Fund objective and policy

The aim of the Fund is to provide income with the potential to grow the amount you invested as well. The Fund invests in a selection of regulated funds that are managed by the same group of companies as the Management Company. The Fund may invest worldwide. At least two-thirds of its assets will be invested in funds that invest in shares of companies in the UK or companies that have significant UK operations and/or bonds (which are similar to a loan and pay a fixed or variable interest rate). The Fund is managed on a defensive basis, which means there would usually be a higher allocation to lower risk funds than for other funds of this type. Up to 20% of the Fund may be invested in funds that use derivatives for investment purposes. Derivatives are sophisticated investment instruments linked to the rise and fall of the price of other assets. The Fund makes active investment decisions.

Key reasons to invest

- Managed by Jim Cielinski, Fund Manager and Global Head of Fixed Income
- The Fund benefits from access to our range of funds from which the manager constructs the portfolio
- Well-resourced investment team – Fund manager operates within our wider team of more than 450 investment professionals

Key facts

<table>
<thead>
<tr>
<th>Launch date:</th>
<th>Fund size:*</th>
<th>Sector:</th>
<th>Ongoing Charges Figure:†</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 2002</td>
<td>£331.6m</td>
<td>IA Mixed Investment 0-35% Shares</td>
<td>Retail: 1.41% Z: 0.81%</td>
</tr>
</tbody>
</table>

Investor profile

The Fund may be suitable for investors with a long-term investment horizon seeking capital growth and income who are prepared to tolerate moderate price fluctuations. If investors are uncertain if the Fund is suitable for them, they are advised to contact a financial adviser. Please see key risks on back page which apply specifically to this Fund.

Where does the Fund sit on the risk/return spectrum?

Our range of managed funds is designed to reflect different attitudes to risk and reward and invests in a blend of assets including bonds, cash and equities. This allows investors to choose between a very cautious, risk-averse fund, through to a fund with a lower attitude to risk with higher potential returns or somewhere in between.

Threadneedle Defensive Equity & Bond Fund is the second of five funds in this range and therefore is the second most defensively positioned fund. This is because the portfolio is built using a combination of our our funds which will normally include less volatile funds from the range.
The risk/return spectrum

Lower Potential risk | Higher Potential return
---|---
Defensive Fund | Defensive Equity & Bond Fund
Defensive Equity & Bond Fund | Global Equity Fund
Equity & Bond Fund | Global Equity Fund

Source: Columbia Threadneedle Investments. For illustrative purposes only. Please note that return is not guaranteed.

Investment process

Our multi-asset funds three step process

Stage 1 – asset allocation
- Economic background
- Sectors and themes
- Asset allocation
- Valuation framework

Stage 2 – fund selection
- Threadneedle Asset Allocation Team
  - CIO
  - Head of Managed Funds
  - Head of Equities
  - Head of Global Equities
  - Head of Fixed Income
  - Head of Multi-Asset Bonds
- Asset Allocation Model
- Fund manager fund selection
  - Strategic views
  - Valuation
  - Fund constraints
  - Benchmark
- Portfolio

Stage 3 – risk control
- Our multi-asset funds three step process

Risk management
- Risk management is integrated into all parts of our investment process.
- It begins with the fund managers who continuously reassess business risk, benchmark risk, portfolio risk and performance risk when constructing portfolios.
- In addition, there is a constant dialogue between the fund managers and our independent Risk team, which uses proprietary and leading third party systems to perform in-depth analysis on a range of portfolio metrics.

- This interaction, and use of both qualitative and quantitative techniques, helps us manage investment risk, mandate compliance, counterparty and operational risk.
- It is this rigour, underpinning the investment process, that allows the team to invest with conviction.

To find out more visit columbiathreadneedle.co.uk

Key risks

Investment risk: The value of investments can fall as well as rise and investors might not get back the sum originally invested. Investment in funds: The Investment Policy allows the fund to invest principally in units of other collective investment schemes. Investors should consider the investment policy and asset composition in the underlying funds when assessing their portfolio exposure. Issuer risk: The fund invests in securities whose value would be significantly affected if the issuer either refused to pay or was unable to pay or perceived to be unable to pay. Inflation risk: Most bond and cash funds offer limited capital growth potential and an income that is not linked to inflation. Inflation is likely to affect the value of capital and income over time. Interest rate risk: Changes in interest rates are likely to affect the fund’s value. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. Effect of dual pricing: The fund is dual priced and there is a difference between the buying price and the selling price of units. Derivatives for EPM/hedging: The investment policy of the fund allows it to invest in derivatives for the purposes of reducing risk or minimising the cost of transactions. Volatility Risk: The fund may exhibit significant price volatility.

Important information: For internal use and for Professional and/or Qualified Investors only (not to be used with or passed on to retail clients). Past performance is not a guide to future performance. The value of investments and any income is not guaranteed and can go down as well as up and may be affected by exchange rate fluctuations. This means that an investor may not get back the amount invested. The Threadneedle Managed Funds range consists of six unit trusts: the Threadneedle Global Equity Fund, Threadneedle Global Equity & Bond Fund, Threadneedle Equity & Bond Fund, Threadneedle Defensive Equity & Bond Fund, Threadneedle Defensive Fund and Threadneedle Managed Income Fund (together ‘the Trusts’). The Trusts are Authorised Unit Trust Schemes within Section 243 of the Financial Services and Markets Act 2000 and are constituted pursuant to the Financial Conduct Authority’s Collective Investment Schemes Sourcebook (COLL), as amended from time to time. The Trusts are UCITS schemes for the purpose of COLL. This material is for information only and does not constitute an offer or solicitation of an order to buy or sell any securities or other financial instruments, or to provide investment advice or services. Subscriptions to the Trust may only be made on the basis of the current Prospectus and the Key Investor Information Document, as well as the latest annual or interim reports and the applicable terms & conditions. Please refer to the ‘Risk Factors’ section of the Prospectus for all risks applicable to investing in the Trust. The above documents are available in English only and may be obtained free of charge on request from Columbia Threadneedle Investments, PO Box 10033, Chelmsford, Essex CM99 2AL. The Funds are not registered for sale outside the United Kingdom and may not be offered to the public in any other country. This document must therefore not be issued, circulated or distributed other than in circumstances which do not constitute an offer to the public and are in accordance with applicable local legislation. The research and analysis included in this document has been produced by Columbia Threadneedle Investments for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions expressed are made as at the date of publication but are subject to change without notice. Information obtained from external sources is believed to be reliable but its accuracy or completeness cannot be guaranteed. Issued by Threadneedle Investment Services Limited. Registered in England and Wales, Registered No. 3701768, Cannon Place, 78 Cannon Street, London EC4N 6AE, United Kingdom. Authorised and regulated in the UK by the Financial Conduct Authority. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.