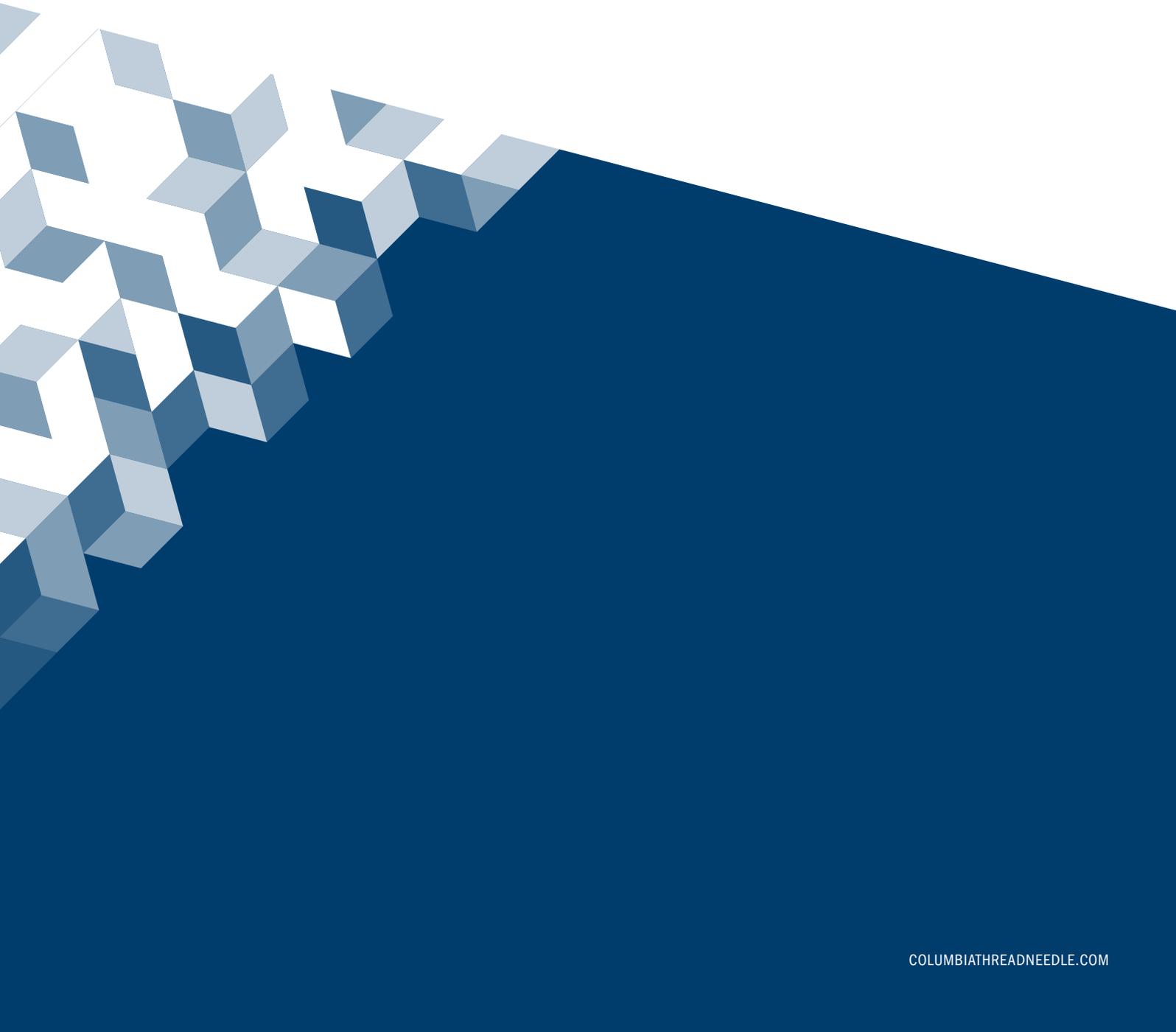


QUESTIONS & ANSWERS CONVERSION OF THE THREADNEEDLE UK PROPERTY TRUST (THE TRUST) INTO THE THREADNEEDLE UK PROPERTY AUTHORISED INVESTMENT FUND (THE THREADNEEDLE PAIF)



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YOUR QUESTIONS ANSWERED

We realise that you may have questions about how the conversion will affect your investment. With that in mind, we have set out in the next few pages to answer the questions most commonly asked.

If you have any further questions please don't hesitate to contact us free of charge on 0800 953 0134*. Our Client Services Team is available from 8.00am to 6.00pm, Monday to Friday. You will need to provide your client reference number in order to discuss your account details with us.

1. THE CHANGES EXPLAINED

INTRODUCTION

Columbia Threadneedle Investments will provide tax-exempt investors in the Threadneedle UK Property Trust (the Trust) the opportunity to benefit from the Property Authorised Investment Fund (PAIF) tax regime introduced by HM Revenue & Customs (HMRC), by converting the Trust on 14 May 2016.

To achieve the conversion, a new PAIF compliant Open-Ended Investment Company (OEIC) will be launched and the Trust shall be merged into it.

Approval for the conversion was given at an extraordinary general meeting of unitholders held on 9 April 2015. The effective date of conversion was postponed to allow sufficient time for the Scottish government to introduce tax relief on the transfer of Scottish properties into a PAIF. This relief is now available and we are satisfied the conversion should proceed in the interests of investors.

1.1. WHAT IS THE PURPOSE OF THE CONVERSION?

The PAIF structure will significantly benefit our tax-exempt investors, including those investing through an Individual Savings Account (ISA), Self-Invested Personal Pension (SIPP) as well as charities and directly invested pension funds. We are converting the Trust into a PAIF so that eligible investors can enjoy those benefits. However, if you are a non-exempt investor you may benefit from investing in the Threadneedle UK Property Authorised Trust (the Feeder Fund) instead. For further information about how the conversion may impact you, please see Section 3.

1.2. WHAT IS A PAIF?

A PAIF is an open-ended investment company, the gains of which are exempt from corporation tax. The structure was introduced by HMRC as a way of enabling eligible investors in authorised UK property funds to receive gross income from their investments (i.e. not taxed). In order to accomplish this, PAIF compliant funds are required to report the income they pay to investors in up to three streams (see Section 1.4 below).

1.3. WHAT WILL THE NEW PAIF BE CALLED?

The new fund will be called the Threadneedle UK Property Authorised Investment Fund and referred to throughout this document as the “Threadneedle PAIF”.

1.4. WHAT IS STREAMED INCOME – HOW DOES IT WORK?

Typically, a property fund will derive its income from various sources, including rental income and interest.

Currently, the Trust distributes all income to its investors as a single payment in each distribution period. This payment is treated as a “dividend” distribution.

A PAIF is different as, although it still makes one payment in each distribution period, this payment is split into three separate “streams” for UK tax purposes (which will be shown on the tax voucher you receive). These separate streams are:

- Property income
- Interest income and
- Other income (dividends)

Splitting the income payment into three streams allows each to be treated differently for tax purposes.

As income is no longer subject to 20% tax within the fund, property income, interest income, and any other income can be paid gross (i.e. without the deduction of tax) to eligible investors.

Figure 1. Breakdown of PAIF payment streams

INCOME STREAM	COMPRISING OF	TAX TREATMENT	
		ELIGIBLE INVESTORS*	INELIGIBLE INVESTORS*
Property	Mainly property rental income	Paid gross without tax deducted	Paid with 20% income tax deducted
Interest	Any interest earned on property bonds or cash deposits		
Other	Any dividends (and some non-taxable rental income)	Paid gross without tax deducted	

*Eligible investors are those able to receive or reclaim the tax deducted at source

1.5. WHEN WILL THE CONVERSION TAKE PLACE?

The Trust will be converted into a PAIF with effect from 14 May 2016.

1.6. WHO IS PAYING THE COSTS OF THE CONVERSION?

Columbia Threadneedle Investments will bear all costs relating to the conversion.

1.7. WHY IS A FEEDER FUND ALSO BEING LAUNCHED?

A Feeder Fund will also be launched on the same day as the Threadneedle PAIF. A feeder fund is a fund which invests solely into another fund. In this case, the Threadneedle UK Property Authorised Trust (the Feeder Fund) will be launched to invest solely into the Threadneedle PAIF.

The Feeder Fund will not be subject to PAIF rules, and is being specifically established for corporate investors who are not eligible to invest in a PAIF, or are unable to do so for operational reasons (for instance those unable to support streamed income).

If you are a higher or additional rate taxpayer, you may prefer to invest in the Feeder Fund (please see Section 3.5 for more information).

A comparison of the main features of the Threadneedle PAIF and the Feeder Fund given in Appendix 1.

2. WILL I BENEFIT FROM THE CHANGES?

2.1. DO I QUALIFY TO BENEFIT FROM GROSS DISTRIBUTIONS?

If you are invested in the Trust via a tax-exempt vehicle (for example, an ISA or a pension), or you are an exempt institutional investor (such as a charity) you will qualify to receive gross distributions from the Threadneedle PAIF.

If you do not fall in to the categories mentioned above, you will not qualify to receive gross distributions. However, if you do not pay UK income tax (for instance because your income is covered by your personal allowance), you may be able to reclaim some of the tax deducted from your income payments from HMRC.

Columbia Threadneedle Investments cannot give tax advice or comment on individual circumstances. If you are unsure regarding your tax position, you should consult a tax adviser.

2.2. HOW OFTEN WILL THE THREADNEEDLE PAIF MAKE INCOME DISTRIBUTIONS?

The Threadneedle PAIF (and its Feeder Fund) will make distributions more often than the Trust currently does. Income distributions will be made quarterly, rather than half-yearly. This means that those investors who take or reinvest their income can do so more frequently. We believe that this will be beneficial for most investors in the Trust.

For details of the accounting and payment dates, please refer to Section 3.11.

3. HOW WILL THE CONVERSION IMPACT ME?

WHAT ARE THE TAX IMPLICATIONS?

3.1. I AM NOT A UK RESIDENT FOR TAX PURPOSES. CAN I CLAIM TAX BACK FROM HMRC?

Depending on your personal circumstances, you may be able to reclaim from HMRC some of the tax deducted on property income distributions and PAIF distributions (interest). Please consult HMRC or your tax adviser for more information.

3.2. WILL MY TAX VOUCHERS OR TAX RETURN BE AFFECTED BY THE CHANGES?

Yes. Your tax voucher will show up to three streams of income (see Section 1.4). Please note that if you hold income shares, one payment will still be paid, but this will take place more frequently, on a quarterly rather than half-yearly basis. Each income stream will need to be disclosed on your tax return separately. You should contact HMRC or your tax adviser if you are in any doubt as to how to complete your tax return.

3.3. WILL I NEED TO PAY CAPITAL GAINS TAX AS A RESULT OF THE CONVERSION?

Based on our understanding of tax legislation, and the tax clearances that have been obtained from HM Revenue and Customs, the conversion should not constitute a disposal giving rise to capital gains tax liability.

3.4. WHAT ARE THE CHANGES TO MY TAX POSITION AFTER THE CONVERSION?

Currently the Trust pays tax at 20% on the income received and you cannot claim this back. If you are a tax-exempt investor, or you hold your investment in the Trust in an Individual Savings Account (ISA) or in a pension, you will benefit from the conversion to the Threadneedle PAIF.

If you hold shares in the Threadneedle PAIF via the Threadneedle ISA, **we will be able to pay you any rental income or interest income gross of tax.** Similarly, if you hold shares in the Threadneedle PAIF within an ISA not provided by us, the ISA manager should be able to facilitate arrangements for gross income payments. When holding shares in the Threadneedle PAIF via a pension, either the pension provider will arrange for it to be receiving income gross or your pension will be able to claim back the tax on your behalf. All things being equal, **we believe that this will boost the income you receive from the fund by 25%.**

3.5. HOW DO THESE CHANGES IMPACT UK NON-TAX EXEMPT INVESTORS?

UK non-tax exempt investors that hold units in the Trust outside of a tax wrapper (i.e. an ISA or pension) may benefit from holding shares in the Feeder Fund rather than the Threadneedle PAIF.

This is because, from 6 April 2016, there will be changes to UK tax that may impact your tax position, including:

- Introduction of a dividend allowance on the first £5,000 of dividend income
- Removal of the notional 10% dividend tax credit
- Higher income tax charges on dividends received over £5,000

Higher rate taxpayers* and additional rate taxpayers** who currently hold units in the Trust outside of a tax wrapper such as ISA or pension **may benefit from holding units in the Feeder Fund** rather than shares in the Threadneedle PAIF if their dividend income, including the dividend income from the Feeder Fund, received in a tax year is *less than* the £5,000 dividend allowance.

***Additional information for Higher Rate Taxpayers (HRTs)**

On the basis of historic yield figures, a holding of £10,000 would generate a little over £430 of income per annum. Using the example of £430 income distribution per annum, a HRT payer who received dividend income *in excess* of £5,000 in a tax year, including the dividend income from the Feeder Fund, will be approximately £32 worse off by investing in the Feeder Fund.

****Additional information for Additional Rate Taxpayers (ARTs)**

Similar to HRT payers, using the example of £430 income distribution per annum, an ART payer who received dividend income *in excess* of £5,000 in a tax year, including the dividend income from the Feeder Fund, will be approximately £29 worse off by investing in the Feeder Fund.

This is a summary of our understanding of the current UK legislation and HM Revenue & Customs practice relevant to investors. It may be subject to change. The tax consequences of the conversion may vary depending on the law and regulations of your country of residence, citizenship or domicile. Columbia Threadneedle Investments cannot give tax advice or comment on individual circumstances. If you are in doubt about your potential liability to tax, you should consult a tax adviser.

Please note: Any investor that wishes to move to the Feeder Fund should complete the enclosed pink Election Form. Completed forms must be received by us before 25 April 2016.

WILL THERE BE ANY CHANGES TO THE WAY IN WHICH MY INVESTMENT IS MANAGED?

3.6. WILL THE THREADNEEDLE PAIF AND FEEDER FUND BE MANAGED BY THE CURRENT FUND MANAGEMENT TEAM?

Yes, the current team will continue to manage the Threadneedle PAIF and Feeder Fund.

3.7. WILL THERE BE ANY CHANGES TO THE WAY MY INVESTMENT IS BEING MANAGED?

No. The proposed change aims solely to deliver a taxation benefit for tax-exempt investors, and to allow income distributions to be made more frequently. There are no significant differences between the investment powers, risk profiles and strategies of the Trust and the Threadneedle PAIF. Your investment will be managed in the same way.

3.8. HOW WILL THE FEEDER FUND BE MANAGED?

The Feeder Fund will invest directly and solely in the Threadneedle PAIF and will therefore access the same underlying investments. Please note, however, that while we aim to ensure the performance of the Feeder Fund and the Threadneedle PAIF are as closely aligned as possible, the impact of any operational cash balances held in the Feeder Fund means that the investment return from units in the Feeder Fund will not be an exact match to those of the corresponding share in the Threadneedle PAIF.

3.9. WILL THERE BE ANY CHANGES TO THE CHARGES?

There will be no changes to the charges. In the majority of cases, after the conversion you will remain in a share class directly corresponding to your current unit class and the charges will be identical.

3.10. WILL THERE BE ANY CHANGES TO HOW MY INCOME DISTRIBUTIONS ARE BEING PAID?

No. If you have chosen to receive income, we will continue to pay your distributions as per your current arrangements, i.e. by direct credit or cheque. If you have chosen to reinvest your income or you have your income accumulated, this will continue after the conversion.

In contrast to the Trust however, the Threadneedle PAIF and its Feeder Fund will make income payments quarterly, instead of half yearly (see below).

3.11. WILL THERE BE ANY CHANGE IN INCOME DISTRIBUTION DATES?

The final distribution payment for the Trust will be made on 15 July 2016, and will pay the income accrued over the period 16 November 2015 to 13 May 2016.

Following the conversion, the Threadneedle PAIF will make payments on 15 October, 15 January, 15 April and 15 July, of each year. The first income distribution will be 15 October 2016, for the period 14 May 2016 to 15 August 2016. This is more frequent than the Trust, which makes income payments only twice per year.

If you currently have your distribution payments reinvested in additional units we will ensure that this arrangement continues. The final payment from the Trust will be reinvested into additional shares in the Threadneedle PAIF (or additional units in the Feeder Fund if you have elected to invest in the Feeder Fund).

WHAT IMPACT WILL THE CONVERSION HAVE ON MY INVESTMENT?

3.12. WHY IS MY INVESTMENT BEING CONVERTED INTO SHARES IN THE THREADNEEDLE PAIF? CAN I INVEST IN THE FEEDER FUND?

There may not be a tax advantage to investing in the Threadneedle PAIF for some investors, but this fund will be the main investment vehicle. As explained in Section 1.7, a Feeder Fund is being created for investors who are either not eligible, or not equipped, to invest directly in the Threadneedle PAIF. If you are eligible to invest in the Threadneedle PAIF, your investment will be converted by default into shares in the Threadneedle PAIF on 14 May 2016.

If you have a reason why your investment should move to the Feeder Fund on the conversion date, for example if it benefits you as a non-exempt investor, you should complete the enclosed pink Election Form. The completed forms must be received by us before 25 April 2016.

3.13. WHAT WILL HAPPEN TO MY INVESTMENT?

Whilst the Trust is a unit trust, which issues units, the Threadneedle PAIF will be an Open-Ended Investment Company (OEIC), which issues shares.

As a retail investor, your investment in the Trust will be converted into shares in the Threadneedle PAIF on 14 May 2016. Alternatively, you will receive units in the Feeder Fund if you have elected to do so as previously explained in Section 3.12.

Corporate investors (or corporate nominees) that do not complete and return the blue coloured Form of Election and Corporate Declarations and Undertakings to us by 25 April 2016, will receive units in the Feeder Fund.

We will send you notification of your new holdings by 24 May 2016.

3.14. WHAT WILL HAPPEN TO MY INCOME INSTRUCTIONS?

Your income instructions will remain in place. For example, if you hold units, but have had the income reinvested, the income from your shares in the Threadneedle PAIF will also be reinvested. Similarly, if you have a bank mandate in operation, income will continue to be paid into the same bank account.

3.15. WILL THE CONVERSION PRODUCE A NON-DEALING PERIOD?

Dealing in units of the Trust will be suspended from noon on 12 May 2016 to allow sufficient time to implement the conversion. Dealing in the Threadneedle PAIF and the Feeder Fund will commence on 16 May 2016.

3.16. CAN I SELL OR SWITCH MY HOLDING BEFORE THE EFFECTIVE DATE?

Yes. You can make changes to your investment at any time before 12 noon on 12 May 2016. You may wish to contact our Client Services Team free on 0800 953 0134* for further information ahead of doing so.

3.17. CAN I SELL OR SWITCH MY HOLDING BEFORE I RECEIVE NOTIFICATION OF MY NEW HOLDING?

Yes. Dealing in shares in the Threadneedle PAIF is expected to commence on 16 May 2016. You do not have to wait until you receive your conversion acknowledgement before you can deal.

3.18. WHAT IS THE PINK FORM FOR?

This form allows unitholders to request to be switched into the Feeder Fund (immediately after the Trust is converted) instead of receiving shares in the Threadneedle PAIF. The form is designed for individual, rather than corporate unitholders, but corporate unitholders can complete this form to confirm they wish to be invested into the Feeder Fund, should they wish.

3.19. WILL I BE CHARGED IF I TAKE MY MONEY OUT OF THE TRUST?

No. You will not be charged if you take your money out of the Trust.

APPENDIX 1

MAIN FEATURES OF THE THREADNEEDLE UK PROPERTY TRUST, THE THREADNEEDLE UK PROPERTY AUTHORISED INVESTMENT FUND AND THREADNEEDLE UK PROPERTY AUTHORISED TRUST

Table 2: Comparison of fund characteristics

Name	Threadneedle UK Property Trust (the Trust)	Threadneedle UK Property Authorised Investment Fund (the Threadneedle PAIF)	Threadneedle UK Property Authorised Trust (the Feeder Fund)
Fund type	Authorised non-UCITS Retail Scheme	Authorised non-UCITS Retail Scheme and a PAIF	Authorised non-UCITS Retail Scheme
Legal structure	Unit trust	OEIC	Unit trust
Manager/ACD	Threadneedle Investment Services Limited	Threadneedle Investment Services Limited	Threadneedle Investment Services Limited
Trustee/Depositary	Citibank Europe plc, UK Branch	Citibank Europe plc, UK Branch	Citibank Europe plc, UK Branch
Investment Manager	Threadneedle Asset Management Limited	Threadneedle Asset Management Limited	Threadneedle Asset Management Limited
Standing Independent Valuer	CBRE Limited	CBRE Limited	N/A
Permitted investors	Professional/institutional investors which may be Bodies Corporate and retail investors	Professional/institutional investors which may be Bodies Corporate (subject to the upper limit of 9.5%) and retail investors. Body Corporate investors not eligible to invest in the Threadneedle PAIF must invest through the Feeder Fund	Professional/institutional investors which may be Bodies Corporate and retail investors
Investment objective	The objective of the Trust is to obtain a total return based on income and capital appreciation primarily through investment in certain kinds of real estate, property-related securities, government and public securities and units in collective investment schemes	It is intended that the Threadneedle PAIF be a PAIF at all times and so its investment objective is to carry on Property Investment Business and to manage cash raised from investors for investment in the Property Investment Business as further described below. HMRC has confirmed to the ACD that the Threadneedle PAIF meets the requirements to qualify as a PAIF under regulation 690 of the Tax Regulations The objective of the Threadneedle PAIF is to obtain a total return based on income and capital appreciation predominantly through investment in certain kinds of real estate, property-related securities, government and public securities and units in collective investment schemes	It is intended that the Trust be a feeder fund for the Threadneedle PAIF at all times. The Threadneedle UK Property Authorised Investment Fund, an open-ended investment company, is constituted as a non-UCITS retail scheme and qualifies as a PAIF. The objective of the Trust is to obtain a total return based on income and capital appreciation by investing solely in the Threadneedle PAIF

Name	Threadneedle UK Property Trust (the Trust)	Threadneedle UK Property Authorised Investment Fund (the Threadneedle PAIF)	Threadneedle UK Property Authorised Trust (the Feeder Fund)
Investment policy	The Trust will invest primarily in UK commercial real estate. It may also invest in US or Continental European real estate, property-related securities, property investment companies, collective investment schemes (including other collective investment schemes managed, advised or operated by the Manager or its associates), cash and near cash, warrants, deposits and money market instruments. Derivatives may be used for efficient portfolio management purposes only	The Threadneedle PAIF will invest primarily in UK commercial real estate. It may also invest in US or Continental European real estate, property-related securities, property investment companies, collective investment schemes (including other collective investment schemes managed, advised or operated by the ACD or its associates), cash and near cash, warrants, deposits and money market instruments. Derivatives may be used for investment purposes on the giving of 60 days' notice to Shareholders. At the date of this circular derivatives are used for efficient portfolio management purposes only	The Feeder Fund will invest solely in the Threadneedle PAIF. The investment policy of the Trust means that it may be appropriate for the Trust to hold cash or near cash. This will only occur where the Manager reasonably regards it as necessary to enable the pursuit of the Trust's objective, redemption of units, efficient management of the Trust in accordance with its objective, or for purposes ancillary to its objective
Unit classes	Class 1 Class 2	Class 1 Class 2	Class 1 Class 2
Unit class type	Net income and accumulation	Net income and accumulation and gross income and accumulation	Net income and accumulation
Pricing	Dual pricing	Dual pricing	Dual pricing
Frequency of pricing	Daily	Daily	Daily
Frequency of dealing for subscriptions and redemptions	Daily	Daily	Daily
Final accounting date	15 May	15 May	15 May
Interim accounting dates	15 November	15 November, 15 February, 15 August	15 November, 15 February, 15 August
Annual distribution date	15 July	15 July	15 July
Interim distribution dates	15 January	15 January, 15 April, 15 October	15 January, 15 April, 15 October
Initial charge	Class 1: 5% Class 2: 0%	Class 1: 5% Class 2: 0%	Class 1: 5% Class 2: 0%
Annual management charge	Class 1: 1.5% Class 2: 0.75%	Class 1: 1.5% Class 2: 0.75%	Class 1: 1.5% Class 2: 0.75%
Ongoing charges figure (OCF) <small>(the OCF includes charges such as the fund's annual management charge, registration fee and custody fees)</small>	Class 1: 1.63% Class 2: 0.81%	Class 1: 1.63% Class 2: 0.81%	Class 1: 1.63% Class 2: 0.81%
Minimum initial investment	Class 1: £1,000 Class 2: £500,000	Class 1: £1,000 Class 2: £500,000	Class 1: £1,000 Class 2: £500,000
Minimum subsequent investment	Class 1: £1,000 Class 2: £25,000	Class 1: £1,000 Class 2: £25,000	Class 1: £1,000 Class 2: £25,000
Minimum holding	Class 1: £500 Class 2: £25,000	Class 1: £500 Class 2: £25,000	Class 1: £500 Class 2: £25,000
Minimum redemption	Class 1: £500 Class 2: £25,000	Class 1: £500 Class 2: £25,000	Class 1: £500 Class 2: £25,000
Redemption charge	N/A	N/A	N/A
Valuation point	12.00 noon (each UK business day)	12.00 noon (each UK business day)	12.00 noon (each UK business day)
Dealing cut-off point	12.00 noon	12.00 noon	12.00 noon

For the latest on the conversion, visit
[COLUMBIATHREADNEEDLE.COM/PAIF](https://columbiathreadneedle.com/paif)

