 |
| Class A – Net accumulation units | 197,159 | 134.48p | 146,606,222 | Class B – Net accumulation units | 1.1198 | 115.50 | 92.25 |
| Class B – Net accumulation units | 84,892 | 137.04p | 61,946,397 | 2011 | | | |
| | | | | Class A – Net accumulation units | 0.7262 | 123.50 | 95.62 |
| | | | | Class B – Net accumulation units | 0.9690 | 120.70 | 97.11 |
| | | | | 2012 | | | |
| | | | | Class A – Net accumulation units | 1.0607 | 121.80 | 105.30 |
| | | | | Class B – Net accumulation units | 1.3154 | 119.50 | 107.00 |
| | | | | 2013 | | | |
| | | | | †Class A – Net accumulation units | 1.2065 | 139.60 | 118.60 |
| | | | | †Class B – Net accumulation units | 1.4804 | 137.10 | 120.80 |
| | | | | †To 15 May 2013 | | | |
| Threadneedle Global Equity & Bond Fund | | | | 2008 | | | |
| for the year ended 15 May 2011 | | | | Class A – Net accumulation units | 1.0718 | 97.15 | 64.03 |
| Class A – Net accumulation units | 385,765 | 106.17p | 363,335,306 | Class B – Net accumulation units | 1.2640 | 94.14 | 64.56 |
| Class B – Net accumulation units | 256,062 | 107.70p | 237,749,230 | 2009 | | | |
| for the year ended 15 May 2012 | | | | Class A – Net accumulation units | 1.3615 | 94.09 | 65.62 |
| Class A – Net accumulation units | 338,276 | 99.54p | 339,847,460 | Class B – Net accumulation units | 1.5611 | 91.58 | 66.23 |
| Class B – Net accumulation units | 254,985 | 101.20p | 251,953,787 | 2010 | | | |
| for the year ended 15 May 2013 | | | | Class A – Net accumulation units | 1.0351 | 108.40 | 86.17 |
| Class A – Net accumulation units | 386,962 | 121.73p | 317,898,314 | Class B – Net accumulation units | 1.2525 | 105.90 | 87.15 |
| Class B – Net accumulation units | 306,630 | 124.04p | 247,203,139 | 2011 | | | |
| | | | | Class A – Net accumulation units | 0.8958 | 112.40 | 90.04 |
| | | | | Class B – Net accumulation units | 1.1349 | 109.80 | 91.42 |
| | | | | 2012 | | | |
| | | | | Class A – Net accumulation units | 1.2300 | 112.30 | 97.83 |
| | | | | Class B – Net accumulation units | 1.4812 | 110.10 | 99.39 |
| | | | | 2013 | | | |
| | | | | †Class A – Net accumulation units | 1.3487 | 126.40 | 109.00 |
| | | | | †Class B – Net accumulation units | 1.6172 | 124.10 | 111.00 |
| | | | | †To 15 May 2013 | | | |
| Threadneedle Equity & Bond Fund | | | | 2008 | | | |
| for the year ended 15 May 2011 | | | | Class A – Net accumulation units | 2.2239 | 91.51 | 71.91 |
| Class A – Net accumulation units | 526,540 | 104.10p | 505,790,199 | Class B – Net accumulation units | 2.4113 | 88.61 | 72.45 |
| Class B – Net accumulation units | 344,977 | 105.45p | 327,155,837 | 2009 | | | |
| for the year ended 15 May 2012 | | | | Class A – Net accumulation units | 2.6620 | 95.94 | 74.59 |
| Class A – Net accumulation units | 494,897 | 101.05p | 489,738,314 | Class B – Net accumulation units | 2.8535 | 93.24 | 75.21 |
| Class B – Net accumulation units | 368,092 | 102.57p | 358,871,532 | 2010 | | | |
| for the year ended 15 May 2013 | | | | Class A – Net accumulation units | 2.2855 | 105.80 | 89.31 |
| Class A – Net accumulation units | 553,249 | 118.20p | 468,070,448 | Class B – Net accumulation units | 2.4938 | 103.10 | 90.22 |
| Class B – Net accumulation units | 468,981 | 120.21p | 390,120,347 | 2011 | | | |
| | | | | Class A – Net accumulation units | 2.0710 | 109.70 | 94.68 |
| | | | | Class B – Net accumulation units | 2.2976 | 107.00 | 95.98 |
| | | | | 2012 | | | |
| | | | | Class A – Net accumulation units | 2.1102 | 112.80 | 99.38 |
| | | | | Class B – Net accumulation units | 2.3478 | 110.40 | 100.80 |
| | | | | 2013 | | | |
| | | | | †Class A – Net accumulation units | 2.0959 | 122.70 | 108.90 |
| | | | | †Class B – Net accumulation units | 2.3500 | 120.30 | 110.70 |
| | | | | †To 15 May 2013 | | | |

Comparative Tables

(continued)

| Accounting Period | Net asset value of trust £000 | Net asset value per unit p | Units in issue | Calendar Year | Net income per unit p | Highest offer p | Lowest bid p |
|--|--|-------------------------------------|-------------------|-----------------------------------|-----------------------------|-----------------------|--------------------|
| Threadneedle Defensive Equity & Bond Fund | | | | 2008 | | | |
| for the year ended 15 May 2011 | | | | Class A – Net accumulation units | 1.8492 | 72.11 | 60.22 |
| Class A – Net accumulation units | 164,156 | 80.96p | 202,754,833 | Class B – Net accumulation units | 1.9995 | 69.84 | 60.68 |
| Class B – Net accumulation units | 101,413 | 82.03p | 123,626,807 | 2009 | | | |
| for the year ended 15 May 2012 | | | | Class A – Net accumulation units | 2.0875 | 76.64 | 61.74 |
| Class A – Net accumulation units | 162,375 | 83.08p | 195,451,764 | Class B – Net accumulation units | 2.2452 | 74.51 | 62.26 |
| Class B – Net accumulation units | 132,551 | 84.36p | 157,132,978 | 2010 | | | |
| for the year ended 15 May 2013 | | | | Class A – Net accumulation units | 1.9501 | 82.92 | 72.72 |
| Class A – Net accumulation units | 185,579 | 93.00p | 199,538,007 | Class B – Net accumulation units | 2.1231 | 80.79 | 73.48 |
| Class B – Net accumulation units | 193,240 | 94.63p | 204,206,660 | 2011 | | | |
| | | | | Class A – Net accumulation units | 1.5551 | 84.55 | 77.34 |
| | | | | Class B – Net accumulation units | 1.7389 | 82.48 | 78.40 |
| | | | | 2012 | | | |
| | | | | Class A – Net accumulation units | 1.5908 | 91.05 | 81.22 |
| | | | | Class B – Net accumulation units | 1.7858 | 89.23 | 82.41 |
| | | | | 2013 | | | |
| | | | | †Class A – Net accumulation units | 1.6455 | 96.51 | 87.85 |
| | | | | †Class B – Net accumulation units | 1.8536 | 94.64 | 89.32 |
| | | | | †To 15 May 2013 | | | |
| Threadneedle Defensive Fund | | | | 2008 | | | |
| for the year ended 15 May 2011 | | | | Class A – Net accumulation units | 1.8878 | 65.14 | 57.21 |
| Class A – Net accumulation units | 77,141 | 71.68p | 107,614,904 | Class B – Net accumulation units | 2.0257 | 63.00 | 57.58 |
| Class B – Net accumulation units | 51,795 | 72.53p | 71,407,482 | 2009 | | | |
| for the year ended 15 May 2012 | | | | Class A – Net accumulation units | 2.1581 | 69.72 | 58.19 |
| Class A – Net accumulation units | 92,579 | 74.18p | 124,803,309 | Class B – Net accumulation units | 2.2995 | 67.70 | 58.62 |
| Class B – Net accumulation units | 102,090 | 75.22p | 135,727,686 | 2010 | | | |
| for the year ended 15 May 2013 | | | | Class A – Net accumulation units | 1.7668 | 74.43 | 66.72 |
| Class A – Net accumulation units | 96,856 | 80.35p | 120,547,217 | Class B – Net accumulation units | 1.9194 | 72.40 | 67.32 |
| Class B – Net accumulation units | 115,396 | 81.63p | 141,358,447 | 2011 | | | |
| | | | | Class A – Net accumulation units | 1.4308 | 75.66 | 70.11 |
| | | | | Class B – Net accumulation units | 1.5928 | 73.79 | 70.89 |
| | | | | 2012 | | | |
| | | | | Class A – Net accumulation units | 1.2297 | 80.29 | 72.84 |
| | | | | Class B – Net accumulation units | 1.3968 | 78.57 | 73.81 |
| | | | | 2013 | | | |
| | | | | †Class A – Net accumulation units | 1.3357 | 83.38 | 77.21 |
| | | | | †Class B – Net accumulation units | 1.5119 | 81.66 | 78.39 |
| | | | | †To 15 May 2013 | | | |

Ongoing Charges Figure Summary

for the accounting period 16 May 2012 to 15 May 2013

| Trust | Unit Class | May 2013 | May 2012 |
|---|----------------------------------|----------|----------|
| Threadneedle Global Equity Fund | Class A – Net accumulation units | 1.77% | 1.78% |
| | Class B – Net accumulation units | 1.51% | 1.52% |
| Threadneedle Global Equity & Bond Fund | Class A – Net accumulation units | 1.66% | 1.70% |
| | Class B – Net accumulation units | 1.38% | 1.42% |
| Threadneedle Equity & Bond Fund | Class A – Net accumulation units | 1.45% | 1.48% |
| | Class B – Net accumulation units | 1.20% | 1.22% |
| Threadneedle Defensive Equity & Bond Fund | Class A – Net accumulation units | 1.55% | 1.55% |
| | Class B – Net accumulation units | 1.30% | 1.28% |
| Threadneedle Defensive Fund | Class A – Net accumulation units | 1.39% | 1.27% |
| | Class B – Net accumulation units | 1.14% | 1.01% |

The ongoing charges figure (OCF) is based on the last year's expenses and may vary from year to year. It includes charges such as the trust's annual management charge, registration fee, custody fees and distribution cost but excludes the costs of buying and selling assets for the trust (unless these assets are shares of another fund). For a more detailed breakdown please visit threadneedle.com/fees.

Where the trust invests in other funds, the calculation includes the trust's share of the expenses of the underlying funds. The share of the costs of the underlying funds may fluctuate due to changes in investments decisions, which may be required as a result of changes in market conditions.

Risk and Reward Profiles

| Trust | Unit Class | SRRI* |
|---|----------------------------------|-------|
| Threadneedle Global Equity Fund | Class A – Net accumulation units | 6 |
| | Class B – Net accumulation units | 6 |
| § Threadneedle Global Equity & Bond Fund | Class A – Net accumulation units | 5 |
| | Class B – Net accumulation units | 5 |
| Threadneedle Equity & Bond Fund | Class A – Net accumulation units | 4 |
| | Class B – Net accumulation units | 4 |
| Threadneedle Defensive Equity & Bond Fund | Class A – Net accumulation units | 4 |
| | Class B – Net accumulation units | 4 |
| Threadneedle Defensive Fund | Class A – Net accumulation units | 3 |
| | Class B – Net accumulation units | 3 |

§ The risk and reward profile of the Global Equity & Bond Fund changed from 6 to 5 for all share classes on 23 April 2013.

*The synthetic risk and reward indicator (SRRI) is explained in the table below:

| SRRI | |
|------|--|
| 1 | The trust is in this specific category because historically it has shown a low level of volatility (how much the value of the trust went up and down compared to other categories). |
| 2 | The trust is in this specific category because historically it has shown a relatively low level of volatility (how much the value of the trust went up and down compared to other categories). |
| 3 | The trust is in this specific category because historically it has shown a medium to low level of volatility (how much the value of the trust went up and down compared to other categories). |
| 4 | The trust is in this specific category because historically it has shown a medium level of volatility (how much the value of the trust went up and down compared to other categories). |
| 5 | The trust is in this specific category because historically it has shown a medium to high level of volatility (how much the value of the trust went up and down compared to other categories). |
| 6 | The trust is in this specific category because historically it has shown a high level of volatility (how much the value of the trust went up and down compared to other categories). |
| 7 | The trust is in this specific category because historically it has shown a very high level of volatility (how much the value of the trust 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 Trusts are Authorised Unit Trust Schemes that have been set up in accordance with the rules contained in the Financial Conduct Authority's (formerly the Financial Services Authority's) Collective Investment Scheme Sourcebook ("COLL") and operate under Chapter 5 of the COLL Rules. The trusts have been certified by the Financial Conduct Authority ("FCA") (formerly the Financial Services Authority ("FSA")) as eligible to enjoy the rights conferred by the Undertakings for Collective Investment in Transferable Securities Directive 2009/65/EC.

The Prospectus, which describes each of the trusts in the Threadneedle Managed Growth Funds range in detail, is available on request from Threadneedle Investment Services Limited, the Authorised Unit Trust Manager ("Manager").

Changes to the Prospectus

The following changes were made to the Threadneedle Managed Funds Prospectus during the period 16 May 2012 to 15 May 2013.

- improved disclosure on our Registration Fees;
- change in address of Auditors;
- change in address of Trustee;
- change in name of FSA to FCA;
- removal of Crispin Henderson and addition of Campbell Fleming as Director;
- removal of reference to TAML carrying out investment advice;
- risk factor re clearing arrangements for derivatives added;
- addition of reference re ability to reject order to ensure compliance with regulations;
- money laundering wording amended for greater clarity;
- inclusion of ability to convert shares;
- introduction of policy on market timing and late trading;
- interest distribution wording amended for greater clarity;
- dividend distribution wording amended for greater clarity;
- SDRT wording amended for greater clarity;
- amendment to complaints address;
- addition of wording describing: Best Execution, Exercise of Voting Rights, Conflicts of Interest and Cluster Munitions;
- update to performance figures;
- other miscellaneous changes.

The Retail Distribution Review ("RDR")

RDR is an initiative that is being driven by the Financial Conduct Authority (formerly the Financial Services Authority) to change how investors get financial advice. The RDR came into effect on 31 December 2012.

For more information on RDR please visit fca.org.uk/consumers/protect-yourself/investment-rights/payadvice

Client Services Details

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

Telephone UK Investors: (dealing & customer enquiries):
0845 113 0273*

Telephone non-UK Investors: (dealing & customer enquiries):
01268 441 520

Fax UK Investors (dealing): 0845 113 0274

Fax non-UK Investors (dealing): 00 352 2455 29807

Email (enquiries): questions@service.threadneedle.co.uk

Registrar

Threadneedle Investment Services Limited

St Nicholas Lane
Basildon
Essex SS15 5FS

Legal Advisers:

Eversheds LLP
One Wood Street
London EC2V 7WS

Charges and Prices

For the Threadneedle Managed Growth Funds, two unit prices are quoted for each trust, the 'offer' price at which you buy units and the 'bid' price at which you sell them back to us. The difference between these two prices includes the initial charge and is called the bid/offer spread. The spread for all the trusts is 3.75% of the offer price. The fees and expenses of the Trustees, Registrar's fees, Auditor's fees and FCA (formerly FSA) authorisation fees are also payable by the trusts.

SDRT Provision

SDRT is chargeable on the surrender, and certain transfers of units in the trusts. The current rate of SDRT is 0.5%.

The liability for SDRT is calculated weekly by reference to unit 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 unitholders and potential unitholders:

The Trustee meets the SDRT liability from the property of the trust. It is not the Manager's intention to require the payment of a further provision for SDRT (as set out in the Prospectus).

Income Equalisation

When the first income distribution is received it may include an amount known as equalisation. The amount representing the income equalisation in the Unit's price is a return of capital and is not taxable in the hands of Unitholders. This amount should be deducted from the cost of income units in computing capital gains realised on their disposal.

Individual Savings Accounts

Throughout the accounting period the trusts have satisfied the requirements of the Individual Savings Account Regulations 1998.

It is the Manager's intention that the trusts will be managed in such a way as to continue to meet this requirement.

Directory

Manager and Registrar

Threadneedle Investment Services Limited

Registered Office

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

Telephone UK Investors: (dealing & customer enquiries):

0845 113 0273*

Telephone non-UK Investors: (dealing & customer enquiries):

01268 441 520

Fax UK Investors (dealing): 0845 113 0274

Fax non-UK Investors (dealing): 00 352 2455 29807

Email (enquiries): questions@service.threadneedle.co.uk

Chairman and Chief Executive

C D Fleming (Appointed 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

Trustee

J.P. Morgan Trustee and Depositary Company Limited

(Authorised and regulated by the

Financial Conduct Authority (FCA)

(formerly Financial Services Authority (FSA))

Chaseside

Bournemouth

Dorset, BH7 7DA

Independent Auditors

PricewaterhouseCoopers LLP

7 More London Riverside

London, SE1 2RT

Investment Adviser

Threadneedle Asset Management Limited

(Authorised and regulated by the FCA (formerly FSA))

60 St Mary Axe

London, EC3A 8JQ

**Calls will be recorded*

Important Information

Key Risks

Risks applicable to all trusts

Market Risk

The value of investments 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.

Investment in Funds Risk

As this trust invests into other funds you should consider the underlying investments and overall risks.

Currency Risk

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

Investor Currency Risk

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

Volatility Risk

The trust may exhibit significant price volatility.

Risks applicable to all trusts except Global Equity Fund

Issuer Risk

These trusts invest in securities whose value would be significantly affected if the issuer either refused to pay or was unable to pay.

Inflation Risk

Most bond funds offer limited capital growth potential and an income that is not linked to inflation. Therefore, inflation can affect the value of capital and income over time.

Interest Rate Risk

Changes in interest rates are likely to affect the trust's value. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. Duration is a measure of the extent to which this is the case, with a longer duration suggesting higher sensitivity to interest rate moves.

Risks applicable to all trusts except Defensive Fund

Volatility Risk

The trust may exhibit significant price volatility.

Investors should refer to the Prospectus for full details of all risks applicable to these trusts.

Key Investor Information Document (KIID) – Subscription requirements

Since 1 July 2012, the KIID is a pre contractual document and investors have to confirm that they have read the latest KIID before making a subscription. Threadneedle 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.

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