

THREADNEEDLE MANAGED INCOME FUND

Contents

Introduction.....	2
Manager's Report.....	3
Directors' Statement	3
Statement of Total Return	4
Statement of Change in Net Assets Attributable to Unitholders	4
Balance Sheet.....	4
Distribution Table.....	4
Notes to the Financial Statements.....	5
Portfolio Statement.....	6
Comparative Tables.....	7
Ongoing Charges Figure Summary	7
Risk and Reward Profiles.....	8
Total Purchases and Sales.....	8
Further Information.....	9
Directory.....	10
Important Information	10

Introduction

The Manager, Threadneedle Investment Services Limited, has pleasure in presenting the Interim Report and Accounts for the Threadneedle Managed Income Fund for the six months to 25 August 2013.

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.

Manager's Report

Investment Objective and Policy

The trust's investment objective and investment policy is to provide a growing income with capital growth prospects 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 may invest internationally and will invest primarily in collective investment schemes that invest in equities, fixed interest securities, cash or near cash. 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.

Performance

Over the six months to 25 August 2013, the offer price of Class A units for the Threadneedle Managed Income Fund has risen from 69.28p to 72.64p.

Over the same period, the offer price of Class B units has risen from 68.37p to 71.72p.

Looking at performance within its peer group, the total return on the trust* for the period ending 31 August 2013, including net reinvested income, is +6.82% as compared to a median return of +4.92% over the same period. (For information the FTSE All-Share Total Return Index returned +6.50% over the same period.)

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

The requirement to maintain a good level of income for investors means that a significant proportion of the portfolio continues to be held in funds with exposure to bonds.

**Refers to the Retail Class A units*

Fund Manager's Report

Helped by encouraging economic data out of the US, global equity markets rallied at the start of the period. Markets fell in June, however, after the US Federal Reserve confirmed that it was likely to start reducing quantitative easing should positive growth continue. Elsewhere, economic data was mixed; the eurozone came under pressure in March as Cyprus sought an emergency bailout, while in April, Italy, Spain and Portugal rallied thanks to an eventual resolution of the Italian election crisis and a cut in interest rates by the European Central Bank to 0.5%. Japan performed well overall as the Japanese government continued its proactive policies to boost growth, although Japanese equities did suffer some profit-taking after a strong run.

We continue to follow a flexible, multi-disciplined approach to allocate risk across the portfolio. At the end of the period, around 35% of the fund was invested in monthly income sub-funds (Threadneedle UK Monthly Income and Threadneedle Monthly Extra Income) and around 26% was invested in the two main UK income sub-funds (Threadneedle UK Equity Income and Threadneedle UK Equity Alpha Income). Elsewhere, the portfolio had

around 22% invested in two international income sub-funds (Threadneedle Global Equity Income and Threadneedle Pan European Equity Dividend) and 16% in two bond funds (Threadneedle UK Corporate Bond and Threadneedle High Yield Bond).

There were no meaningful changes to the portfolio's asset allocation over the reporting period. We took profit from our high-yield exposure after a strong run for the asset class, reducing the fund's holding in the Threadneedle High Yield Bond Fund. We also sold part of our holding in the Threadneedle Pan European Equity Dividend Fund after strong performance.

Pages 7 to 10 at the back of this Interim Report and Accounts form part of the Manager's Report.

Directors' Statement

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

P J W Reed
Director

T N Gillbanks
Director

27 September 2013

STATEMENT OF TOTAL RETURN

for the accounting period 26 February 2013 to 25 August 2013

	2013 £000	2012 £000
Income		
Net capital gains	5,363	631
Revenue	2,265	1,721
Expenses	(122)	(115)
Finance costs: Interest	—	(1)
Net revenue before taxation	2,143	1,605
Taxation	(66)	(72)
Net revenue after taxation	2,077	1,533
Total return before distributions	7,440	2,164
Finance costs: Distributions	(1,577)	(1,611)
Change in net assets attributable to unitholders from investment activities	5,863	553

BALANCE SHEET

as at 25 August 2013

	2013 £000	February 2013 £000
Assets		
Investment assets	106,526	102,311
Other assets		
Debtors	671	747
Cash and bank balances	703	1,781
Total other assets	1,374	2,528
Total assets	107,900	104,839
Other liabilities		
Creditors	(450)	(621)
Distribution payable on income units	(260)	(1,148)
Total other liabilities	(710)	(1,769)
Total liabilities	(710)	(1,769)
Net assets attributable to unitholders	107,190	103,070

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 26 February 2013 to 25 August 2013

	2013 £000	2012 £000
Opening net assets attributable to unitholders	103,070	94,796
Movement due to sales and repurchases of units:		
Amounts receivable on the issue of units	3,501	3,704
Amounts payable on the cancellation of units	(5,240)	(5,082)
	(1,739)	(1,378)
Stamp duty reserve tax	(8)	(8)
Change in net assets attributable to unitholders from investment activities (see statement of total return above)	5,863	553
Unclaimed distribution monies brought back into account	4	6
Closing net assets attributable to unitholders	107,190	93,969

The comparatives used within the Statement of Change in Net Assets Attributable to Unitholders are for the corresponding period of the previous year. Therefore the opening net assets attributable to unitholders for the current year are at 25 February 2013 whilst the figure disclosed in the comparatives' closing net assets attributable to unitholders is at 25 August 2012.

DISTRIBUTION TABLE

for the accounting period 26 February 2013 to 25 August 2013

Dividend distribution in pence per unit

Class A Units				
Net Income Distribution Period	Net Revenue	Equalisation	Distribution Paid/Payable 2013	Distribution Paid 2012
Group 1				
26/02/13 to 25/03/13	0.1700	—	0.1700	0.1700
26/03/13 to 25/04/13	0.1549	—	0.1549	0.1464
26/04/13 to 25/05/13	0.1851	—	0.1851	0.1936
26/05/13 to 25/06/13	0.1700	—	0.1700	0.1700
26/06/13 to 25/07/13	0.1700	—	0.1700	0.1700
26/07/13 to 25/08/13	0.1700	—	0.1700	0.1700
Group 2				
26/02/13 to 25/03/13	—	0.1700	0.1700	0.1700
26/03/13 to 25/04/13	0.0114	0.1435	0.1549	0.1464
26/04/13 to 25/05/13	—	0.1851	0.1851	0.1936
26/05/13 to 25/06/13	—	0.1700	0.1700	0.1700
26/06/13 to 25/07/13	—	0.1700	0.1700	0.1700
26/07/13 to 25/08/13	—	0.1700	0.1700	0.1700
Total distributions in the period			1.0200	1.0200
Class B Units				
Net Income Distribution Period	Net Revenue	Equalisation	Distribution Paid/Payable 2013	Distribution Paid 2012
Group 1				
26/02/13 to 25/03/13	0.1700	—	0.1700	0.1700
26/03/13 to 25/04/13	0.1600	—	0.1600	0.1538
26/04/13 to 25/05/13	0.1800	—	0.1800	0.1862
26/05/13 to 25/06/13	0.1700	—	0.1700	0.1700
26/06/13 to 25/07/13	0.1700	—	0.1700	0.1700
26/07/13 to 25/08/13	0.1700	—	0.1700	0.1700
Group 2				
26/02/13 to 25/03/13	0.0050	0.1650	0.1700	0.1700
26/03/13 to 25/04/13	0.0263	0.1337	0.1600	0.1538
26/04/13 to 25/05/13	—	0.1800	0.1800	0.1862
26/05/13 to 25/06/13	0.0407	0.1293	0.1700	0.1700
26/06/13 to 25/07/13	—	0.1700	0.1700	0.1700
26/07/13 to 25/08/13	—	0.1700	0.1700	0.1700
Total distributions in the period			1.0200	1.0200

Group 2: units purchased during a distribution period

Notes to the Financial Statements

for the accounting period 26 February 2013 to 25 August 2013

1 ACCOUNTING POLICIES

(1) Basis of Accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with UK Generally Accepted Accounting Practice (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. The accounting policies applied are consistent with those of the annual financial statements for the year ended 25 February 2013 and are described in those financial statements.

(2) Notes

In accordance with the guidelines of the SORP the trust has taken advantage of the facility not to provide further notes to the financial statements.

Threadneedle Managed Income Fund

Portfolio Statement

as at 25 August 2013

Holding	Investment	Value £000	% of Net Asset Value
COLLECTIVE INVESTMENT SCHEMES 99.38% (99.26%)			
UK equity 61.66% (59.58%)			
29,577,354	Threadneedle Monthly Extra Income Fund	20,660	19.27
28,230,381	Threadneedle UK Equity Alpha Income Fund	17,384	16.22
13,582,082	Threadneedle UK Equity Income Fund	11,213	10.46
24,363,188	Threadneedle UK Monthly Income Fund	16,838	15.71
	Total UK equity	66,095	61.66
UK bond 10.64% (11.52%)			
20,562,152	Threadneedle UK Corporate Bond Fund	11,402	10.64
	Total UK bond	11,402	10.64
Overseas equity 21.56% (22.26%)			
9,285,975	Threadneedle Global Equity Income Fund	10,076	9.40
16,399,717	Threadneedle Pan European Equity Dividend Fund	13,033	12.16
	Total overseas equity	23,109	21.56
Overseas bond 5.52% (5.90%)			
13,587,803	Threadneedle High Yield Bond Fund	5,920	5.52
	Total overseas bond	5,920	5.52
	Total collective investment schemes	106,526	99.38
Total value of investments		106,526	99.38
Net other assets (0.74%)		664	0.62
Net assets		107,190	100.00

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

February 2013 comparatives in brackets.

Comparative Tables

Fund Size				Income and Price History			
For the year ended	Net Asset Value of Unit Class £	Net Asset Value per Unit	Units in issue	Calendar Year	Net income per unit p	Highest offer price p	Lowest bid price p
25 February 2011				2008			
Class A – Net income units	82,101,317	59.13p	138,848,364	Class A – Net income units	2.4421	69.16	44.13
Class B – Net income units	14,418,076	60.24p	23,932,788	Class B – Net income units	2.4633	67.39	44.75
25 February 2012				2009			
Class A – Net income units	79,898,568	59.78p	133,661,722	Class A – Net income units	3.0876	57.19	41.87
Class B – Net income units	14,897,796	61.03p	24,410,330	Class B – Net income units	3.1332	55.96	42.47
25 February 2013				2010			
Class A – Net income units	83,820,223	66.05p	126,903,568	Class A – Net income units	2.5094	62.49	51.52
Class B – Net income units	19,249,634	67.57p	28,487,450	Class B – Net income units	2.5577	61.29	52.41
25 August 2013				2011			
Class A – Net income units	85,798,298	69.84p	122,855,911	Class A – Net income units	2.6209	64.48	53.08
Class B – Net income units	21,391,255	71.54p	29,900,589	Class B – Net income units	2.6736	63.30	54.17
				2012			
				Class A – Net income units	2.7477	65.33	56.09
				Class B – Net income units	2.8088	64.43	57.31
				2013			
				†Class A – Net income units	1.9175	73.85	63.16
				†Class B – Net income units	1.9793	72.91	64.64

†To 25 August 2013

Ongoing Charges Figure Summary

for the accounting period 26 February 2013 to 25 August 2013

Trust	Unit Class	August 2013*	February 2013
Threadneedle Managed Income Fund	Class A – Net income units	1.79%	1.80%
	Class B – Net income units	1.54%	1.54%

* Annualised.

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

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

Risk and Reward Profiles

Trust	Unit Class	SRRI*
Threadneedle Managed Income Fund	Class A – Net income units	5
	Class B – Net income units	5

*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 pounds sterling.

Total Purchases and Sales

for the accounting period 26 February 2013 to 25 August 2013

Trust	August 2013 £000	February 2013 £000
Threadneedle Managed Income Fund		
Total purchases for the period	1,002	5,363
Total sales for the period	2,144	8,224

Further Information

The Threadneedle Managed Income Fund (the trust) is an authorised unit trust scheme that has been set up in accordance with the rules contained in the Financial Conduct Authority's (FCA) (formerly Financial Services Authority, FSA) Collective Investment Scheme Sourcebook (COLL) and operates under Chapter 5 of the COLL Rules. The trust has been certified by the FCA as eligible to enjoy the rights conferred by the Undertakings for Collective Investment in Transferable Securities Directive 2009/65/EC.

The prospectus, which describes the trust in detail, is available on request from the Authorised Unit Trust Manager (Manager).

Key Investor Information Document (KIID) – Subscription requirements

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 get the latest KIID from threadneedle.com.

Changes to the Prospectus

During the period from 26 February 2013 to 25 August 2013 the following changes were made to the prospectus of the trust:

- Update to "Buying, selling and switching units" section to clarify that the Manager has the right to reject orders if clients are not able to demonstrate that they have complied with applicable law and regulation, including where clients have not read the Key Investor Information document for the applicable fund;
- change in Transfer Agent;
- insertion of wording regarding Ongoing Charges Figure;
- improved disclosure on our Registration Fees;
- change in name of FSA to FCA;
- removal of Crispin Henderson as Director and noting of Campbell Fleming as Chair and Chief Executive;
- inclusion of ability to convert shares;
- money laundering wording amended for greater clarity;
- insertion of enhanced conflicts of interest wording;
- Descriptions of "Stamp duty reserve tax" and "Market timing and late trading" included in "Other dealing information" section;
- Inclusion of additional risk warning in relation to US federal legislation relating to derivatives;
- Update to client money wording to more clearly reflect treatment of redemption/subscription monies in accordance with FCA rules;
- The Manager's approach to "Best execution", "Exercise of voting rights", and "Cluster munitions" has been summarised;
- Update to Taxation section; and
- Update to Directory section to update address of Auditor and include the registered office of the Depositary.

Retail Distribution Review (RDR)

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

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

Charges and Prices

For the trust, two unit prices are quoted, 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 fees and expenses of the Trustee, Registrar's fees, Auditor's fees and FCA authorisation fees are payable by the trust.

SDRT Provision

Stamp Duty Reserve Tax (SDRT) is chargeable on the surrender (i.e. the redemption or switching of units), and on certain transfers of units in the trust. 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 trust 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 trust 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 Manager 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 trust has satisfied the requirements of the Individual Savings Account Regulations 1998 (as amended).

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

Directory

Manager

Threadneedle Investment Services Limited

Registered Office

60 St Mary Axe,
London EC3A 8JQ

Registrar

Threadneedle Investment Services Limited

Delegated to:

International Financial Data Services (UK) Limited

St Nicholas Lane

Basildon SS15 5FS

Client Services Details

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

Website: threadneedle.com

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 FCA

Chaseside

Bournemouth

Dorset BH7 7DA

Legal Advisers

Eversheds LLP

One Wood Street

London EC2V 7WS

Independent Auditors

PricewaterhouseCoopers LLP

7 More London Riverside

London SE1 2RT

Investment Adviser

Threadneedle Asset Management Limited

Authorised and regulated by the FCA

60 St Mary Axe

London EC3A 8JQ

Important Information

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.

Investing in Funds Risk

Where trusts invest into other funds, investors should consider the underlying assets when assessing their portfolio exposure.

Currency Risk

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

Issuer Risk

The trust invests 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.

Volatility Risk

The trust may exhibit significant price volatility.

**Calls will be recorded*

TO FIND OUT MORE
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