

# THREADNEEDLE MANAGED FUNDS

## Contents

Introduction.....	2
Threadneedle Global Equity Fund .....	3 – 5
Threadneedle Global Equity & Bond Fund.....	6 – 8
Threadneedle Equity & Bond Fund .....	9 – 11
Threadneedle Defensive Equity & Bond Fund .....	12 – 14
Threadneedle Defensive Fund.....	15 – 17
Comparative Tables.....	18
Ongoing Charges Figure Summary .....	20
Risk and Reward Profiles.....	21
Total Purchases and Sales.....	22
Further Information.....	23 – 24
Directory.....	25
Important Information .....	25

## Introduction

These Interim Reports cover the 6 months to 15 November 2013 and review the performance and market background for five of the unit trusts in the Threadneedle Managed 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](http://threadneedle.com) for further information about Threadneedle.

Thank you for your continued support.



**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 2013 to 15 November 2013.

#### Fund Performance

During the period under review the offer price of Class A units rose by 1.58% from 139.60p to 141.80p.

During the period under review the offer price of Class B units rose by 1.68% from 137.10p to 139.40p.

Looking at performance within its peer group (the IMA – Flexible Investment Sector), the total return on the trust for the six months ending 31 October 2013, including net reinvested income, is +5.94% as compared to a median return of +5.01% 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

Global equities experienced considerable volatility during the review period and there was notable divergence in performance; US markets, for instance, continued to scale fresh highs in dollar terms and European equities also performed well, but Asian and emerging markets lagged. At the beginning of the period, comments from the US Federal Reserve (the Fed) led investors to speculate that the Fed could start scaling back its massive asset-purchase programme sooner than expected – this led to a sharp correction in global equity and bond markets. Most markets subsequently regained their poise as stimulus reduction was postponed and further signs of global economic recovery emerged, notably in the US, Europe, the UK, Japan, and latterly also in China. However, speculation regarding the timing of stimulus withdrawal continued to cause heightened volatility, as did an impasse over the US budget. Emerging markets were particularly badly affected by this uncertainty, while some countries in the region were also afflicted by slowing growth, rising inflation and currency weakness.

During the review period, we increased our exposure to Japan where fiscal, monetary and structural reform measures are reinvigorating the economy. We also increased our exposure to European equities where valuations appeared attractive, given the region's gradual emergence from recession. Meanwhile, we reduced exposure to China on concerns over the country's growth trajectory and we also trimmed our position in Latin America. We subsequently added to our emerging market exposure on valuation grounds. Within Asia, we introduced a higher-yielding fund. Following strong performance, we also realised gains in several equity

funds, notably in the US and the UK. In the fixed-income portfolio, we trimmed emerging market local currency bonds and sold UK corporate bonds, while adding to cash in the Threadneedle Sterling Fund.

We continue to believe that equities are the most attractive major asset class. The improved global economic backdrop should enable corporate earnings to show useful growth. Valuations remain reasonable, and we expect the recent pick-up in M&A activity to continue. In fixed-income markets, we see limited value at current yields on 10-year US Treasuries. Credit has outperformed government bonds and we continue to regard yield spreads as attractive.

*Pages 18 to 23 at the back of these Interim Reports and Accounts form part of the Manager's Report.*

### Directors' Statement

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

20 December 2013

P J W Reed  
T N Gillbanks

## Threadneedle Global Equity Fund

### STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2013 to 15 November 2013

	2013 £000	2012 £000
Income		
Net capital gains	2,744	9,422
Revenue	1,706	1,435
Expenses	(253)	(212)
Net revenue before taxation	1,453	1,223
Taxation	(20)	(102)
Net revenue after taxation	1,433	1,121
<b>Total return</b>	<b>4,177</b>	<b>10,543</b>
Finance costs: Equalisation	(23)	5
<b>Change in net assets attributable to unitholders from investment activities</b>	<b>4,154</b>	<b>10,548</b>

### BALANCE SHEET

as at 15 November 2013

	2013 £000	May 2013 £000
<b>Assets</b>		
<b>Investment assets</b>	270,146	281,529
<b>Other assets</b>		
Debtors	1,925	264
Cash and bank balances	3,995	1,040
Total other assets	5,920	1,304
Total assets	276,066	282,833
<b>Liabilities</b>		
<b>Other liabilities</b>		
Creditors	(896)	(782)
Total other liabilities	(896)	(782)
Total liabilities	(896)	(782)
<b>Net assets attributable to unitholders</b>	<b>275,170</b>	<b>282,051</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2013 to 15 November 2013

	2013 £000	2012 £000
<b>Opening net assets attributable to unitholders</b>	282,051	228,328
Movement due to sales and repurchases of units:		
Amounts receivable on the issue of units	5,875	8,973
Amounts payable on the cancellation of units	(16,893)	(7,902)
	(11,018)	1,071
Stamp duty reserve tax	(17)	(17)
Change in net assets attributable to unitholders from investment activities (see statement of total return above)	4,154	10,548
<b>Closing net assets attributable to unitholders</b>	<b>275,170</b>	<b>239,930</b>

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 15 May 2013 whilst the figure disclosed in the comparatives' closing net assets attributable to unitholders is at 15 November 2012.

### Notes to the Financial Statements

for the accounting period 16 May 2013 to 15 November 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 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 15 May 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 Global Equity Fund

### Portfolio Statement

as at 15 November 2013

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
<b>COLLECTIVE INVESTMENT SCHEMES 98.17% (99.81%)</b>				<b>Overseas bond 1.21% (2.43%)</b>			
	<b>UK equity 33.52% (33.42%)</b>			1,826,633	Threadneedle Emerging Market Bond Fund	1,737	0.63
2,513,803	Threadneedle UK Absolute Alpha Fund	3,130	1.14	1,183,725	Threadneedle Emerging Market Local Fund	1,580	0.58
10,870,015	Threadneedle UK Equity Alpha Income Fund	7,114	2.59		<b>Total overseas bond</b>	<b>3,317</b>	<b>1.21</b>
15,234,951	Threadneedle UK Equity Income Fund	12,962	4.71		<b>Total collective investment schemes</b>	<b>270,146</b>	<b>98.17</b>
1,358,297	Threadneedle UK Extended Alpha Fund	4,727	1.72		<b>Total value of investments</b>	<b>270,146</b>	<b>98.17</b>
15,795,431	Threadneedle UK Fund	17,497	6.36		<b>Net other assets (0.19%)</b>	<b>5,024</b>	<b>1.83</b>
9,177,083	Threadneedle UK Growth & Income Fund	7,442	2.70		<b>Net assets</b>	<b>275,170</b>	<b>100.00</b>
3,015,969	Threadneedle UK Mid 250 Fund	5,456	1.98				
26,970,996	Threadneedle UK Select Fund	28,074	10.20				
3,154,435	Threadneedle UK Smaller Companies Fund	5,844	2.12				
	<b>Total UK equity</b>	<b>92,246</b>	<b>33.52</b>				
	<b>UK bond 9.42% (9.32%)</b>						
13,173,375	Threadneedle High Yield Bond Fund	5,832	2.12				
20,122,523	Threadneedle Sterling Fund	20,090	7.30				
	<b>Total UK bond</b>	<b>25,922</b>	<b>9.42</b>				
	<b>Overseas equity 54.02% (54.64%)</b>						
100,609	Threadneedle (Lux) – American Absolute Alpha Fund	1,704	0.62				
6,060,027	Threadneedle American Fund	9,442	3.43				
20,893,928	Threadneedle American Select Fund	34,937	12.70				
14,158,282	Threadneedle Asia Fund	19,111	6.94				
46,338	Threadneedle (Lux) – Asian Equity Income Fund	1,891	0.69				
5,732,006	Threadneedle European Fund	9,328	3.39				
8,063,632	Threadneedle European Select Fund	15,947	5.80				
1,408,236	Threadneedle European Smaller Companies Fund	6,616	2.40				
8,402,139	Threadneedle Global Emerging Markets Equity Fund	7,270	2.64				
5,223,020	Threadneedle Global Equity Income Fund	5,930	2.15				
1,871,432	Threadneedle Global Extended Alpha Fund	3,273	1.19				
39,064,519	Threadneedle Japan Fund	16,016	5.82				
2,225,808	Threadneedle Latin America Fund	5,555	2.02				
3,764,108	Threadneedle Pan European Focus Fund	7,033	2.56				
3,135,583	Threadneedle Pan European Smaller Companies Fund	4,608	1.67				
	<b>Total overseas equity</b>	<b>148,661</b>	<b>54.02</b>				

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

May 2013 comparatives in brackets.

## 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 2013 to 15 November 2013.

#### Fund Performance

During the period under review the offer price of Class A units rose by 1.58% from 126.40p to 128.40p.

During the period under review the offer price of Class B units rose by 1.77% from 124.10p to 126.30p.

Looking at performance within its peer group (the IMA – Mixed Investment 40-85% Shares Sector), the total return on the trust for the six months ending 31 October 2013, including net reinvested income, is +5.51% as compared to a median return of +4.52% 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

Global equities experienced considerable volatility during the review period and there was notable divergence in performance; US markets, for instance, continued to scale fresh highs in dollar terms and European equities also performed well, but Asian and emerging markets lagged. At the beginning of the period, comments from the US Federal Reserve (the Fed) led investors to speculate that the Fed could start scaling back its massive asset-purchase programme sooner than expected – this led to a sharp correction in global equity and bond markets. Most markets subsequently regained their poise as stimulus reduction was postponed and further signs of global economic recovery emerged, notably in the US, Europe, the UK, Japan, and latterly also in China. However, speculation regarding the timing of stimulus withdrawal continued to cause heightened volatility, as did an impasse over the US budget. Emerging markets were particularly badly affected by this uncertainty, while some countries in the region were also afflicted by slowing growth, rising inflation and currency weakness.

During the review period we increased our exposure to Japan where the economy is being reinvigorated by fiscal, monetary and structural reform measures. We also increased our exposure to European equities where valuations appeared attractive, given the region's gradual emergence from recession. Meanwhile, we reduced exposure to China on concerns over the country's growth trajectory and trimmed our position in Latin America. In Asia, we added a higher-yielding fund. Following strong performance, we realised gains in several equity funds, notably in the US and the UK. In the fixed-income portfolio, we reduced the cash balance in the Threadneedle Sterling Fund, and trimmed UK and European corporate

bonds, emerging market local currency bonds and gilts. Conversely, we added a global opportunities bond fund.

We continue to believe that equities are the most attractive major asset class. The improved global economic backdrop should enable corporate earnings to show useful growth. Valuations remain reasonable, and we expect the recent pick-up in M&A activity to continue. In fixed-income markets, we see limited value at current yields on 10-year US Treasuries. Credit has outperformed government bonds and we continue to regard yield spreads as attractive.

*Pages 18 to 23 at the back of these Interim Reports and Accounts form part of the Manager's Report.*

### Directors' Statement

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

20 December 2013

**P J W Reed**  
**T N Gillbanks**

## Threadneedle Global Equity & Bond Fund

### STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2013 to 15 November 2013

	2013 £000	2012 £000
Income		
Net capital gains	6,319	24,257
Revenue	5,659	4,826
Expenses	(494)	(405)
Finance costs: Interest	—	(1)
Net revenue before taxation	5,165	4,420
Taxation	(305)	(356)
Net revenue after taxation	4,860	4,064
<b>Total return</b>	<b>11,179</b>	<b>28,321</b>
Finance costs: Equalisation	(67)	(19)
<b>Change in net assets attributable to unitholders from investment activities</b>	<b>11,112</b>	<b>28,302</b>

### BALANCE SHEET

as at 15 November 2013

	2013 £000	May 2013 £000
<b>Assets</b>		
<b>Investment assets</b>	668,776	693,791
<b>Other assets</b>		
Debtors	4,908	888
Cash and bank balances	8,236	800
Total other assets	13,144	1,688
Total assets	681,920	695,479
<b>Liabilities</b>		
<b>Other liabilities</b>		
Creditors	(4,812)	(1,887)
Total other liabilities	(4,812)	(1,887)
Total liabilities	(4,812)	(1,887)
<b>Net assets attributable to unitholders</b>	<b>677,108</b>	<b>693,592</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2013 to 15 November 2013

	2013 £000	2012 £000
<b>Opening net assets attributable to unitholders</b>	693,592	593,261
Movement due to sales and repurchases of units:		
Amounts receivable on the issue of units	7,329	9,847
Amounts payable on the cancellation of units	(34,894)	(21,519)
	(27,565)	(11,672)
Stamp duty reserve tax	(31)	(36)
Change in net assets attributable to unitholders from investment activities (see statement of total return above)	11,112	28,302
<b>Closing net assets attributable to unitholders</b>	<b>677,108</b>	<b>609,855</b>

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 15 May 2013 whilst the figure disclosed in the comparatives' closing net assets attributable to unitholders is at 15 November 2012.

### Notes to the financial statements

for the accounting period 16 May 2013 to 15 November 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 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 15 May 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 Global Equity & Bond Fund

### Portfolio Statement

as at 15 November 2013

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
<b>COLLECTIVE INVESTMENT SCHEMES 98.77% (100.03%)</b>				<b>Overseas bond 4.20% (5.13%)</b>			
	<b>UK equity 36.13% (35.13%)</b>			2,170,811	Threadneedle Credit Opportunities Fund	2,756	0.41
11,544,197	Threadneedle UK Absolute Alpha Fund	14,372	2.12	4,302,715	Threadneedle Emerging Market Bond Fund	4,092	0.60
36,739,158	Threadneedle UK Equity Alpha Income Fund	24,046	3.55	2,554,356	Threadneedle Emerging Market Local Fund	3,833	0.57
32,322,895	Threadneedle UK Equity Income Fund	27,500	4.06	4,317,251	Threadneedle European Bond Fund	5,521	0.81
79,366,184	Threadneedle UK Fund	87,914	12.99	2,973,398	Threadneedle European Corporate Bond Fund	2,777	0.41
30,058,155	Threadneedle UK Growth & Income Fund	24,374	3.60	7,924,891	Threadneedle Global Bond Fund	6,096	0.90
46,551,177	Threadneedle UK Select Fund	48,455	7.16	203,448	Threadneedle (Lux) – Global Opportunities Bond Fund	3,383	0.50
9,680,786	Threadneedle UK Smaller Companies Fund	17,934	2.65		<b>Total overseas bond</b>	<b>28,458</b>	<b>4.20</b>
	<b>Total UK equity</b>	<b>244,595</b>	<b>36.13</b>		<b>Total collective investment schemes</b>	<b>668,776</b>	<b>98.77</b>
	<b>UK bond 17.68% (20.60%)</b>			<b>Total value of investments</b>			
32,851,942	Threadneedle Absolute Return Bond Fund	21,173	3.12			<b>668,776</b>	<b>98.77</b>
15,560,396	Threadneedle High Yield Bond Fund	6,889	1.02	<b>Net other assets/(liabilities) (-0.03%)</b>			
17,773,433	Threadneedle Sterling Bond Fund	8,936	1.32			<b>8,332</b>	<b>1.23</b>
31,755,388	Threadneedle Sterling Fund	31,705	4.68	<b>Net assets</b>			
23,693,365	Threadneedle Strategic Bond Fund	11,423	1.69			<b>677,108</b>	<b>100.00</b>
42,413,130	Threadneedle UK Corporate Bond Fund	39,610	5.85	<i>The calculation of the % Net Asset Value may not sum to 100% due to rounding.</i>			
	<b>Total UK bond</b>	<b>119,736</b>	<b>17.68</b>	<i>May 2013 comparatives in brackets.</i>			
	<b>Overseas equity 40.76% (39.17%)</b>						
248,862	Threadneedle (Lux) – American Absolute Alpha Fund	4,216	0.62				
52,392,712	Threadneedle American Fund	81,628	12.06				
20,655,322	Threadneedle Asia Fund	27,881	4.12				
114,383	Threadneedle (Lux) – Asian Equity Income Fund	4,669	0.69				
30,768,948	Threadneedle European Fund	50,073	7.39				
3,427,304	Threadneedle European Smaller Companies Fund	16,102	2.38				
12,897,721	Threadneedle Global Emerging Markets Equity Fund	11,159	1.65				
13,268,929	Threadneedle Global Equity Income Fund	15,066	2.22				
3,134,437	Threadneedle Global Extended Alpha Fund	5,482	0.81				
71,005,245	Threadneedle Japan Fund	29,112	4.30				
3,160,094	Threadneedle Latin America Fund	7,887	1.16				
6,434,964	Threadneedle Pan European Focus Fund	12,574	1.86				
6,898,282	Threadneedle Pan European Smaller Companies Fund	10,138	1.50				
	<b>Total overseas equity</b>	<b>275,987</b>	<b>40.76</b>				

## 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 2013 to 15 November 2013.

#### Fund Performance

During the period under review the offer price of Class A units rose by 0.41% from 122.70p to 123.20p.

During the period under review the offer price of Class B units rose by 0.42% from 120.30p to 120.80p.

Looking at performance within its peer group (the IMA – Mixed Investment 20 60% Shares Sector), the total return on the trust for the six months ending 31 October 2013, including net reinvested income, is +3.10% as compared to a median return of +2.59% 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

Global equities experienced considerable volatility during the review period and there was notable divergence in performance; US markets, for instance, continued to scale fresh highs in dollar terms and European equities also performed well, but Asian and emerging markets lagged. At the beginning of the period, comments from the US Federal Reserve (the Fed) led investors to speculate that the Fed could start scaling back its massive asset-purchase programme sooner than expected – this led to a sharp correction in global equity and bond markets. Most markets subsequently regained their poise as stimulus reduction was postponed and further signs of global economic recovery emerged, notably in the US, Europe, the UK, Japan, and latterly also in China. However, speculation regarding the timing of stimulus withdrawal continued to cause heightened volatility, as did an impasse over the US budget. Emerging markets were particularly badly affected by this uncertainty, while some countries in the region were also afflicted by slowing growth, rising inflation and currency weakness.

During the review period, we increased our exposure to European equities where valuations appeared attractive, given the region's gradual emergence from recession. We also boosted our exposure to Japan where the economy is being reinvigorated by fiscal, monetary and structural reform measures. Meanwhile, we trimmed our positions in Asia and Latin America. Within Asia, we added a higher-yielding fund. Following strong performance, we realised gains in several equity funds, notably in the US and the UK. In the fixed-income portion of the portfolio,

we reduced our cash balance in the Threadneedle Sterling Fund, and trimmed UK corporate bonds and emerging market local currency bonds. Conversely, we added a global opportunities bond fund.

We continue to believe that equities are the most attractive major asset class. The improved global economic backdrop should enable corporate earnings to show useful growth. Valuations remain reasonable, and we expect the recent pick-up in M&A activity to continue. In fixed-income markets, we see limited value at current yields on 10-year US Treasuries. Credit has outperformed government bonds and we continue to regard yield spreads as attractive.

*Pages 18 to 23 at the back of these Interim Reports and Accounts form part of the Manager's Report.*

### Directors' Statement

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

20 December 2013

**P J W Reed**  
**T N Gillbanks**

## Threadneedle Equity & Bond Fund

### STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2013 to 15 November 2013

	2013 £000	2012 £000
Income		
Net capital (losses)/gains	(6,473)	35,989
Revenue	11,742	10,529
Expenses	(688)	(599)
Finance costs: Interest	—	(4)
Net revenue before taxation	11,054	9,926
Taxation	(1,121)	(1,121)
Net revenue after taxation	9,933	8,805
<b>Total return</b>	<b>3,460</b>	<b>44,794</b>
Finance costs: Equalisation	(93)	58
<b>Change in net assets attributable to unitholders from investment activities</b>	<b>3,367</b>	<b>44,852</b>

### BALANCE SHEET

as at 15 November 2013

	2013 £000	May 2013 £000
<b>Assets</b>		
<b>Investment assets</b>	987,674	1,022,083
<b>Other assets</b>		
Debtors	9,397	2,458
Cash and bank balances	9,739	1,603
Total other assets	19,136	4,061
Total assets	1,006,810	1,026,144
<b>Liabilities</b>		
<b>Other liabilities</b>		
Creditors	(8,149)	(3,914)
Total other liabilities	(8,149)	(3,914)
Total liabilities	(8,149)	(3,914)
<b>Net assets attributable to unitholders</b>	<b>998,661</b>	<b>1,022,230</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2013 to 15 November 2013

	2013 £000	2012 £000
<b>Opening net assets attributable to unitholders</b>	1,022,230	862,989
Movement due to sales and repurchases of units:		
Amounts receivable on the issue of units	12,694	39,032
Amounts payable on the cancellation of units	(39,595)	(24,009)
	(26,901)	15,023
Stamp duty reserve tax	(35)	(46)
Change in net assets attributable to unitholders from investment activities (see statement of total return above)	3,367	44,852
<b>Closing net assets attributable to unitholders</b>	<b>998,661</b>	<b>922,818</b>

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 15 May 2013 whilst the figure disclosed in the comparatives' closing net assets attributable to unitholders is at 15 November 2012.

### Notes to the financial statements

for the accounting period 16 May 2013 to 15 November 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 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 15 May 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 Equity & Bond Fund

### Portfolio Statement

as at 15 November 2013

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
<b>COLLECTIVE INVESTMENT SCHEMES 98.90% (99.99%)</b>				<b>Overseas bond 13.65% (14.77%)</b>			
	<b>UK equity 26.90% (25.89%)</b>			6,344,100	Threadneedle Credit Opportunities Fund	8,056	0.81
65,370,482	Threadneedle Monthly Extra Income Fund	46,975	4.70	6,974,919	Threadneedle Emerging Market Bond Fund	6,634	0.66
17,017,327	Threadneedle UK Absolute Alpha Fund	21,186	2.12	3,471,042	Threadneedle Emerging Market Local Fund	5,208	0.52
103,072,743	Threadneedle UK Equity Alpha Income Fund	67,461	6.76	15,356,752	Threadneedle European Bond Fund	19,640	1.97
48,623,543	Threadneedle UK Equity Income Fund	41,369	4.14	13,088,549	Threadneedle European Corporate Bond Fund	12,226	1.22
33,678,472	Threadneedle UK Fund	37,306	3.74	103,457,561	Threadneedle Global Bond Fund	79,579	7.97
43,149,469	Threadneedle UK Growth & Income Fund	34,990	3.50	301,675	Threadneedle (Lux) – Global Opportunities Bond Fund	5,002	0.50
4,121,016	Threadneedle UK Mid 250 Fund	7,456	0.75		<b>Total overseas bond</b>	<b>136,345</b>	<b>13.65</b>
6,408,607	Threadneedle UK Smaller Companies Fund	11,872	1.19		<b>Total collective investment schemes</b>	<b>987,674</b>	<b>98.90</b>
	<b>Total UK equity</b>	<b>268,615</b>	<b>26.90</b>	<b>Total value of investments</b>		<b>987,674</b>	<b>98.90</b>
	<b>UK bond 32.07% (34.16%)</b>			<b>Net other assets (0.01%)</b>		<b>10,987</b>	<b>1.10</b>
59,446,323	Threadneedle Absolute Return Bond Fund	38,313	3.84	<b>Net assets</b>		<b>998,661</b>	<b>100.00</b>
33,333,014	Threadneedle High Yield Bond Fund	14,756	1.48	<i>The calculation of the % Net Asset Value may not sum to 100% due to rounding.</i>			
37,141,186	Threadneedle Sterling Bond Fund	18,675	1.87	<i>May 2013 comparatives in brackets.</i>			
76,599,985	Threadneedle Sterling Fund	76,477	7.66				
37,609,283	Threadneedle Strategic Bond Fund	18,131	1.81				
164,800,833	Threadneedle UK Corporate Bond Fund	153,907	15.41				
	<b>Total UK bond</b>	<b>320,259</b>	<b>32.07</b>				
	<b>Overseas equity 26.28% (25.17%)</b>						
372,702	Threadneedle (Lux) – American Absolute Alpha Fund	6,314	0.63				
20,735,480	Threadneedle American Fund	32,306	3.24				
12,467,339	Threadneedle Asia Fund	16,828	1.69				
95,220	Threadneedle (Lux) – Asian Equity Income Fund	3,887	0.39				
38,991,406	Threadneedle European Fund	63,455	6.35				
1,251,065	Threadneedle European Smaller Companies Fund	5,878	0.59				
12,849,948	Threadneedle Global Emerging Markets Equity Fund	11,118	1.11				
42,708,583	Threadneedle Global Equity Income Fund	48,491	4.86				
34,828,315	Threadneedle Global Select Fund	43,884	4.39				
56,991,935	Threadneedle Japan Fund	23,367	2.34				
2,775,697	Threadneedle Latin America Fund	6,927	0.69				
	<b>Total overseas equity</b>	<b>262,455</b>	<b>26.28</b>				

## 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 2013 to 15 November 2013.

#### Fund Performance

During the period under review the offer price of Class A units rose by 0.67% from 96.51p to 97.16p.

During the period under review the offer price of Class B units rose by 0.78% from 94.64p to 95.38p.

The total return on the trust for the six months ending 31 October 2013, including net reinvested income, is +2.97%. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

Over the same period the median return of the peer group (IMA – Mixed Investment 0-35% Shares Sector) was +0.49%. (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

The main concern for investors over the period was when the US Federal Reserve (the Fed) would begin to "taper" its programme of quantitative easing. Ben Bernanke, the Fed's chairman, first raised this prospect in late May, suggesting that the central bank's asset purchases would be reduced as the US economy recovered. Throughout the summer, therefore, investors faced the unnerving prospect of the regular, massive cash injections that had supported asset markets being first reduced and then ended altogether. The consensus was that tapering would begin after the central bank's policy meeting in mid-September.

In the event, the Fed confounded expectations by leaving the programme unchanged. This prompted a sizeable relief rally across asset classes. Following the resolution of both the 16 day US government shutdown and the impasse over the debt ceiling, there was a further rally in October, as uncertainty receded and the prospect of tapering grew more distant.

Within the fixed-income portfolio, we reduced exposure to the Threadneedle UK Corporate Bond Fund. Meanwhile, we increased exposure to the Threadneedle (Lux) – Global Opportunities Bond Fund and the Threadneedle Emerging Market Local Fund. In the equity portfolio, we reduced exposure to both the Threadneedle UK Growth & Income Fund and the Threadneedle UK Equity Income Fund. Our overweight position in UK equities had a positive impact on performance, as did an increased cash position.

In the equity portfolio, we continue to favour the UK market, but also maintain a small position in US equities, through the holding in the Threadneedle American Fund. We remain underweight elsewhere in the world's equity markets, with zero weightings in Europe, Asia and Japan. In the fixed-income portfolio, we retain significant exposure to the Threadneedle Absolute Return Bond Fund, as we aim to achieve positive returns in all market conditions. Although we do not expect a rapid escalation in interest rates, we see little value in core government bonds, preferring holdings with limited exposure to interest rates.

*Pages 18 to 23 at the back of these Interim Reports and Accounts form part of the Manager's Report.*

### Directors' Statement

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

20 December 2013

**P J W Reed**  
**T N Gillbanks**

## Threadneedle Defensive Equity & Bond Fund

### STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2013 to 15 November 2013

	2013 £000	2012 £000
Income		
Net capital (losses)/gains	(1,385)	9,812
Revenue	5,320	4,494
Expenses	(241)	(212)
Net revenue before taxation	5,079	4,282
Taxation	(1,001)	(850)
Net revenue after taxation	4,078	3,432
<b>Total return</b>	<b>2,693</b>	<b>13,244</b>
Finance costs: Equalisation	(8)	164
<b>Change in net assets attributable to unitholders from investment activities</b>	<b>2,685</b>	<b>13,408</b>

### BALANCE SHEET

as at 15 November 2013

	2013 £000	May 2013 £000
<b>Assets</b>		
<b>Investment assets</b>	<b>372,322</b>	<b>378,836</b>
<b>Other assets</b>		
Debtors	5,135	819
Cash and bank balances	4,559	1,899
Total other assets	9,694	2,718
Total assets	382,016	381,554
<b>Liabilities</b>		
<b>Derivative liabilities</b>	<b>(736)</b>	<b>(124)</b>
<b>Other liabilities</b>		
Creditors	(1,502)	(2,611)
Total other liabilities	(1,502)	(2,611)
Total liabilities	(2,238)	(2,735)
<b>Net assets attributable to unitholders</b>	<b>379,778</b>	<b>378,819</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2013 to 15 November 2013

	2013 £000	2012 £000
<b>Opening net assets attributable to unitholders</b>	<b>378,819</b>	<b>294,926</b>
Movement due to sales and repurchases of units:		
Amounts receivable on the issue of units	13,599	44,876
Amounts payable on the cancellation of units	(15,291)	(5,773)
	(1,692)	39,103
Stamp duty reserve tax	(34)	(18)
Change in net assets attributable to unitholders from investment activities (see statement of total return above)	2,685	13,408
<b>Closing net assets attributable to unitholders</b>	<b>379,778</b>	<b>347,419</b>

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 15 May 2013 whilst the figure disclosed in the comparatives' closing net assets attributable to unitholders is at 15 November 2012.

### Notes to the financial statements

for the accounting period 16 May 2013 to 15 November 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 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 15 May 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 Defensive Equity & Bond Fund

### Portfolio Statement

as at 15 November 2013

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
<b>COLLECTIVE INVESTMENT SCHEMES 97.42% (99.69%)</b>							
	<b>UK equity 35.90% (35.74%)</b>				Sell GBP 5,000,000		
28,041,619	Threadneedle Monthly Extra Income Fund	20,151	5.31		Buy EUR 5,841,497 UBS	(114)	(0.03)
71,572,248	Threadneedle UK Equity Income Fund	60,894	16.03		Sell GBP 8,000,000		
12,253,343	Threadneedle UK Fund	13,573	3.57		Buy EUR 9,337,580 RBS	(189)	(0.05)
5,152,880	Threadneedle UK Growth & Income Fund	4,178	1.10		Sell EUR 100,000		
30,061,347	Threadneedle UK Institutional Fund	37,568	9.89		Buy GBP 84,907 Citibank	1	—
	<b>Total UK equity</b>	<b>136,364</b>	<b>35.90</b>		Sell GBP 9,100,000		
	<b>UK bond 31.53% (32.23%)</b>				Buy USD 14,079,047 J.P. Morgan	(341)	(0.09)
41,844,860	Threadneedle Absolute Return Bond Fund	26,308	6.93		<b>Total derivatives</b>	<b>1,587</b>	<b>0.42</b>
37,102,488	Threadneedle High Yield Bond Fund	16,425	4.32		<b>Total value of investments</b>	<b>371,586</b>	<b>97.84</b>
17,701,751	Threadneedle Sterling Bond Fund	8,900	2.34		<b>Net other assets (0.03%)</b>	<b>8,192</b>	<b>2.16</b>
23,834,641	Threadneedle Sterling Fund	23,797	6.27		<b>Net assets</b>	<b>379,778</b>	<b>100.00</b>
36,973,662	Threadneedle Strategic Bond Fund	17,825	4.69		<i>The calculation of the % Net Asset Value may not sum to 100% due to rounding.</i>		
28,369,645	Threadneedle UK Corporate Bond Fund	26,494	6.98		<i>May 2013 comparatives in brackets.</i>		
	<b>Total UK bond</b>	<b>119,749</b>	<b>31.53</b>				
	<b>Overseas equity 2.09% (1.97%)</b>						
4,628,862	Threadneedle American Fund	7,935	2.09				
	<b>Total overseas equity</b>	<b>7,935</b>	<b>2.09</b>				
	<b>Overseas bond 27.90% (29.75%)</b>						
39,000,805	Threadneedle Dollar Bond Fund	19,485	5.13				
9,119,562	Threadneedle Emerging Market Local Fund	12,172	3.21				
30,748,022	Threadneedle European Bond Fund	21,155	5.57				
16,204,958	Threadneedle European Corporate Bond Fund	15,137	3.99				
13,699,142	Threadneedle Global Bond Fund	10,537	2.77				
1,656,476	Threadneedle (Lux) – Global Opportunities Bond Fund	27,465	7.23				
	<b>Total overseas bond</b>	<b>105,951</b>	<b>27.90</b>				
	<b>Total collective investment schemes</b>	<b>369,999</b>	<b>97.42</b>				
<b>DERIVATIVES 0.42% (0.28%)</b>							
	<b>Forward foreign exchange contracts 0.42% (0.28%)</b>						
	Sell GBP 100,000						
	Buy EUR 118,412 HSBC	(1)	—				
	Sell GBP 100,000						
	Buy EUR 118,429 J.P. Morgan	(1)	—				
	Sell EUR 238,357						
	Buy GBP 200,000 Citibank	1	—				
	Sell EUR 236,233						
	Buy GBP 200,000 Citibank	2	—				
	Sell USD 56,521,259						
	Buy GBP 36,342,000 HSBC	1,177	0.31				
	Sell GBP 3,800,000						
	Buy EUR 4,437,345 HSBC	(88)	(0.02)				
	Sell USD 646,249						
	Buy GBP 400,000 J.P. Morgan	(2)	—				
	Sell USD 639,403						
	Buy GBP 400,000 RBS	2	—				
	Sell EUR 48,529,600						
	Buy GBP 41,734,000 HSBC	1,140	0.30				

## 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 2013 to 15 November 2013.

#### Fund Performance

During the period under review the offer price of Class A units fell by 0.42% from 83.38p to 83.03p.

During the period under review the offer price of Class B units fell by 0.33% from 81.66p to 81.39p.

The total return on the fund for the six months ending 31 October 2013, including net reinvested income, is +1.02%. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

Over the same period the median return of the peer group (IMA – Mixed Investment 0-35% Share Sector) was +0.49%. (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

The main concern for investors over the period was when the US Federal Reserve (the Fed) would begin to "taper" its programme of quantitative easing. Ben Bernanke, the Fed's chairman, first raised this prospect in late May, suggesting that the central bank's asset purchases would be reduced as the US economy recovered. Throughout the summer, therefore, investors faced the unnerving prospect of the regular, massive cash injections that had supported asset markets being first reduced and then ended altogether. The consensus was that tapering would begin after the central bank's policy meeting in mid-September.

In the event, the Fed confounded expectations by leaving the programme unchanged. This prompted a sizeable relief rally across asset classes. Following the resolution of both the 16 day US government shutdown and the impasse over the debt ceiling, there was a further rally in October, as uncertainty receded and the prospect of tapering grew more distant.

Within the fixed-income portfolio, we reduced exposure to the Threadneedle UK Corporate Bond Fund and the Threadneedle Sterling Bond Fund. Meanwhile, we increased exposure to the Threadneedle (Lux) – Global Opportunities Bond Fund, the Threadneedle High Yield Bond Fund and the Threadneedle Emerging Market Local Fund. In the equity portfolio, we reduced exposure to both the Threadneedle UK Growth & Income Fund and the Threadneedle UK Equity Income Fund, increasing

exposure to the Threadneedle UK Institutional Fund. Our overweight position in UK equities had a positive impact on performance, as did an increased cash position.

In the equity portfolio, we continue to favour the UK market, but also maintain a small position in US equities, through the holding in the Threadneedle American Fund. We remain underweight elsewhere in the world's equity markets, with zero weightings in Europe, Asia and Japan. In the fixed-income portfolio, we retain significant exposure to the Threadneedle Absolute Return Bond Fund, as we aim to achieve positive returns in all market conditions. Although we do not expect a rapid escalation in interest rates, we see little value in core government bonds, preferring holdings with limited exposure to interest rates.

*Pages 18 to 23 at the back of these Interim Reports and Accounts form part of the Manager's Report.*

### Directors' Statement

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

20 December 2013

**P J W Reed**  
**T N Gillbanks**

## Threadneedle Defensive Fund

### STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2013 to 15 November 2013

	2013 £000	2012 £000
Income		
Net capital (losses)/gains	(2,785)	5,255
Revenue	2,770	2,384
Expenses	(130)	(110)
Net revenue before taxation	2,640	2,274
Taxation	(506)	(437)
Net revenue after taxation	2,134	1,837
<b>Total return</b>	(651)	7,092
Finance costs: Equalisation	22	(35)
<b>Change in net assets attributable to unitholders from investment activities</b>	(629)	7,057

### BALANCE SHEET

as at 15 November 2013

	2013 £000	May 2013 £000
<b>Assets</b>		
<b>Investment assets</b>	213,248	213,125
<b>Other assets</b>		
Debtors	3,109	383
Cash and bank balances	821	788
Total other assets	3,930	1,171
Total assets	217,178	214,296
<b>Liabilities</b>		
<b>Derivative liabilities</b>	(437)	(92)
<b>Other liabilities</b>		
Creditors	(1,458)	(1,952)
Total other liabilities	(1,458)	(1,952)
Total liabilities	(1,895)	(2,044)
<b>Net assets attributable to unitholders</b>	215,283	212,252

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2013 to 15 November 2013

	2013 £000	2012 £000
<b>Opening net assets attributable to unitholders</b>	212,252	194,669
Movement due to sales and repurchases of units:		
Amounts receivable on the issue of units	23,321	21,861
Amounts payable on the cancellation of units	(19,649)	(16,704)
	3,672	5,157
Stamp duty reserve tax	(12)	(10)
Change in net assets attributable to unitholders from investment activities (see statement of total return above)	(629)	7,057
<b>Closing net assets attributable to unitholders</b>	215,283	206,873

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 15 May 2013 whilst the figure disclosed in the comparatives' closing net assets attributable to unitholders is at 15 November 2012.

### Notes to the financial statements

for the accounting period 16 May 2013 to 15 November 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 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 15 May 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 Defensive Fund

### Portfolio Statement

as at 15 November 2013

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
<b>COLLECTIVE INVESTMENT SCHEMES 98.24% (100.03%)</b>							
	<b>UK equity 18.14% (19.87%)</b>				Sell GBP 4,400,000		
30,410,138	Threadneedle UK Equity Income Fund	25,873	12.02		Buy USD 6,807,451 J.P. Morgan	(165)	(0.08)
6,535,084	Threadneedle UK Growth & Income Fund	5,299	2.46		Sell USD 323,125		
6,304,323	Threadneedle UK Institutional Fund	7,878	3.66		Buy GBP 200,000 RBS	(1)	—
	<b>Total UK equity</b>	<b>39,050</b>	<b>18.14</b>		Sell GBP 7,000,000		
					Buy EUR 8,170,383 RBS	(166)	(0.08)
					<b>Total derivatives</b>	<b>1,317</b>	<b>0.61</b>
	<b>UK bond 46.25% (47.02%)</b>			<b>Total value of investments</b>		<b>212,811</b>	<b>98.85</b>
42,580,186	Threadneedle Absolute Return Bond Fund	26,770	12.43	<b>Net other assets/(liabilities) (-0.37%)</b>		<b>2,472</b>	<b>1.15</b>
28,907,720	Threadneedle High Yield Bond Fund	12,797	5.94	<b>Net assets</b>		<b>215,283</b>	<b>100.00</b>
1,799,595	Threadneedle Sterling Bond Fund	905	0.42				
29,717,370	Threadneedle Sterling Fund	29,670	13.78				
12,663,263	Threadneedle Strategic Bond Fund	6,105	2.84				
24,984,537	Threadneedle UK Corporate Bond Fund	23,333	10.84				
	<b>Total UK bond</b>	<b>99,580</b>	<b>46.25</b>				
	<b>Overseas equity 1.32% (1.26%)</b>						
1,652,355	Threadneedle American Fund	2,833	1.32				
	<b>Total overseas equity</b>	<b>2,833</b>	<b>1.32</b>				
	<b>Overseas bond 32.53% (31.88%)</b>						
37,781,574	Threadneedle Dollar Bond Fund	18,876	8.77				
5,834,743	Threadneedle Emerging Market Local Fund	7,788	3.62				
25,684,214	Threadneedle European Bond Fund	17,671	8.21				
13,305,879	Threadneedle European Corporate Bond Fund	12,429	5.77				
7,283,996	Threadneedle Global Bond Fund	5,603	2.60				
462,256	Threadneedle (Lux) – Global Opportunities Bond Fund	7,664	3.56				
	<b>Total overseas bond</b>	<b>70,031</b>	<b>32.53</b>				
	<b>Total collective investment schemes</b>	<b>211,494</b>	<b>98.24</b>				
<b>DERIVATIVES 0.61% (0.34%)</b>							
	<b>Forward foreign exchange contracts 0.61% (0.34%)</b>						
	Sell EUR 474,590						
	Buy GBP 400,000 Citibank	3	—				
	Sell EUR 238,357						
	Buy GBP 200,000 J.P. Morgan	(2)	—				
	Sell USD 159,851						
	Buy GBP 100,000 J.P. Morgan	1	—				
	Sell GBP 2,200,000						
	Buy EUR 2,568,989 HSBC	(51)	(0.02)				
	Sell GBP 2,300,000						
	Buy EUR 2,687,089 UBS	(52)	(0.03)				
	Sell USD 41,115,317						
	Buy GBP 26,434,597 HSBC	854	0.40				
	Sell EUR 38,140,865						
	Buy GBP 32,800,000 HSBC	896	0.42				

The calculation of the % Net Asset Value may not sum to 100% due to rounding.  
May 2013 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
<b>Threadneedle Global Equity Fund</b>							
<b>for the year ended 15 May 2011</b>				<b>2008</b>			
Class A – Net accumulation units	187,441	115.89p	161,737,432	Class A – Net accumulation units	0.7460	107.70	64.94
Class B – Net accumulation units	48,474	117.58p	41,225,784	Class B – Net accumulation units	0.9533	104.40	65.51
<b>for the year ended 15 May 2012</b>				<b>2009</b>			
Class A – Net accumulation units	164,040	107.29p	152,887,715	Class A – Net accumulation units	1.1724	100.60	67.01
Class B – Net accumulation units	64,288	109.11p	58,921,380	Class B – Net accumulation units	1.3689	97.99	67.66
<b>for the year ended 15 May 2013</b>				<b>2010</b>			
Class A – Net accumulation units	197,159	134.48p	146,606,222	Class A – Net accumulation units	0.9036	118.40	91.18
Class B – Net accumulation units	84,892	137.04p	61,946,397	Class B – Net accumulation units	1.1198	115.50	92.25
<b>for the period ended 15 November 2013</b>				<b>2011</b>			
Class A – Net accumulation units	192,955	136.63p	141,226,406	Class A – Net accumulation units	0.7262	123.50	95.62
Class B – Net accumulation units	82,215	139.38p	58,988,272	Class B – Net accumulation units	0.9690	120.70	97.11
				<b>2012</b>			
				Class A – Net accumulation units	1.0607	121.80	105.30
				Class B – Net accumulation units	1.3154	119.50	107.00
				<b>2013</b>			
				†Class A – Net accumulation units	1.2065	143.10	118.60
				†Class B – Net accumulation units	1.4804	140.70	120.80
				<i>†To 15 November 2013</i>			
<b>Threadneedle Global Equity &amp; Bond Fund</b>							
<b>for the year ended 15 May 2011</b>				<b>2008</b>			
Class A – Net accumulation units	385,765	106.17p	363,335,306	Class A – Net accumulation units	1.0718	97.15	64.03
Class B – Net accumulation units	256,062	107.70p	237,749,230	Class B – Net accumulation units	1.2640	94.14	64.56
<b>for the year ended 15 May 2012</b>				<b>2009</b>			
Class A – Net accumulation units	338,276	99.54p	339,847,460	Class A – Net accumulation units	1.3615	94.09	65.62
Class B – Net accumulation units	254,985	101.20p	251,953,787	Class B – Net accumulation units	1.5611	91.58	66.23
<b>for the year ended 15 May 2013</b>				<b>2010</b>			
Class A – Net accumulation units	386,962	121.73p	317,898,314	Class A – Net accumulation units	1.0351	108.40	86.17
Class B – Net accumulation units	306,630	124.04p	247,203,139	Class B – Net accumulation units	1.2525	105.90	87.15
<b>for the period ended 15 November 2013</b>				<b>2011</b>			
Class A – Net accumulation units	377,701	123.75p	305,221,916	Class A – Net accumulation units	0.8958	112.40	90.04
Class B – Net accumulation units	299,407	126.23p	237,189,087	Class B – Net accumulation units	1.1349	109.80	91.42
				<b>2012</b>			
				Class A – Net accumulation units	1.2300	112.30	97.83
				Class B – Net accumulation units	1.4812	110.10	99.39
				<b>2013</b>			
				†Class A – Net accumulation units	1.3487	129.60	109.00
				†Class B – Net accumulation units	1.6172	127.40	111.00
				<i>†To 15 November 2013</i>			
<b>Threadneedle Equity &amp; Bond Fund</b>							
<b>for the year ended 15 May 2011</b>				<b>2008</b>			
Class A – Net accumulation units	526,540	104.10p	505,790,199	Class A – Net accumulation units	2.2239	91.51	71.91
Class B – Net accumulation units	344,977	105.45p	327,155,837	Class B – Net accumulation units	2.4113	88.61	72.45
<b>for the year ended 15 May 2012</b>				<b>2009</b>			
Class A – Net accumulation units	494,897	101.05p	489,738,314	Class A – Net accumulation units	2.6620	95.94	74.59
Class B – Net accumulation units	368,092	102.57p	358,871,532	Class B – Net accumulation units	2.8535	93.24	75.21
<b>for the year ended 15 May 2013</b>				<b>2010</b>			
Class A – Net accumulation units	553,249	118.20p	468,070,448	Class A – Net accumulation units	2.2855	105.80	89.31
Class B – Net accumulation units	468,981	120.21p	390,120,347	Class B – Net accumulation units	2.4938	103.10	90.22
<b>for the period ended 15 November 2013</b>				<b>2011</b>			
Class A – Net accumulation units	532,734	118.60p	449,195,470	Class A – Net accumulation units	2.0710	109.70	94.68
Class B – Net accumulation units	465,927	120.74p	385,898,029	Class B – Net accumulation units	2.2976	107.00	95.98
				<b>2012</b>			
				Class A – Net accumulation units	2.1102	112.80	99.38
				Class B – Net accumulation units	2.3478	110.40	100.80
				<b>2013</b>			
				†Class A – Net accumulation units	2.0959	124.50	108.90
				†Class B – Net accumulation units	2.3500	122.10	110.70
				<i>†To 15 November 2013</i>			

## 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
<b>Threadneedle Defensive Equity &amp; Bond Fund</b>							
<b>for the year ended 15 May 2011</b>				<b>2008</b>			
Class A – Net accumulation units	164,156	80.96p	202,754,833	Class A – Net accumulation units	1.8492	72.11	60.22
Class B – Net accumulation units	101,413	82.03p	123,626,807	Class B – Net accumulation units	1.9995	69.84	60.68
<b>for the year ended 15 May 2012</b>				<b>2009</b>			
Class A – Net accumulation units	162,375	83.08p	195,451,764	Class A – Net accumulation units	2.0875	76.64	61.74
Class B – Net accumulation units	132,551	84.36p	157,132,978	Class B – Net accumulation units	2.2452	74.51	62.26
<b>for the year ended 15 May 2013</b>				<b>2010</b>			
Class A – Net accumulation units	185,579	93.00p	199,538,007	Class A – Net accumulation units	1.9501	82.92	72.72
Class B – Net accumulation units	193,240	94.63p	204,206,660	Class B – Net accumulation units	2.1231	80.79	73.48
<b>for the period ended 15 November 2013</b>				<b>2011</b>			
Class A – Net accumulation units	182,705	93.63p	195,135,441	Class A – Net accumulation units	1.5551	84.55	77.34
Class B – Net accumulation units	197,073	95.36p	206,667,514	Class B – Net accumulation units	1.7389	82.48	78.40
				<b>2012</b>			
				Class A – Net accumulation units	1.5908	91.05	81.22
				Class B – Net accumulation units	1.7858	89.23	82.41
				<b>2013</b>			
				†Class A – Net accumulation units	1.6455	98.10	87.85
				†Class B – Net accumulation units	1.8536	96.28	89.32
				<i>†To 15 November 2013</i>			
<b>Threadneedle Defensive Fund</b>							
<b>for the year ended 15 May 2011</b>				<b>2008</b>			
Class A – Net accumulation units	77,141	71.68p	107,614,904	Class A – Net accumulation units	1.8878	65.14	57.21
Class B – Net accumulation units	51,795	72.53p	71,407,482	Class B – Net accumulation units	2.0257	63.00	57.58
<b>for the year ended 15 May 2012</b>				<b>2009</b>			
Class A – Net accumulation units	92,579	74.18p	124,803,309	Class A – Net accumulation units	2.1581	69.72	58.19
Class B – Net accumulation units	102,090	75.22p	135,727,686	Class B – Net accumulation units	2.2995	67.70	58.62
<b>for the year ended 15 May 2013</b>				<b>2010</b>			
Class A – Net accumulation units	96,856	80.35p	120,547,217	Class A – Net accumulation units	1.7668	74.43	66.72
Class B – Net accumulation units	115,396	81.63p	141,358,447	Class B – Net accumulation units	1.9194	72.40	67.32
<b>for the period ended 15 November 2013</b>				<b>2011</b>			
Class A – Net accumulation units	97,580	80.01p	121,958,473	Class A – Net accumulation units	1.4308	75.66	70.11
Class B – Net accumulation units	117,703	81.37p	144,651,752	Class B – Net accumulation units	1.5928	73.79	70.89
				<b>2012</b>			
				Class A – Net accumulation units	1.2297	80.29	72.84
				Class B – Net accumulation units	1.3968	78.57	73.81
				<b>2013</b>			
				†Class A – Net accumulation units	1.3357	83.83	77.21
				†Class B – Net accumulation units	1.5119	82.10	78.39
				<i>†To 15 November 2013</i>			

## Ongoing Charges Figure Summary

for the accounting period 16 May 2013 to 15 November 2013

Trust	Unit Class	November 2013*	May 2013
<b>Threadneedle Global Equity Fund</b>	Class A – Net accumulation units	1.76%	1.77%
	Class B – Net accumulation units	1.51%	1.51%
<b>Threadneedle Global Equity &amp; Bond Fund</b>	Class A – Net accumulation units	1.69%	1.66%
	Class B – Net accumulation units	1.43%	1.38%
<b>Threadneedle Equity &amp; Bond Fund</b>	Class A – Net accumulation units	1.47%	1.45%
	Class B – Net accumulation units	1.23%	1.20%
<b>Threadneedle Defensive Equity &amp; Bond Fund</b>	Class A – Net accumulation units	1.56%	1.55%
	Class B – Net accumulation units	1.31%	1.30%
<b>Threadneedle Defensive Fund</b>	Class A – Net accumulation units	1.41%	1.39%
	Class B – Net accumulation units	1.17%	1.14%

\*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 trust'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](http://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 any rebates. 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

for the accounting period 16 May 2013 to 15 November 2013

Trust	Unit Class	SRRI*
<b>Threadneedle Global Equity Fund</b>	Class A – Net accumulation units	6
	Class B – Net accumulation units	6
<b>Threadneedle Global Equity &amp; Bond Fund</b>	Class A – Net accumulation units	5
	Class B – Net accumulation units	5
<b>Threadneedle Equity &amp; Bond Fund</b>	Class A – Net accumulation units	4
	Class B – Net accumulation units	4
<b>Threadneedle Defensive Equity &amp; Bond Fund</b>	Class A – Net accumulation units	4
	Class B – Net accumulation units	4
<b>Threadneedle Defensive Fund</b>	Class A – Net accumulation units	3
	Class B – Net accumulation units	3

\*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.

## Total Purchases and Sales

for the accounting period 16 May 2013 to 15 November 2013

Trust	November 2013 £000	May 2013 £000
<b>Global Equity Fund</b>		
Total purchases for the period	20,928	31,239
Total sales for the period	18,291	30,304
<b>Global Equity &amp; Bond Fund</b>		
Total purchases for the period	57,936	79,244
Total sales for the period	73,060	101,793
<b>Equity &amp; Bond Fund</b>		
Total purchases for the period	72,263	140,917
Total sales for the period	65,751	114,164
<b>Defensive Equity &amp; Bond Fund</b>		
Total purchases for the period	40,720	103,191
Total sales for the period	7,200	43,100
<b>Defensive Fund</b>		
Total purchases for the period	22,118	50,195
Total sales for the period	1,500	33,100

## 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 (FCA) Collective Investment Scheme Sourcebook (COLL) and operate under Chapter 5 of the COLL Rules. The trusts have 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 each of the trusts in the Threadneedle Managed Funds range 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](http://threadneedle.com).

### Changes to the Prospectus

During the period from 16 May 2013 to 15 November 2013 the following changes were made to the prospectus of the trusts:

- update to "Buying, selling and switching Units" section to clarify that the ACD 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;
- 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 ACD'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.

### The Retail Distribution Review (RDR)

RDR is an initiative that is being driven by the Financial Conduct 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](http://fca.org.uk/consumers/protect-yourself/investment-rights/payadvice)

### Characteristics of Units

The trusts are authorised unit trust schemes and can issue two types of units distinguished by their criteria for subscription and fee structure.

The availability of unit classes in each trust is set out as follows:

Units	Minimum Investment	Subsequent Investment	Minimum Holding	Eligibility
Class A	£2,000	£1,000	£500	Retail investors
Class B	£5,000,000	£10,000	£500	Non retail investors

The Manager may at its discretion accept subscriptions lower than the minimum amount. If a holding is below the minimum holding the Manager has the discretion to require redemption of the entire holding.

### Charges and Prices

For the Threadneedle Managed 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 fees and expenses of the Trustee, Registrar's fees, Auditor's fees and FCA authorisation fees are also payable by the trusts.

### The Ongoing Charges Figure (OCF)

The OCF is the European standard method of disclosing the charges of a share class of a fund based on the last year's expenses and may vary from year to year. It includes charges such as the fund's annual management charge, registration fee, custody fees and distribution cost but ordinarily excludes the costs of buying or selling assets for the fund. The Key Investor Information Document and Annual Report and Accounts contain the current OCF.

### SDRT Provision

Stamp Duty Reserve Tax (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 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).

## Further Information

*(continued)*

### **Income Equalisation**

Since each trust operates equalisation, the first allocation made after the acquisition of units will include an amount of equalisation. This amount represents the Manager's best estimate of the income included in the price at which the units were acquired (subject to grouping where appropriate) and represents a capital repayment for UK tax purposes which should be deducted from the cost of units in arriving at any capital gain realised on their subsequent 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

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

**Address:** Threadneedle Investment Services Limited  
PO Box 10033  
Chelmsford CM99 2AL

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

**Telephone non-UK residents:** (dealing & customer enquiries):  
+44 (0) 1268 441 520\*

**Fax UK residents** (dealing): 0845 113 0274

**Fax non-UK residents** (dealing): +352 2455 29807

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

**Website:** threadneedle.com

### Chairman and Chief Executive

C D Fleming

### 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

### 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.

#### 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.

\*Calls will be recorded

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