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ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
THREADNEEDLE FOCUS INVESTMENT FUNDS ICVC
JANUARY 2018

THREADNEEDLE FOCUS INVESTMENT FUNDS ICVC

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*These pages comprise the Authorised Corporate Director's Report.

Company Information

Company

Threadneedle Focus Investment Funds ICVC (the Company)
Registered Number IC000666

Registered Office

Cannon Place, 78 Cannon Street, London EC4N 6AG

Director

There is a sole director, the Authorised Corporate Director (the ACD), which is Threadneedle Investment Services Limited.

Board of Directors of the ACD

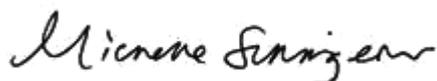
K Cates (non-executive)
T N Gillbanks (Resigned from the Board on 31 March 2017)
D Jordison
D Kremer
A Roughead (non-executive)
M Scrimgeour (Appointed to the Board on 14 August 2017)
L Weatherup

Authorised Corporate Director's Report

The ACD, Threadneedle Investment Services Limited, has pleasure in presenting the Annual Report and Audited Financial Statements for Threadneedle Focus Investment Funds ICVC for the 12 months to 21 January 2018.

We hope that you find the report informative. Should you require any further information regarding any aspect of your investment, or about our other products, we would be pleased to help. Alternatively, you may find it helpful to visit columbiathreadneedle.com for further information about Columbia Threadneedle Investments.

Thank you for your continued support.



M Scrimgeour
Director

DIRECTORS' STATEMENTS

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes (COLL) Sourcebook, we hereby certify the Annual Report and Audited Financial Statements on behalf of the Directors of Threadneedle Investment Services Limited.

L Weatherup

M Scrimgeour

18 April 2018

Threadneedle Credit Opportunities Fund

Investment Report

Investment Objective

The investment objective of the Credit Opportunities Fund is to achieve a total positive return over an 18-24 month period in all market conditions.

There is a risk to capital, and there is no guarantee that such a return will be achieved in 18-24 months or any other timescale.

Investment Policy

The ACD's investment policy is to invest the assets of the Fund to gain exposure to a range of credit related instruments, by investing directly or indirectly in such securities. These instruments generate returns from contracted income flows and changes in credit worthiness. The ACD will invest primarily in corporate bonds, sovereign bonds and other debt securities including money market securities.

If the ACD considers it desirable it may further invest up to one third of the total assets of the Fund in other securities and deposits. For liquidity purposes it may further invest in cash and near cash.

In addition, the ACD may use derivatives and forward transactions.

The ACD may take long and short positions through derivatives.

Performance of Class 1 Gross Accumulation Shares

Over the twelve months to 21 January 2018, the published share price of the Threadneedle Credit Opportunities Fund has risen from 1.3435 to 1.3610 euros.

The total return on the fund for the twelve months ending 31 January 2018, including gross reinvested income in euros, is +1.33%.

For information the Citigroup EUR 1 Month Eurodeposit Total Return Index returned -0.47% over the same period.

Market Overview and Portfolio Activity

Core government bond markets were relatively volatile over the review period though UK and US yields ended the period close to the levels seen at the start of the year. The 10-year bund yield, on the other hand, finished the year higher. Credit markets outperformed their sovereign counterparts, as the hunt for yield endured and as investors favoured risk assets amid optimism over strong earnings and economic indicators. While expectations that President Trump would deliver on his election promises seasawed over the review period, he achieved his goal of reforming the US tax code shortly before Christmas, when Congress finally signed the bill to do so into law.

In political news, Prime Minister Theresa May's unexpected call for a snap UK election in April fuelled hopes that an increased Conservative majority could strengthen the government's hand in the Brexit negotiations. In the event, June's election saw the Conservatives lose their absolute majority. By contrast, the European political scene appeared more favourable in this period, as populists were defeated in the Dutch and French elections. Investors also cheered Angela Merkel's success in September's German federal elections but her subsequent struggles in forming a coalition caused some anxiety, as did Catalonia's unsanctioned independence referendum in Spain. Late November and early December saw "hard Brexit" fears ease due to the prospect, then reality that UK and European officials would conclude the first stage of negotiations with agreement on some key sticking points, including the "divorce bill" and the Irish border post-Brexit.

On the monetary policy front, the US Federal Reserve raised rates by 25 basis points three times in 2017 and in October, started to scale down the size of its balance sheet. High inflation prompted a quarter-point hike from the Bank of England (BoE) in early November, but investors remained sceptical about more such hikes in the near term. Amid the improved economic momentum in Europe, the European Central Bank announced that it would reduce its

monthly bond-buying programme from €60bn to €30bn from January, although the duration of the economic stimulus plan has been extended until at least September 2018.

In the primary market, we purchased new issues from DS Smith, Coca Cola, Grand City and Verallia (Horizon Holdings). We were active in the secondary market, initiating new positions in Severn Trent, Pennon Group, Belfius Bank and CNH Industrial. We also bought Thames Water, GKN and Liberty Mutual. On the sales side, we reduced our exposure to Royal Bank of Scotland (RBS) and we exited Cofiroute (Autoroutes du sud), Emirates and Erste Group Bank.

The macro growth environment and strong earnings continue to provide support to global credit markets. However, we are concerned that the benefits of these strong earnings are not accruing to debt holders in terms of stronger balance sheets. We are late in the credit cycle and both corporate and financial management teams are looking to reward shareholders. This may be rational for management teams given the current low cost of debt against equity, but is resulting in high overall leverage numbers. In addition, the incidence of industrial- and financial-sponsored M&A is high, with resulting combinations being of lower credit quality. Although at the margin central banks are slowly tightening monetary policy, very low cash rates continue to provide technical support. Spread valuations are now inside the long-run average; hence, we do not consider this to be a period to be aggressive with overall credit risk. In high yield, "technical" remain supportive; the European high yield market is contracting as a result of "rising star" upgrades and bond-to-loan refinancings, and yet the demand for yield product remains firm. European high yield enjoyed stronger-than-expected performance in 2017. In this environment of low returns and with central banks starting to pull back on liquidity, we continue to manage for downside risks.

STATEMENT OF TOTAL RETURN

for the accounting period 22 January 2017 to 21 January 2018

| | Notes | 2018 €000 | 2017 €000 |
|---|-------|--------------|--------------|
| Income | | | |
| Net capital (losses)/gains | 3 | (1,208) | 24,666 |
| Revenue | 4 | 49,694 | 36,834 |
| Expenses | 5 | (11,642) | (7,351) |
| Foreign exchange gain on distribution | | 191 | 950 |
| Interest payable and similar charges | 6 | (14,169) | (11,336) |
| Net revenue before taxation | | 24,074 | 19,097 |
| Taxation | 7 | – | – |
| Net revenue after taxation | | 24,074 | 19,097 |
| Total return before distributions | | 22,866 | 43,763 |
| Distributions | 8 | (24,527) | (19,099) |
| Foreign exchange gain on translation | | 35,941 | 106,715 |
| Change in net assets attributable to shareholders from investment activities | | 34,280 | 131,379 |

BALANCE SHEET

as at 21 January 2018

| | Notes | 2018 €000 | 2017 €000 |
|--|-------|--------------|--------------|
| Assets: | | | |
| Fixed assets: | | | |
| Investments | | 1,695,460 | 944,831 |
| Current assets: | | | |
| Debtors | 9 | 20,102 | 34,621 |
| Cash and bank balances | 10 | 209,764 | 254,103 |
| Total assets | | 1,925,326 | 1,233,555 |
| Liabilities: | | | |
| Investment liabilities | | (27,557) | (19,199) |
| Creditors: | | | |
| Distribution payable | | (285) | (332) |
| Other creditors | 11 | (42,741) | (4,332) |
| Total liabilities | | (70,538) | (23,863) |
| Net assets attributable to shareholders | | 1,854,743 | 1,209,692 |

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the accounting period 22 January 2017 to 21 January 2018

| | 2018 €000 | 2017 €000 |
|--|--------------|--------------|
| Opening net assets attributable to shareholders | 1,209,692 | 1,071,403 |
| Amounts receivable on the issue of shares | 886,031 | 451,827 |
| Amounts payable on the cancellation of shares | (303,453) | (467,772) |
| | 582,578 | (15,945) |
| Dilution adjustment | 524 | 849 |
| Change in net assets attributable to shareholders from investment activities (see statement of total return above) | 34,280 | 131,379 |
| Retained distribution on accumulation shares | 27,669 | 22,006 |
| Closing net assets attributable to shareholders | 1,854,743 | 1,209,692 |

DISTRIBUTION TABLE

for the accounting period 22 January 2017 to 21 January 2018

Interest distribution in pence per share

Class 1 GBP Hedged – Accumulation shares[†]

| Distribution Period | Gross Revenue | Equalisation | Revenue Accumulated 2017/2018 | Revenue Accumulated 2016/2017 |
|--|---------------|--------------|-------------------------------|-------------------------------|
| Group 1 | | | | |
| 22/01/17 to 21/01/18 | 1.1284 | – | 1.1284 | 1.3827 |
| Group 2 | | | | |
| 22/01/17 to 21/01/18 | 0.6508 | 0.4776 | 1.1284 | 1.3827 |
| Total distributions in the period | | | 1.1284 | 1.3827 |

Threadneedle Credit Opportunities Fund

DISTRIBUTION TABLE

(continued)

Class 1 – Gross income shares

| Distribution Period | Gross Revenue | Equalisation | Distribution Paid/Payable 2017/2018 | Distribution Paid 2016/2017 |
|--|---------------|--------------|-------------------------------------|-----------------------------|
| Group 1 | | | | |
| 22/01/17 to 21/01/18 | 0.9479 | – | 0.9479 | 1.2738 |
| Group 2 | | | | |
| 22/01/17 to 21/01/18 | 0.4411 | 0.5068 | 0.9479 | 1.2738 |
| Total distributions in the period | | | 0.9479 | 1.2738 |

Class 1 – Gross accumulation shares

| Distribution Period | Gross Revenue | Equalisation | Gross Revenue Accumulated 2017/2018 | Gross Revenue Accumulated 2016/2017 |
|--|---------------|--------------|-------------------------------------|-------------------------------------|
| Group 1 | | | | |
| 22/01/17 to 21/01/18 | 1.2682 | – | 1.2682 | 1.7059 |
| Group 2 | | | | |
| 22/01/17 to 21/01/18 | 0.5993 | 0.6689 | 1.2682 | 1.7059 |
| Total distributions in the period | | | 1.2682 | 1.7059 |

Class 1 GBP Hedged – Gross accumulation shares

| Distribution Period | Gross Revenue | Equalisation | Gross Revenue Accumulated 2017/2018 | Gross Revenue Accumulated 2016/2017 |
|--|---------------|--------------|-------------------------------------|-------------------------------------|
| Group 1 | | | | |
| 22/01/17 to 21/01/18 | 0.8768 | – | 0.8768 | 1.3233 |
| Group 2 | | | | |
| 22/01/17 to 21/01/18 | 0.8768 | – | 0.8768 | 1.3233 |
| Total distributions in the period | | | 0.8768 | 1.3233 |

Class 1 USD Hedged – Gross accumulation shares

| Distribution Period | Gross Revenue | Equalisation | Gross Revenue Accumulated 2017/2018 | Gross Revenue Accumulated 2016/2017 |
|--|---------------|--------------|-------------------------------------|-------------------------------------|
| Group 1 | | | | |
| 22/01/17 to 21/01/18 | 0.9046 | – | 0.9046 | 1.3082 |
| Group 2 | | | | |
| 22/01/17 to 21/01/18 | 0.3823 | 0.5223 | 0.9046 | 1.3082 |
| Total distributions in the period | | | 0.9046 | 1.3082 |

Class 2 GBP Hedged – Income shares[†]

| Distribution Period | Gross Revenue | Equalisation | Distribution Paid/Payable 2017/2018 | Distribution Paid 2016/2017 |
|--|---------------|--------------|-------------------------------------|-----------------------------|
| Group 1 | | | | |
| 22/01/17 to 21/01/18 | 1.5524 | – | 1.5524 | 1.6312 |
| Group 2 | | | | |
| 22/01/17 to 21/01/18 | 0.5339 | 1.0185 | 1.5524 | 1.6312 |
| Total distributions in the period | | | 1.5524 | 1.6312 |

Class 2 GBP Hedged – Accumulation shares[†]

| Distribution Period | Gross Revenue | Equalisation | Revenue Accumulated 2017/2018 | Revenue Accumulated 2016/2017 |
|--|---------------|--------------|-------------------------------|-------------------------------|
| Group 1 | | | | |
| 22/01/17 to 21/01/18 | 1.9228 | – | 1.9228 | 1.9706 |
| Group 2 | | | | |
| 22/01/17 to 21/01/18 | 0.9805 | 0.9423 | 1.9228 | 1.9706 |
| Total distributions in the period | | | 1.9228 | 1.9706 |

Class 2 – Gross income shares*

| Distribution Period | Gross Revenue | Equalisation | Distribution Paid/Payable 2017/2018 |
|--|---------------|--------------|-------------------------------------|
| Group 1 | | | |
| 22/01/17 to 21/01/18 | 0.4404 | – | 0.4404 |
| Group 2 | | | |
| 22/01/17 to 21/01/18 | 0.4404 | – | 0.4404 |
| Total distributions in the period | | | 0.4404 |

Class 2 – Gross accumulation shares

| Distribution Period | Gross Revenue | Equalisation | Gross Revenue Accumulated 2017/2018 | Gross Revenue Accumulated 2016/2017 |
|--|---------------|--------------|-------------------------------------|-------------------------------------|
| Group 1 | | | | |
| 22/01/17 to 21/01/18 | 1.9997 | – | 1.9997 | 2.3424 |
| Group 2 | | | | |
| 22/01/17 to 21/01/18 | 0.7678 | 1.2319 | 1.9997 | 2.3424 |
| Total distributions in the period | | | 1.9997 | 2.3424 |

Class X GBP Hedged – Gross accumulation shares*

| Distribution Period | Gross Revenue | Equalisation | Gross Revenue Accumulated 2017/2018 | Gross Revenue Accumulated 2016/2017 |
|--|---------------|--------------|-------------------------------------|-------------------------------------|
| Group 1 | | | | |
| 22/01/17 to 21/01/18 | 2.3153 | – | 2.3153 | 2.3054 |
| Group 2 | | | | |
| 22/01/17 to 21/01/18 | 1.9884 | 0.3269 | 2.3153 | 2.3054 |
| Total distributions in the period | | | 2.3153 | 2.3054 |

Group 2: shares purchased during a distribution period.

**For launch dates, refer to the footnotes after the comparative tables.*

†Distributions paid before 6 April 2017 have been paid net.

Threadneedle Credit Opportunities Fund

Comparative Table Disclosure (Presentational Currency (£))

| | Class 1 GBP Hedged – Accumulation shares | | | Class 1 – Gross income shares [§] | | |
|---|---|-------------|-------------|---|------------|------------|
| | 21/01/2018 | 21/01/2017 | 21/01/2016 | 21/01/2018 | 21/01/2017 | 21/01/2016 |
| Change in net assets per share | | | | | | |
| Opening net asset value per share (p) | 134.03 | 126.71 | 128.14 | 85.33 | 73.34 | 74.31 |
| Return before operating charges (p) | 4.33 | 9.14 | 1.35 | 3.95 | 14.46 | 0.73 |
| Operating charges (p) | (1.87) | (1.47) | (1.91) | (0.99) | (1.20) | (0.87) |
| Return after operating charges (p)* | 2.46 | 7.67 | (0.56) | 2.96 | 13.26 | (0.14) |
| Distributions (p) | (1.13) | (1.73) | (4.34) | (0.95) | (1.27) | (0.83) |
| Retained distributions on accumulation shares (p)** | 1.13 | 1.38 | 3.47 | – | – | – |
| Closing net asset value per share (p) | 136.49 | 134.03 | 126.71 | 87.34 | 85.33 | 73.34 |
| *after direct transaction costs of (p) | – | – | – | – | – | – |
| Performance | | | | | | |
| Return after charges (%) | 1.84 | 6.05 | (0.44) | 3.47 | 18.08 | (0.19) |
| Other information | | | | | | |
| Closing net asset value (£000) | 4,340 | 4,859 | 6,746 | 4,307 | 1,373 | 1,223 |
| Closing number of shares | 3,179,694 | 3,625,193 | 5,324,280 | 4,931,535 | 1,609,258 | 1,667,012 |
| Operating charges (%)*** | 1.37 | 1.38 | 1.38 | 1.13 | 1.13 | 1.14 |
| Direct transaction costs (%)**** | – | – | – | – | – | – |
| | Class 1 – Gross accumulation shares [§] | | | Class 1 GBP Hedged – Gross accumulation shares [§] | | |
| | 21/01/2018 | 21/01/2017 | 21/01/2016 | 21/01/2018 | 21/01/2017 | 21/01/2016 |
| Change in net assets per share | | | | | | |
| Opening net asset value per share (p) | 115.99 | 98.23 | 98.40 | 103.15 | 97.29 | 100.00 |
| Return before operating charges (p) | 5.36 | 18.96 | 0.97 | 3.34 | 7.32 | (1.32) |
| Operating charges (p) | (1.34) | (1.20) | (1.14) | (1.44) | (1.46) | (1.39) |
| Return after operating charges (p)* | 4.02 | 17.76 | (0.17) | 1.90 | 5.86 | (2.71) |
| Distributions (p) | (1.27) | (1.71) | (1.39) | (0.88) | (1.32) | (0.30) |
| Retained distributions on accumulation shares (p)** | 1.27 | 1.71 | 1.39 | 0.88 | 1.32 | 0.30 |
| Closing net asset value per share (p) | 120.01 | 115.99 | 98.23 | 105.05 | 103.15 | 97.29 |
| *after direct transaction costs of (p) | – | – | – | – | – | – |
| Performance | | | | | | |
| Return after charges (%) | 3.47 | 18.08 | (0.17) | 1.84 | 6.02 | (2.71) |
| Other information | | | | | | |
| Closing net asset value (£000) | 351,908 | 370,583 | 315,286 | 11 | 11 | 10 |
| Closing number of shares | 293,224,869 | 319,486,290 | 320,957,409 | 10,000 | 10,000 | 10,000 |
| Operating charges (%)*** | 1.12 | 1.13 | 1.13 | 1.37 | 1.37 | 1.37 |
| Direct transaction costs (%)**** | – | – | – | – | – | – |
| | Class 1 USD Hedged – Gross accumulation shares [§] | | | Class 2 GBP Hedged – Income shares | | |
| | 21/01/2018 | 21/01/2017 | 21/01/2016 | 21/01/2018 | 21/01/2017 | 21/01/2016 |
| Change in net assets per share | | | | | | |
| Opening net asset value per share (p) | 112.20 | 91.64 | 86.37 | 101.24 | 96.70 | 98.85 |
| Return before operating charges (p) | (8.41) | 22.02 | 6.55 | 3.30 | 7.33 | 0.55 |
| Operating charges (p) | (1.50) | (1.46) | (1.28) | (0.72) | (0.75) | (0.76) |
| Return after operating charges (p)* | (9.91) | 20.56 | 5.27 | 2.58 | 6.58 | (0.21) |
| Distributions (p) | (0.90) | (1.31) | (1.40) | (1.55) | (2.04) | (1.94) |
| Retained distributions on accumulation shares (p)** | 0.90 | 1.31 | 1.40 | – | – | – |
| Closing net asset value per share (p) | 102.29 | 112.20 | 91.64 | 102.27 | 101.24 | 96.70 |
| *after direct transaction costs of (p) | – | – | – | – | – | – |
| Performance | | | | | | |
| Return after charges (%) | (8.84) | 22.44 | 6.10 | 2.55 | 6.80 | (0.21) |
| Other information | | | | | | |
| Closing net asset value (£000) | 9,786 | 15,309 | 15,430 | 866 | 611 | 464 |
| Closing number of shares | 9,567,341 | 13,644,156 | 16,838,448 | 846,814 | 603,553 | 480,253 |
| Operating charges (%)*** | 1.37 | 1.38 | 1.38 | 0.70 | 0.71 | 0.71 |
| Direct transaction costs (%)**** | – | – | – | – | – | – |

Threadneedle Credit Opportunities Fund

Comparative Table Disclosure (Presentational Currency (£))

(continued)

| | Class 2 GBP Hedged – Accumulation shares | | | Class 2 – Gross income shares ⁵ | |
|---|--|-------------|-------------|---|-------------------------|
| | 21/01/2018 | 21/01/2017 | 21/01/2016 | 21/01/2018 ² | |
| Change in net assets per share | | | | | |
| Opening net asset value per share (p) | 124.28 | 116.86 | 117.58 | 88.67 | |
| Return before operating charges (p) | 4.03 | 8.82 | 0.78 | 0.13 | |
| Operating charges (p) | (0.89) | (0.91) | (0.91) | (0.15) | |
| Return after operating charges (p)* | 3.14 | 7.91 | (0.13) | (0.02) | |
| Distributions (p) | (1.92) | (2.46) | (2.96) | (0.44) | |
| Retained distributions on accumulation shares (p)** | 1.92 | 1.97 | 2.37 | – | |
| Closing net asset value per share (p) | 127.42 | 124.28 | 116.86 | 88.21 | |
| *after direct transaction costs of (p) | – | – | – | – | |
| Performance | | | | | |
| Return after charges (%) | 2.53 | 6.77 | (0.11) | (0.02) | |
| Other information | | | | | |
| Closing net asset value (£000) | 92,860 | 58,431 | 82,777 | 45,020 | |
| Closing number of shares | 72,879,082 | 47,014,065 | 70,836,967 | 51,037,355 | |
| Operating charges (%)** | 0.70 | 0.71 | 0.71 | 0.58 ¹ | |
| Direct transaction costs (%)** | – | – | – | – | |
| | Class 2 – Gross accumulation shares ⁵ | | | Class X GBP Hedged – Gross accumulation shares ⁵ | |
| | 21/01/2018 | 21/01/2017 | 21/01/2016 | 21/01/2018 | 21/01/2017 ³ |
| Change in net assets per share | | | | | |
| Opening net asset value per share (p) | 115.37 | 97.15 | 96.75 | 105.26 | 100.00 |
| Return before operating charges (p) | 5.35 | 18.85 | 0.96 | 3.41 | 5.30 |
| Operating charges (p) | (0.66) | (0.63) | (0.56) | (0.05) | (0.04) |
| Return after operating charges (p)* | 4.69 | 18.22 | 0.40 | 3.36 | 5.26 |
| Distributions (p) | (2.00) | (2.34) | (1.78) | (2.32) | (2.31) |
| Retained distributions on accumulation shares (p)** | 2.00 | 2.34 | 1.78 | 2.32 | 2.31 |
| Closing net asset value per share (p) | 120.06 | 115.37 | 97.15 | 108.62 | 105.26 |
| *after direct transaction costs of (p) | – | – | – | – | – |
| Performance | | | | | |
| Return after charges (%) | 4.07 | 18.75 | 0.41 | 3.19 | 5.26 |
| Other information | | | | | |
| Closing net asset value (£000) | 1,342,825 | 758,426 | 649,467 | 2,820 | 89 |
| Closing number of shares | 1,118,486,357 | 657,377,228 | 668,546,178 | 2,595,891 | 84,033 |
| Operating charges (%)** | 0.55 | 0.56 | 0.56 | 0.05 | 0.04 ¹ |
| Direct transaction costs (%)** | – | – | – | – | – |

**The difference between the distributions and the retained distributions on accumulation shares is due to the tax withheld.

***The Operating charges are represented by the Ongoing Charges Figure (OCF) which is the European standard method of disclosing the charges of a share class of a fund based on the financial year's expenses and may vary from year to year. It includes charges such as the fund's annual management charge, registration fee, custody fees and distribution cost but ordinarily excludes the costs of buying or selling assets for the fund (unless these assets are shares of another fund). Where published, the Key Investor Information Document (KIID) contains the current OCF. For a more detailed breakdown please visit columbiathreadneedle.com/fees.

****Transaction costs have not been reduced by any amounts collected from dilution levies/adjustments.

⁵Only available to eligible investors.

¹Class 1 GBP Hedged – Gross accumulation shares commenced 28 October 2015.

²Class 2 – Gross income shares commenced 3 October 2017.

³Class X GBP Hedged – Gross accumulation shares commenced 16 March 2016.

¹The Ongoing Charges Figure is annualised based on the fees incurred since commencement date.

Threadneedle Credit Opportunities Fund

Comparative Table Disclosure (Fund Currency (€))

(continued)

| | Class 1 GBP Hedged – Accumulation shares | | | Class 1 – Gross income shares [§] | | |
|---|--|-------------|-------------|---|------------|------------|
| | 21/01/2018 | 21/01/2017 | 21/01/2016 | 21/01/2018 | 21/01/2017 | 21/01/2016 |
| Change in net assets per share | | | | | | |
| Opening net asset value per share (c) | 154.84 | 163.95 | 167.32 | 98.58 | 94.89 | 97.03 |
| Return before operating charges (c) | 1.74 | (7.02) | 0.23 | 2.45 | 6.55 | 0.05 |
| Operating charges (c) | (2.12) | (1.69) | (2.48) | (1.12) | (1.39) | (1.12) |
| Return after operating charges (c)* | (0.38) | (8.71) | (2.25) | 1.33 | 5.16 | (1.07) |
| Distributions (c) | (1.28) | (2.00) | (5.61) | (1.07) | (1.47) | (1.07) |
| Retained distributions on accumulation shares (c)** | 1.28 | 1.60 | 4.49 | – | – | – |
| Closing net asset value per share (c) | 154.46 | 154.84 | 163.95 | 98.84 | 98.58 | 94.89 |
| *after direct transaction costs of (c) | – | – | – | – | – | – |
| Performance | | | | | | |
| Return after charges (%) | (0.25) | (5.31) | (1.34) | 1.35 | 5.44 | (1.10) |
| Other information | | | | | | |
| Closing net asset value (€000) | 4,912 | 5,613 | 8,729 | 4,874 | 1,586 | 1,582 |
| Closing number of shares | 3,179,694 | 3,625,193 | 5,324,280 | 4,931,535 | 1,609,258 | 1,667,012 |
| Operating charges (%)** | 1.37 | 1.38 | 1.38 | 1.13 | 1.13 | 1.14 |
| Direct transaction costs (%)** | – | – | – | – | – | – |
| Prices | | | | | | |
| Highest share price (c) | 161.37 | 172.18 | 187.94 | 100.17 | 100.31 | 99.40 |
| Lowest share price (c) | 145.88 | 147.73 | 164.54 | 98.85 | 94.15 | 95.24 |
| | Class 1 – Gross accumulation shares [§] | | | Class 1 GBP Hedged – Gross accumulation shares [§] | | |
| | 21/01/2018 | 21/01/2017 | 21/01/2016 | 21/01/2018 | 21/01/2017 | 21/01/2016 |
| Change in net assets per share | | | | | | |
| Opening net asset value per share (c) | 134.00 | 127.10 | 128.49 | 119.17 | 125.88 | 138.00 |
| Return before operating charges (c) | 3.33 | 8.29 | 0.09 | 1.35 | (5.03) | (10.33) |
| Operating charges (c) | (1.51) | (1.39) | (1.48) | (1.63) | (1.68) | (1.79) |
| Return after operating charges (c)* | 1.82 | 6.90 | (1.39) | (0.28) | (6.71) | (12.12) |
| Distributions (c) | (1.44) | (1.97) | (1.80) | (0.99) | (1.53) | (0.39) |
| Retained distributions on accumulation shares (c)** | 1.44 | 1.97 | 1.80 | 0.99 | 1.53 | 0.39 |
| Closing net asset value per share (c) | 135.82 | 134.00 | 127.10 | 118.89 | 119.17 | 125.88 |
| *after direct transaction costs of (c) | – | – | – | – | – | – |
| Performance | | | | | | |
| Return after charges (%) | 1.36 | 5.43 | (1.08) | (0.23) | (5.33) | (8.78) |
| Other information | | | | | | |
| Closing net asset value (€000) | 398,258 | 428,123 | 407,947 | 12 | 12 | 12 |
| Closing number of shares | 293,224,869 | 319,486,290 | 320,957,409 | 10,000 | 10,000 | 10,000 |
| Operating charges (%)** | 1.12 | 1.13 | 1.13 | 1.37 | 1.37 | 1.37 |
| Direct transaction costs (%)** | – | – | – | – | – | – |
| Prices | | | | | | |
| Highest share price (c) | 136.17 | 134.35 | 131.66 | 124.20 | 132.34 | 143.56 |
| Lowest share price (c) | 134.37 | 126.10 | 127.57 | 112.28 | 113.64 | 126.35 |

Threadneedle Credit Opportunities Fund

Comparative Table Disclosure (Fund Currency (€))

(continued)

| | Class 1 USD Hedged – Gross accumulation shares [§] | | | Class 2 GBP Hedged – Income shares | | |
|---|---|------------|------------|--|------------|------------|
| | 21/01/2018 | 21/01/2017 | 21/01/2016 | 21/01/2018 | 21/01/2017 | 21/01/2016 |
| Change in net assets per share | | | | | | |
| Opening net asset value per share (c) | 129.62 | 118.57 | 112.78 | 116.96 | 125.12 | 129.08 |
| Return before operating charges (c) | (12.16) | 12.73 | 7.45 | 1.36 | (4.93) | (0.47) |
| Operating charges (c) | (1.70) | (1.68) | (1.66) | (0.82) | (0.87) | (0.99) |
| Return after operating charges (c)* | (13.86) | 11.05 | 5.79 | 0.54 | (5.80) | (1.46) |
| Distributions (c) | (1.02) | (1.51) | (1.81) | (1.76) | (2.36) | (2.50) |
| Retained distributions on accumulation shares (c)** | 1.02 | 1.51 | 1.81 | – | – | – |
| Closing net asset value per share (c) | 115.76 | 129.62 | 118.57 | 115.74 | 116.96 | 125.12 |
| *after direct transaction costs of (c) | – | – | – | – | – | – |
| Performance | | | | | | |
| Return after charges (%) | (10.69) | 9.32 | 5.13 | 0.46 | (4.64) | (1.13) |
| Other information | | | | | | |
| Closing net asset value (€000) | 11,075 | 17,686 | 19,965 | 980 | 706 | 601 |
| Closing number of shares | 9,567,341 | 13,644,156 | 16,838,448 | 846,814 | 603,553 | 480,253 |
| Operating charges (%)*** | 1.37 | 1.38 | 1.38 | 0.70 | 0.71 | 0.71 |
| Direct transaction costs (%)**** | – | – | – | – | – | – |
| Prices | | | | | | |
| Highest share price (c) | 132.17 | 132.79 | 126.56 | 122.12 | 131.68 | 145.34 |
| Lowest share price (c) | 115.98 | 113.28 | 112.79 | 110.67 | 113.22 | 125.59 |
| | Class 2 GBP Hedged – Accumulation shares | | | Class 2 – Gross income shares [§] | | |
| | 21/01/2018 | 21/01/2017 | 21/01/2016 | 21/01/2018 [‡] | | |
| Change in net assets per share | | | | | | |
| Opening net asset value per share (c) | 143.58 | 151.20 | 153.54 | 100.00 | | |
| Return before operating charges (c) | 1.62 | (6.00) | (0.39) | 0.50 | | |
| Operating charges (c) | (1.00) | (1.05) | (1.18) | (0.17) | | |
| Return after operating charges (c)* | 0.62 | (7.05) | (1.57) | 0.33 | | |
| Distributions (c) | (2.18) | (2.85) | (3.83) | (0.50) | | |
| Retained distributions on accumulation shares (c)** | 2.18 | 2.28 | 3.06 | – | | |
| Closing net asset value per share (c) | 144.20 | 143.58 | 151.20 | 99.83 | | |
| *after direct transaction costs of (c) | – | – | – | – | | |
| Performance | | | | | | |
| Return after charges (%) | 0.43 | (4.66) | (1.02) | 0.33 | | |
| Other information | | | | | | |
| Closing net asset value (€000) | 105,090 | 67,504 | 107,105 | 50,950 | | |
| Closing number of shares | 72,879,082 | 47,014,065 | 70,836,967 | 51,037,355 | | |
| Operating charges (%)*** | 0.70 | 0.71 | 0.71 | 0.58 [‡] | | |
| Direct transaction costs (%)**** | – | – | – | – | | |
| Prices | | | | | | |
| Highest share price (c) | 149.88 | 159.09 | 172.87 | 100.56 | | |
| Lowest share price (c) | 135.82 | 136.78 | 151.75 | 99.89 | | |

Threadneedle Credit Opportunities Fund

Comparative Table Disclosure (Fund Currency (€))

(continued)

| | Class 2 – Gross accumulation shares ⁵ | | | Class X GBP Hedged – Gross accumulation shares ⁵ | |
|---|--|-------------|-------------|---|-------------------------|
| | 21/01/2018 | 21/01/2017 | 21/01/2016 | 21/01/2018 | 21/01/2017 ³ |
| Change in net assets per share | | | | | |
| Opening net asset value per share (c) | 133.29 | 125.70 | 126.34 | 121.60 | 127.13 |
| Return before operating charges (c) | 3.32 | 8.32 | 0.08 | 1.39 | (5.49) |
| Operating charges (c) | (0.74) | (0.73) | (0.72) | (0.06) | (0.04) |
| Return after operating charges (c)* | 2.58 | 7.59 | (0.64) | 1.33 | (5.53) |
| Distributions (c) | (2.26) | (2.71) | (2.30) | (2.62) | (2.66) |
| Retained distributions on accumulation shares (c)** | 2.26 | 2.71 | 2.30 | 2.62 | 2.66 |
| Closing net asset value per share (c) | 135.87 | 133.29 | 125.70 | 122.93 | 121.60 |
| *after direct transaction costs of (c) | – | – | – | – | – |
| Performance | | | | | |
| Return after charges (%) | 1.94 | 6.04 | (0.51) | 1.09 | (4.35) |
| Other information | | | | | |
| Closing net asset value (€000) | 1,519,688 | 876,185 | 840,342 | 3,191 | 102 |
| Closing number of shares | 1,118,486,357 | 657,377,228 | 668,546,178 | 2,595,891 | 84,033 |
| Operating charges (%)*** | 0.55 | 0.56 | 0.56 | 0.05 | 0.04 ¹ |
| Direct transaction costs (%)**** | – | – | – | – | – |
| Prices | | | | | |
| Highest share price (c) | 136.19 | 133.62 | 129.83 | 127.13 | 133.87 |
| Lowest share price (c) | 133.65 | 124.75 | 126.16 | 115.49 | 115.54 |

**The difference between the distributions and the retained distributions on accumulation shares is due to the tax withheld.

***The Operating charges are represented by the Ongoing Charges Figure (OCF) which is the European standard method of disclosing the charges of a share class of a fund based on the financial year's expenses and may vary from year to year. It includes charges such as the fund's annual management charge, registration fee, custody fees and distribution cost but ordinarily excludes the costs of buying or selling assets for the fund (unless these assets are shares of another fund). Where published, the Key Investor Information Document (KIID) contains the current OCF. For a more detailed breakdown please visit columbiathreadneedle.com/fees.

****Transaction costs have not been reduced by any amounts collected from dilution levies/adjustments.

⁵Only available to eligible investors.

¹Class 1 GBP Hedged – Gross accumulation shares commenced 28 October 2015.

²Class 2 – Gross income shares commenced 3 October 2017.

³Class X GBP Hedged – Gross accumulation shares commenced 16 March 2016.

¹The Ongoing Charges Figure is annualised based on the fees incurred since commencement date.

Threadneedle Credit Opportunities Fund

Notes to the financial statements

for the accounting period 22 January 2017 to 21 January 2018

1 ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of investments, in compliance with FRS 102 and in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Management Association in May 2014.

(b) Basis of valuation of investments

The investments of the fund are valued at fair market prices at 12 noon of the accounting period (UK time). Investments are stated at their fair value which generally is the bid valuation of each security.

These bid values are sourced from independent pricing sources; to the extent that an independent pricing source is not available then quotes are obtained from a broker. Where the ACD deems that these valuations are unrepresentative of a fair valuation of the security, a fair valuation adjustment is applied based upon the ACD's opinion of fair value.

The last dealing point in the year has been used for the purposes of preparing the report and financial statements and in the ACD's opinion there has been no material movements in the funds between the last dealing point and close of business on the balance sheet date.

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Derivatives are valued based on counterparty valuations, appropriate pricing models and the ACD's opinion of fair value.

The Fair Value of Collective Investment Schemes (CIS) holdings is the bid price for authorised unit trusts and the quoted price for open-ended investment companies and offshore funds.

(c) Exchange rates

Assets and liabilities in foreign currencies are translated into the fund's local currency, which is the Euro, at the exchange rate ruling at 12 noon (UK time), being the valuation point on the last working day of the accounting period.

Revenue and expenses denominated in foreign currency are translated into the fund's local currency at the exchange rate ruling at the date of the transaction.

For reporting purposes, the presentational currency of the Company is sterling. Foreign exchange translation adjustments arising from the translation of the fund into the Company's presentational currency are included within "Foreign exchange gain on translation" in the Statement of Total Return and Foreign Exchange gain on distribution within the Statement of Total Return and the distribution note.

(d) Derivatives

The return in respect of any derivative transaction is treated as capital or revenue depending on the motive and circumstances of the transaction. Where positions are undertaken to protect or enhance capital the returns are capital and where they are generating or protecting revenue the returns are revenue. Where positions generate total returns the returns are apportioned between capital and income to reflect the nature of the transaction. Ongoing premiums on credit default swaps are charged or credited to revenue/expenses on an accruals basis, depending on whether protection is bought or sold.

Any capital gains/losses are included within net capital (losses)/gains and any revenue or expense is included within revenue or interest payable and similar charges respectively in the statement of total return.

Derivative revenue and expense are netted off for the purposes of disclosure. The net balance is disclosed within either the revenue or interest payable and similar charges note depending on whether the balance is in a net revenue or expense position respectively.

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

Cash held at future brokers as margin is reflected separately within cash and bank balances.

(e) Recognition of revenue

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

Interest on debt securities and bank and short-term deposits is recognised on an earned basis.

In the case of debt securities any difference between acquisition cost and maturity value is recognised as revenue over the life of the security using the effective yield basis of calculating amortisation.

(f) Treatment of expenses (including management expenses)

All expenses other than those relating to the purchase and sale of investments, are included in expenses, in the Statement of Total Return. Expenses are recognised on an accrual basis and include irrecoverable VAT where appropriate.

In addition, the ACD is entitled to receive a performance fee in the event of the NAV per share of the Fund outperforming the relevant benchmark index. The performance fee is only chargeable at the end of any Performance Period i.e. 31 December, and will be paid within one month of that date. If no performance fee has been charged since the launch of the Share Class, no performance fee will be payable until such time as there is an Excess Return and there is a performance fee accrual at the end of the Performance Period.

Further details including the relevant benchmark index, can be found within the "Expenses" note of the fund.

(g) Allocation of revenue and expenses to multiple share classes

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

Revenue equalisation, annual management charge and registration fees are specific to each share class.

(h) Equalisation policy

The funds operate equalisation to ensure the level of distributable income for any share class is not affected by the issue or cancellation of shares.

(i) Allocation of return on hedged share classes

Hedged share classes allow the ACD to use currency hedging transactions to reduce the effect of exchange rate fluctuations between the Reference Currency or Reference Currencies and the Hedged Currency (for further definitions refer to page 31). Where undertaken, the allocation of return in relation to hedging transactions is applied in respect of that hedged share class only.

2 DISTRIBUTION POLICY

In accordance with the Collective Investment Schemes Sourcebook, where the revenue from investments exceeds the expenses and taxation for any share class, a distribution will be made from that share class. Should expenses and taxation exceed revenue for any share class, there will be no distribution for that share class and a transfer from capital will be made to cover the shortfall.

Revenue attributable to accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of revenue.

When a transfer is made between the revenue and capital of the same share class marginal tax relief is not taken into account when determining the distribution. Marginal tax relief is only taken into account where the transfer of benefit is between the revenue and capital property of at least two different share classes of the fund.

Any fees arising as a result of outperformance are added back for the purpose of determining the amount for distribution.

3 NET CAPITAL (LOSSES)/GAINS

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

| | 2018 £000 | 2017 £000 |
|----------------------------|--------------|--------------|
| Non-derivative securities | (40,875) | 9,452 |
| Derivative contracts | (8,299) | (2,726) |
| Forward currency contracts | 45,734 | 28,595 |
| Other gains/(losses) | 2,234 | (10,653) |
| Transaction costs | (2) | (2) |
| Net capital (losses)/gains | (1,208) | 24,666 |

4 REVENUE

| | 2018 £000 | 2017 £000 |
|-----------------------------|--------------|--------------|
| Interest on debt securities | 49,675 | 36,811 |
| Bank interest | 19 | 23 |
| Total revenue | 49,694 | 36,834 |

Threadneedle Credit Opportunities Fund

Notes to the financial statements

(continued)

5 EXPENSES

| | 2018 £000 | 2017 £000 |
|--|-----------------|----------------|
| Payable to the ACD or associates of the ACD, and the agents of either of them: | | |
| Annual management charge | (10,504) | (6,580) |
| Registration fees | (907) | (573) |
| | <u>(11,411)</u> | <u>(7,153)</u> |
| Payable to the depository or associates of the depository, and the agents of either of them: | | |
| Depository's fees | (118) | (119) |
| Safe custody fees | (83) | (51) |
| | <u>(201)</u> | <u>(170)</u> |
| Other expenses: | | |
| Regulatory fees | (11) | (11) |
| Professional fees | (2) | – |
| Audit fees | (17) | (17) |
| | <u>(30)</u> | <u>(28)</u> |
| Total expenses* | <u>(11,642)</u> | <u>(7,351)</u> |

The ACD is entitled to receive a performance fee in the event of the NAV per Share of the fund outperforming the Citigroup EUR 1 Month Eurodeposit Index (with revenue reinvested, calculated at market close). The performance fee rate of 20% is multiplied by the Excess Return. Performance fees are calculated on a calendar basis and may vary substantially from year to year depending on how the fund has performed against its benchmark. As the accounting period falls during the calculation period of the performance fee, the performance fees are accrued at that point in time, but may not represent the actual amount that will be paid. Therefore, previously accrued amounts may be required to be reversed. Performance fees are charged to revenue initially and then added back for purpose of determining the amount available for distribution. No performance fee was paid during the reporting period in respect of the calendar year ended 31 December 2017 (2016: £Nil).

*Including irrecoverable VAT where applicable.

6 INTEREST PAYABLE AND SIMILAR CHARGES

| | 2018 £000 | 2017 £000 |
|--|-----------------|-----------------|
| Interest payable | (883) | (535) |
| Derivative expense | (13,286) | (10,801) |
| Total interest payable & similar charges | <u>(14,169)</u> | <u>(11,336)</u> |

7 TAXATION

| | 2018 £000 | 2017 £000 |
|---|--------------|--------------|
| a) Analysis of charge in period | | |
| Total current tax (note 6b) | – | – |
| Total tax charge for the period | – | – |
| b) Factors affecting taxation charge for period | | |
| Net revenue before taxation | 24,074 | 19,097 |
| Net revenue before taxation multiplied by the standard rate of corporation tax of 20% | (4,815) | (3,820) |
| Effects of: | | |
| Distributions treated as tax deductible | 4,906 | 3,820 |
| Retail Distribution Review (RDR) conversion transfer from capital | (91) | – |
| Current tax charge for period (note 6a) | – | – |

There is no deferred tax provision in the fund.

Interest distributions were made in respect of all distributions during the period. Income tax at 20% on net share classes paid prior to 6 April 2017 was accounted for on shareholders' behalf to HM Revenue & Customs.

8 DISTRIBUTIONS

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

| | 2018 £000 | 2017 £000 |
|---|---------------|---------------|
| Final | 27,952 | 22,298 |
| | <u>27,952</u> | <u>22,298</u> |
| Add: Revenue deducted on the cancellation of shares | 2,943 | 2,533 |
| Deduct: Revenue received on the creation of shares | (6,368) | (5,732) |
| Foreign exchange gain on distribution | (191) | (950) |
| Net distribution for the period | <u>24,336</u> | <u>18,149</u> |
| Net revenue after taxation | 24,074 | 19,097 |
| Equalisation on conversion | 453 | 2 |
| Total distributions | <u>24,527</u> | <u>19,099</u> |

Details of the distribution per share are set out in the table on pages 4 to 5.

9 DEBTORS

| | 2018 £000 | 2017 £000 |
|--|---------------|---------------|
| Amounts receivable for the issue of shares | 1,757 | 18,802 |
| Sales awaiting settlement | – | 2,003 |
| Accrued revenue | 18,345 | 13,816 |
| Total debtors | <u>20,102</u> | <u>34,621</u> |

10 CASH AND BANK BALANCES

| | 2018 £000 | 2017 £000 |
|---|----------------|----------------|
| Amounts held at futures clearing houses and brokers | 17,973 | 19,407 |
| Cash and bank balances | 191,791 | 234,696 |
| Total cash and bank balances | <u>209,764</u> | <u>254,103</u> |

11 OTHER CREDITORS

| | 2018 £000 | 2017 £000 |
|--|-----------------|----------------|
| Amounts payable for the cancellation of shares | (12,759) | (259) |
| Purchases awaiting settlement | (29,241) | (3,521) |
| Accrued expenses | (40) | (53) |
| Amounts payable to ACD | (701) | (499) |
| Total other creditors | <u>(42,741)</u> | <u>(4,332)</u> |

12 DILUTION ADJUSTMENT

Under certain circumstances the ACD has the power to charge a dilution adjustment on the purchase and/or redemption of shares. If charged, the dilution adjustment will be paid into the fund. Full details of the operation of the scheme can be found in the Prospectus.

13 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, as ACD, is a related party and acts as principal in respect of all transactions of shares in the fund.

The aggregate monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Any amounts due to or from Threadneedle Investment Services Limited at the end of the accounting period are disclosed in Notes 8 and 10.

Amounts payable to Threadneedle Investment Services Limited in respect of fund management and registration services are disclosed in Note 4 and amounts outstanding at the year end in Note 10.

All transactions have been entered into in the ordinary course of business on normal commercial terms.

Threadneedle Credit Opportunities Fund

Notes to the financial statements

(continued)

14 SHAREHOLDER FUNDS

Threadneedle Credit Opportunities Fund currently has five share classes; Class 1 Hedged shares, Class 1, Class 2 Hedged shares, Class 2 and Class X Hedged shares. The charges on each share class are as follows:

| Annual management charge | |
|--------------------------|--------|
| Class 1 shares | 1.00% |
| Class 1 Hedged shares | 1.25% |
| Class 2 shares | 0.50% |
| Class 2 Hedged shares | 0.65% |
| Class X Hedged shares | N/A* |
| Registration fees | |
| Class 1 shares | 0.110% |
| Class 1 Hedged shares | 0.110% |
| Class 2 shares | 0.035% |
| Class 2 Hedged shares | 0.035% |
| Class X Hedged shares | 0.035% |

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 6 to 10. The distribution per share class is given in the distribution table on pages 4 to 5.

All classes have the same rights on winding up.

*X Shares are not subject to an Annual Management Charge.

Reconciliation of shares

| | |
|---|--------------------|
| Class 1 GBP Hedged – Accumulation shares | 2018 |
| Opening shares | 3,625,193 |
| Shares issued | 752,060 |
| Shares redeemed | (1,195,565) |
| Net conversions | (1,994) |
| Closing shares | <u>3,179,694</u> |
| Class 1 – Gross income shares | |
| Opening shares | 1,609,258 |
| Shares issued | 3,883,726 |
| Shares redeemed | (561,449) |
| Net conversions | – |
| Closing shares | <u>4,931,535</u> |
| Class 1 – Gross accumulation shares | |
| Opening shares | 319,486,290 |
| Shares issued | 141,635,560 |
| Shares redeemed | (71,846,701) |
| Net conversions | (96,050,280) |
| Closing shares | <u>293,224,869</u> |
| Class 1 GBP Hedged – Gross accumulation shares | |
| Opening shares | 10,000 |
| Shares issued | – |
| Shares redeemed | – |
| Net conversions | – |
| Closing shares | <u>10,000</u> |
| Class 1 USD Hedged – Gross accumulation shares | |
| Opening shares | 13,644,156 |
| Shares issued | 3,947,984 |
| Shares redeemed | (8,024,799) |
| Net conversions | – |
| Closing shares | <u>9,567,341</u> |
| Class 2 GBP Hedged – Income shares | |
| Opening shares | 603,553 |
| Shares issued | 311,532 |
| Shares redeemed | (68,271) |
| Net conversions | – |
| Closing shares | <u>846,814</u> |
| Class 2 GBP Hedged – Accumulation shares | |
| Opening shares | 47,014,065 |
| Shares issued | 34,672,450 |
| Shares redeemed | (8,809,578) |
| Net conversions | 2,145 |
| Closing shares | <u>72,879,082</u> |

| | |
|---|----------------------|
| Class 2 – Gross income shares* | 2018 |
| Opening shares | – |
| Shares issued | 51,037,355 |
| Shares redeemed | – |
| Net conversions | – |
| Closing shares | <u>51,037,355</u> |
| Class 2 – Gross accumulation shares | |
| Opening shares | 657,377,228 |
| Shares issued | 531,625,520 |
| Shares redeemed | (166,715,894) |
| Net conversions | 96,199,503 |
| Closing shares | <u>1,118,486,357</u> |
| Class X GBP Hedged – Gross accumulation shares | |
| Opening shares | 84,033 |
| Shares issued | 2,544,225 |
| Shares redeemed | (32,367) |
| Net conversions | – |
| Closing shares | <u>2,595,891</u> |

*For launch dates, refer to the footnotes after the comparative tables.

15 RISK MANAGEMENT

In pursuing their investment objectives, the fund may hold a number of financial instruments. These financial instruments comprise securities, derivatives and other investments, cash balances, debtors and creditors that arise directly from the fund's operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for cancellations and debtors for accrued revenue.

The fund may also enter into a range of derivative transactions whose purpose is efficient portfolio management. In addition the fund only executes derivative contracts where both the derivative instrument and the counterparty have been approved by the ACD.

The ACD has a Risk Management Policy (RMP*), which is reviewed by the Depositary. The processes detailed within are designed to monitor and measure as frequently as appropriate the risk of the fund's underlying investments, derivative and forward positions and their contribution to the overall risk profile of the fund. The ACD reviews (and agrees with the Depositary) policies for managing each of these risks as summarised below.

The main risks arising from financial instruments and the ACD's policies for managing these risks are stated below. These policies have been applied throughout the period under review. These policies have been consistent for both the current and prior period to which these financial statements relate.

*The RMP available on request from the client services team contact details on page 34.

Value at Risk (VaR) disclosure

VaR is used to measure the level of Global Exposure which the fund undertakes. VaR is measured in three variables: the amount of potential loss, the probability of that amount of loss, and the time frame. The fund's absolute VaR limit is 4.7% and is measured using the covariance model based on a 99% confidence limit over a 1 month holding period, using the previous 180 weeks of data. As at year end the fund's VaR was 0.7% (2017 0.9%). This means that there is estimated to be a 1% chance that the fund could lose more than 0.7% of its value in a month.

At 21 January, 2018 the VaR utilisation was 14% (actual VaR/VaR limit). During the year ended 21 January, 2018 the lowest VaR utilisation was 13%, the highest VaR utilisation was 18% and the average utilisation was 15%.

At 21 January, 2017 the VaR utilisation was 19% (actual VaR/VaR limit). During the year ended 21 January, 2017 the lowest VaR utilisation was 14% the highest VaR utilisation was 43% and the average utilisation was 28%.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the funds might suffer through holding market positions in the face of price movements. This means the value of an investor's holding may go down as well as up and an investor may not recover the amount invested, especially if investments are not held for the long term. Bond funds hold a range of fixed interest instruments which may be difficult to value and/or liquidate.

Investors should consider the degree of exposure of these funds in the context of all their investments.

Threadneedle Credit Opportunities Fund

Notes to the financial statements

(continued)

The fund's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD as per the policies as set out in the Prospectus.

The investment guidelines and investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the Financial Conduct Authority's Collective Investment Schemes Sourcebook describe the nature of the market price risk to which the fund will be exposed.

Liquidity risk

Liquidity risk is the risk that the fund cannot raise sufficient cash to meet its liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised. Under normal circumstances, the fund will remain close to fully invested. However, where circumstances require: either because a view of illiquid securities markets or high levels of cancellations in the fund, the fund may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of shares.

The ACD manages the fund's cash to ensure it can meet its liabilities. The ACD receives daily reports of issues and cancellations enabling the ACD to raise cash from the fund's portfolio in order to meet cancellation requests. In addition the ACD monitors market liquidity of all securities, with particular focus on the Floating Rate Notes (FRN) market, seeking to ensure the fund maintains sufficient liquidity to meet known and potential cancellation activity. Fund cash balances are monitored daily by the ACD and Administrator. Where investments cannot be realised in time to meet any potential liability, the fund may borrow up to 10% of its value to ensure settlement. All of the fund's financial liabilities are payable on demand or in less than one year.

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

Currency risk

Foreign currency risk is the risk that the value of the fund's investments will fluctuate as a result of changes in foreign currency exchange rates. As the base currency of the fund is euros, but the reporting currency is sterling, there are gains or losses on translation, however this does not cause investors any currency risk. Where a portion of the net assets of the fund are denominated in currencies other than the fund's base currency (euro), the balance sheet can be affected by movements in exchange rates. The ACD monitors the foreign currency exposure of the funds and may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the value of investments that are priced in other currencies. Hedged Share Classes are available to investors as set out in the 'Important Information – Characteristics of Shares' section on page 31.

Currency exposures

A portion of the net assets of the fund are denominated in currencies other than the euro, the base currency, with the effect that the balance sheet and total return can be affected by currency movements.

| Currency 2018 | Total £000 |
|----------------------|-----------------------|
| Australian Dollar | (8,042) |
| Canadian Dollar | (6,526) |
| Swiss Franc | 38 |
| UK Sterling | (386,816) |
| US Dollar | (379,640) |
| Currency 2017 | Total £000 |
| Australian Dollar | 2 |
| UK Sterling | 64,484 |
| US Dollar | 17,350 |

Currency sensitivity

The fund has material exposure to the following currencies. The table shows how the value of the base currency of the fund will increase or decrease based on the movement in the currency (equivalent to the currency movement in the year).

| | Currency movement | Fund movement |
|---------------|----------------------|------------------|
| Currency 2018 | % | % |
| UK Sterling | 2.08 | 0.43 |
| US Dollar | 15.35 | 3.14 |

There was no significant currency exposure in 2017, no currency sensitivity is shown.

Credit risk/Counterparty risk

Credit risk is the risk that the counterparty in a financial transaction will fail to fulfil their obligation or commitment. The Fund is exposed to credit/counterparty risk by virtue of its direct investment into bonds.

Credit risk arises from three main sources. Firstly, the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Secondly, for asset backed investments (including FRNs) there is the possibility of default of the issuer and default in the underlying assets meaning that the fund may not receive back the full principal originally invested. Thirdly, there is counterparty risk, which is the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the fund has fulfilled its responsibilities, which could result in the fund suffering a loss.

In order to manage credit risk the fund is subject to investment limits for issuers of securities. Issuer credit ratings are evaluated periodically and an approved issuer list is maintained and monitored. In addition the funds only buy and sell investments through brokers which have been approved by the ACD as an acceptable counterparty and limits are set and monitored to cover the exposure to any individual broker. Changes in broker's financial ratings are periodically reviewed.

The fund may invest in what are considered riskier bonds (below investment grade, i.e., credit ratings lower than BBB-). This brings the potential for increased risk of default and could affect both the income and the capital value of the fund.

Credit/Counterparty exposure

The following details exposure to counterparties obtained through the use of derivatives:

| | Credit Default Swaps Exposure £000 | Futures and Options Exposure £000 | Forward Foreign Exchange Contracts Exposure £000 | Collateral Pledged £000 |
|---------------------|--|--|---|-------------------------------|
| 2018 | | | | |
| Counterparty | | | | |
| Barclays | – | – | 6,098 | – |
| PNP | – | – | – | 115 |
| Citigroup | – | – | – | 10,338 |
| Credit Suisse | 75 | – | – | – |
| Goldman Sachs | – | – | 46 | – |
| HSBC | – | – | 5,419 | – |
| J.P. Morgan | – | – | 330 | 5,708 |
| Lloyds | – | – | 254 | – |
| UBS | – | 8,693 | – | 265 |
| | | | | |
| | Credit Default Swaps Exposure £000 | Futures and Options Exposure £000 | Forward Foreign Exchange Contracts Exposure £000 | Collateral Pledged £000 |
| 2017 | | | | |
| Counterparty | | | | |
| Bank of Scotland | – | – | 1,786 | – |
| Barclays | – | – | – | 519 |
| BNP Paribas | 639 | – | – | – |
| Citigroup | – | – | 136 | 7,566 |
| Credit Suisse | – | – | – | 190 |
| Goldman Sachs | – | – | – | 1,558 |
| HSBC | – | – | 12 | 1,169 |
| J.P. Morgan | 187 | – | 1,011 | 1,956 |
| Lloyds | – | – | 1,784 | – |
| RBC | – | – | 7 | – |
| UBS | – | 282 | – | – |

Threadneedle Credit Opportunities Fund

Notes to the financial statements

(continued)

The fund held £5,143,000 (2017: £6,042,000) of collateral received from the fund's counterparties. The collateral held was in the form of cash. Collateral received is not owned by the fund and therefore is not included in the fund's cash balance.

Positive exposure represents the fund's exposure to that counterparty and not the fund's holdings with that counterparty.

Analysis of investments by credit ratings

| | 2018 | | 2017 | |
|-----------------|------------------|--------------------|----------------|--------------------|
| | Value £000 | % of Investment | Value £000 | % of Investment |
| AAA | 13,314 | 0.80 | 15,258 | 1.65 |
| AA | 38,950 | 2.33 | 16,047 | 1.73 |
| AA- | 25,792 | 1.55 | 9,057 | 0.98 |
| A+ | 17,323 | 1.04 | 15,686 | 1.69 |
| A | 29,772 | 1.78 | 4,102 | 0.44 |
| A- | 59,136 | 3.54 | 70,809 | 7.65 |
| A3 | – | – | 4,854 | 0.52 |
| BBB+ | 298,004 | 17.87 | 135,769 | 14.67 |
| Baa1 | 4,613 | 0.28 | – | – |
| BBB | 216,531 | 12.98 | 133,973 | 14.47 |
| Baa2 | 48,321 | 2.90 | 11,975 | 1.29 |
| BBB- | 232,375 | 13.93 | 144,958 | 15.66 |
| Baa3 | 15,921 | 0.95 | 19,242 | 2.08 |
| Baa3e | 6,191 | 0.37 | – | – |
| BB+ | 123,912 | 7.43 | 63,659 | 6.88 |
| BB | 74,177 | 4.45 | 22,102 | 2.39 |
| Ba2 | – | – | 7,144 | 0.77 |
| (P)Ba2 | 6,273 | 0.38 | – | – |
| BB- | 77,396 | 4.64 | 55,362 | 5.98 |
| B+ | 43,130 | 2.59 | 20,972 | 2.27 |
| B1 | 20,884 | 1.25 | – | – |
| B1u | 5,756 | 0.34 | – | – |
| B | 138,153 | 8.28 | 66,729 | 7.21 |
| (P)B | 3,531 | 0.21 | – | – |
| Ba3 | 6,029 | 0.36 | 3,632 | 0.39 |
| B2 | 7,768 | 0.47 | 1,567 | 0.17 |
| B- | 18,990 | 1.14 | 37,170 | 4.02 |
| B3 | 7,607 | 0.46 | 2,928 | 0.32 |
| CCC+ | 26,720 | 1.60 | 17,653 | 1.91 |
| CCC | – | – | 5,089 | 0.55 |
| Caa2 | – | – | 5,615 | 0.61 |
| Not Rated* | 41,741 | 2.50 | 39,164 | 4.23 |
| Liquidity Funds | 60,984 | 3.66 | – | – |
| Derivatives** | (1,391) | (0.08) | (4,884) | (0.53) |
| | <u>1,667,903</u> | <u>100.00</u> | <u>925,632</u> | <u>100.00</u> |

*S&P and Moody's are used for credit ratings, 'non-rated' stocks may be rated by other agencies.

**The derivative positions do not have a significant impact on the risk profile.

Interest rate risk

Interest rate risk is the risk that the value of the funds' investments will fluctuate as a result of changes in interest rates. The fund invests in floating rate securities.

The income of the fund may be affected by changes in interest rates relevant to particular securities or as a result of the ACD being unable to secure similar returns on the expiry of contracts or sale of securities.

The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

The fund's floating rate investments earn interest which is variable, based on LIBOR or its overseas equivalent.

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

Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the fund's financial assets and financial liabilities at 21 January was:

| | Floating rate financial assets | Fixed rate financial assets | Financial assets not carrying interest | Total |
|----------------------|---|--|--|-----------|
| | £000 | £000 | £000 | £000 |
| Currency 2018 | | | | |
| Australian Dollar | 144 | 7,877 | 33 | 8,054 |
| Canadian Dollar | 97 | 6,428 | 50 | 6,575 |
| Euro | 375,120 | 594,952 | 1,829,944 | 2,800,016 |
| Swiss Franc | 38 | – | – | 38 |
| UK Sterling | 102,566 | 394,653 | 109,717 | 606,936 |
| US Dollar | 91,406 | 305,874 | 17,623 | 414,903 |
| Currency 2017 | | | | |
| Australian Dollar | 15 | 521 | 13 | 549 |
| Euro | 282,918 | 314,317 | 632,519 | 1,229,754 |
| UK Sterling | 156,777 | 189,112 | 72,733 | 418,622 |
| US Dollar | 66,560 | 174,491 | 21,954 | 263,005 |
| | Floating rate financial liabilities | Fixed rate financial liabilities | Financial liabilities not carrying interest | Total |
| | £000 | £000 | £000 | £000 |
| Currency 2018 | | | | |
| Australian Dollar | – | – | (16,096) | (16,096) |
| Canadian Dollar | – | – | (13,101) | (13,101) |
| Euro | – | – | (164,287) | (164,287) |
| UK Sterling | (98) | – | (993,654) | (993,752) |
| US Dollar | – | – | (794,543) | (794,543) |
| Currency 2017 | | | | |
| Australian Dollar | – | – | (547) | (547) |
| Euro | – | – | (101,898) | (101,898) |
| UK Sterling | (91) | – | (354,047) | (354,138) |
| US Dollar | – | – | (245,655) | (245,655) |

Interest rate risk sensitivity

No sensitivity analysis shown as the fund has minimal exposure to interest rate risk in relation to cash balances (2017: same).

Derivative risks

Derivatives including credit default swaps, forward foreign exchange contracts, futures and options and interest rate swaps are employed when they are the cheapest and most efficient method of gaining exposure. This increases the risk profile of the fund and may result in a higher degree of volatility. All open positions are regularly reviewed by the fund manager. The fund has entered into various credit default swaps, forward foreign exchange contracts, futures and options and interest rate swaps during this accounting period. Such contracts commit the fund to future deliveries or receipts, typically three months forward, of assets and liabilities, at prices decided at the point of striking the contract. They therefore allow the fund manager to limit risk, or to enhance fund performance in return for the acceptance of greater risk.

At 21 January 2018, the fund had outstanding credit default swaps, forward foreign exchange contracts, futures and options and interest rate swaps with an asset value of £26,166,000 (2017: £14,315,000) and a liability value of £27,557,000 (2017: £19,199,000).

16 FAIR VALUE DISCLOSURE

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Quoted prices for identical instruments in active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service etc. These include active listed equities, exchange traded derivatives etc.

Level 2 – Valuation techniques with inputs other than quoted prices within level 1 that are observable. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category will typically include debt securities and collective investments schemes.

Threadneedle Credit Opportunities Fund

Notes to the financial statements

(continued)

Level 3 – Prices using valuation techniques where inputs are unobservable. This category may include single or broker priced securities and suspended or unlisted securities.

| Valuation technique | 2018 | | 2017 | |
|---------------------|-----------|-------------|---------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| | £000 | £000 | £000 | £000 |
| Level 1 | 69,677 | – | 981 | (699) |
| Level 2 | 1,625,783 | (27,557) | 934,197 | (18,500) |
| Level 3 | – | – | 9,653 | – |
| | 1,695,460 | (27,557) | 944,831 | (19,199) |

17 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities and commitments outstanding (2017: Nil).

18 PORTFOLIO TRANSACTION COSTS

During the period under review the fund's purchases and sales of bonds amounted to £1,395,738,356 (2017: £642,305,312) and £681,877,163 (2017: £647,498,413) respectively. Collective investment schemes purchases and sales amounted to £66,961,496 (2017: £Nil) and £5,932,708 (2017: £Nil) respectively. Corporate action costs and proceeds amounted to £Nil (2017: £Nil) and £13,300,684 (2017: £9,315,104) respectively.

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

The commissions incurred by the fund when buying and selling futures and options in the current year was £46,405 (2017: £27,716).

At the balance sheet date, the portfolio dealing spread was 0.50% (21 January 2017: 0.68%), being the difference between the respective buying and selling prices for the fund's investments.

Statement of Authorised Corporate Director's (ACD) Responsibilities in relation to the Financial Statements of the Company

The Open-Ended Investment Companies Regulations 2001 and the Collective Investment Schemes Sourcebook (COLL), as issued (and amended) by the Financial Conduct Authority (FCA), require the ACD to prepare financial statements for each annual accounting period which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the fund and its net revenue/(expenses) and the net gains/(losses) on the property of the fund for the period. In preparing the financial statements the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA);
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records, which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The ACD is required to keep proper accounting records and to manage the Company in accordance with the Collective Investment Schemes Sourcebook, the Instrument of Incorporation and the Prospectus. The ACD is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of the Threadneedle Focus Investment Funds ICVC (the Company) for the Period ended 21 January 2018

The Depositary is responsible for the safekeeping of all the property of the Company (other than tangible moveable property) which is entrusted to it and ensuring proper registration of tangible moveable property, and for the collection of income arising from all such scheme property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed and operated by the Authorised Corporate Director in accordance with the Financial Conduct Authority' Collective Investment Schemes Sourcebook ("the Sourcebook"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), the Company's Instrument of Incorporation, and the Prospectus, as appropriate, concerning: the pricing of and dealing in Shares in the Company; the application of income of the Company; and the investment portfolio and borrowing activities of the Company.

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Depositary of the Company, based on information and explanations provided to us, we believe that, in all material respects, the Company, acting through the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Sourcebook, and where applicable, the OEIC regulations, the Company's Instrument of Incorporation, and the Prospectus;
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company; and
- (iii) has, otherwise, ensured the proper operation of the Company.

Citibank Europe plc,
UK Branch
London

18 April 2018

Independent auditors' report to the Shareholders of Threadneedle Focus Investment Funds ICVC

Report on the audit of the financial statements

Opinion

In our opinion, Threadneedle Focus Investment Funds ICVC's financial statements:

- give a true and fair view of the financial position of the Company and its sub-fund as at 21 January 2018 and of the net revenue and the net capital losses on the scheme property of the Company and its sub-fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Threadneedle Focus Investment Funds ICVC (the "company") is an Open Ended Investment Company ('OEIC') with a single sub-fund. The financial statements of the company comprise the financial statements of its sub-fund. We have audited the financial statements, included within the Annual Report and Audited Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 21 January 2018; the statement of total return, and the statement of change in net assets attributable to shareholders for the year then ended; the distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's or its sub-fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's or the sub-fund's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other

information, we are required to report that fact. We have nothing to report based on these responsibilities.

Authorised Corporate Director's Report

In our opinion, the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of Authorised Corporate Director's (ACD) Responsibilities in relation to the Financial Statements of the Company set out on page 17, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the company's and its sub-fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the company or its sub-fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Threadneedle Credit Opportunities Fund

Portfolio Statement

as at 21 January 2018

| | Value | % of | | Value | % of | | |
|---|--|---------------|-----------------|-------------------------------------|--|---------------|-----------------|
| Holding | Investment | £000 | Net Asset Value | Holding | Investment | £000 | Net Asset Value |
| AUSTRALIA 4.41% (4.64%) | | | | CANADA 2.03% (1.47%) | | | |
| | A- 0.93% (1.52%) | | | | BBB+ 0.35% (0.00%) | | |
| GBP | 3,250,000 AusNet Services Holdings 7.125% 26/06/2018 | 3,334 | 0.18 | CAD | 5,933,000 Canadian Natural Resources 2.89% 14/08/2020 | 3,467 | 0.19 |
| EUR | 8,471,000 SGSP Australia Assets 2% 30/06/2022 | 7,951 | 0.43 | CAD | 5,057,000 Canadian Natural Resources 3.05% 19/06/2019 | 2,961 | 0.16 |
| USD | 7,752,000 SGSP Australia Assets 3.25% 29/07/2026 | 5,428 | 0.29 | | BBB 0.75% (0.48%) | | |
| AUD | 800,000 SGSP Australia Assets 5.5% 12/03/2021 | 493 | 0.03 | USD | 7,285,000 Cenovus Energy 3.8% 15/09/2023 | 5,293 | 0.29 |
| | BBB+ 0.86% (1.59%) | | | USD | 12,025,000 Cenovus Energy 4.25% 15/04/2027 | 8,584 | 0.46 |
| EUR | 6,036,000 Aurizon Network 2% 18/09/2024 | 5,621 | 0.30 | | BB- 0.55% (0.00%) | | |
| AUD | 6,500,000 Aurizon Network 4% 21/06/2024 | 3,761 | 0.20 | USD | 4,591,000 Valeant 5.5% 01/11/2025 | 3,352 | 0.18 |
| EUR | 6,200,000 *BHP Billiton Finance 5.625% 22/10/2079 | 6,753 | 0.36 | USD | 3,760,000 Valeant 6.5% 15/03/2022 | 2,847 | 0.15 |
| | BBB 0.76% (0.25%) | | | USD | 5,357,000 Valeant 7% 15/03/2024 | 4,146 | 0.22 |
| GBP | 6,200,000 APT Pipelines 4.25% 26/11/2024 | 6,906 | 0.37 | | B 0.38% (0.00%) | | |
| USD | 4,670,000 APT Pipelines 4.25% 15/07/2027 | 3,449 | 0.19 | EUR | 7,335,000 Cott Finance 5.5% 01/07/2024 | 7,014 | 0.38 |
| AUD | 6,240,000 Holcim Finance 3.5% 16/06/2022 | 3,622 | 0.20 | | B- 0.00% (0.99%) | | |
| | BBB- 0.67% (0.26%) | | | | Total Canada | 37,664 | 2.03 |
| USD | 3,710,000 Asciano Finance 5% 07/04/2018 | 2,684 | 0.15 | | | | |
| GBP | 8,570,000 Asciano Finance 5% 19/09/2023 | 9,640 | 0.52 | CAYMAN ISLANDS 1.31% (2.28%) | | | |
| | BB+ 0.00% (0.60%) | | | | A+ 0.46% (0.00%) | | |
| | BB 1.19% (0.42%) | | | USD | 10,678,000 Alibaba Group 4% 06/12/2037 | 7,747 | 0.42 |
| EUR | 5,233,000 *Origin Energy Finance 4% 16/09/2074 | 4,846 | 0.26 | USD | 1,172,000 Tencent Holding 3.925% 19/01/2038 | 839 | 0.04 |
| EUR | 18,923,000 *Origin Energy Finance 7.875% 16/06/2071 | 17,208 | 0.93 | | BBB 0.00% (1.77%) | | |
| | Total Australia | 81,696 | 4.41 | | BBB- 0.62% (0.00%) | | |
| AUSTRIA 0.43% (0.81%) | | | | GBP | 5,506,000 Thames Water Utilities 2.875% 03/05/2027 | 5,418 | 0.29 |
| | Baa2 0.43% (0.00%) | | | USD | 7,328,000 Vale Overseas 6.25% 10/08/2026 | 6,110 | 0.33 |
| EUR | 6,500,000 BAWAG PSK Bank fuer Arbeit und Wirtschaft und Oesterreichische Postsparkasse 8.125% 30/10/2023 | 7,911 | 0.43 | | BB- 0.00% (0.51%) | | |
| | BBB- 0.00% (0.34%) | | | | B 0.23% (0.00%) | | |
| | Baa3 0.00% (0.47%) | | | USD | 6,728,000 Noble Holding International 6.95% 01/04/2045 | 4,203 | 0.23 |
| | Total Austria | 7,911 | 0.43 | | Total Cayman Islands | 24,317 | 1.31 |
| BELGIUM 1.24% (0.00%) | | | | CROATIA 0.05% (0.31%) | | | |
| | A- 0.88% (0.00%) | | | | Not Rated 0.05% (0.31%) | | |
| EUR | 18,811,000 Anheuser-Busch InBev 2% 23/01/2035 | 16,327 | 0.88 | EUR | 4,260,000 *Aquarius Plus Investments FRN 08/08/2017 (Defaulted) | 903 | 0.05 |
| | BB 0.04% (0.00%) | | | | Total Croatia | 903 | 0.05 |
| | Not Rated 0.32% (0.00%) | | | DENMARK 0.61% (0.55%) | | | |
| EUR | 790,000 *KBC Groep 5.625% 19/12/2049 | 728 | 0.04 | | BBB+ 0.35% (0.55%) | | |
| | Not Rated 0.32% (0.00%) | | | GBP | 6,310,000 *Danske Bank 5.375% 29/09/2021 | 6,487 | 0.35 |
| EUR | 6,700,000 *Belfius Bank 4.609% 29/12/2165 | 5,919 | 0.32 | | BB+ 0.26% (0.00%) | | |
| | Total Belgium | 22,974 | 1.24 | EUR | 5,350,000 *Orsted 2.25% Perpetual | 4,815 | 0.26 |
| BRITISH VIRGIN ISLANDS 0.31% (0.45%) | | | | | Total Denmark | 11,302 | 0.61 |
| | BBB 0.31% (0.45%) | | | FINLAND 0.00% (0.10%) | | | |
| GBP | 5,180,000 Global Switch Holdings 4.375% 13/12/2022 | 5,809 | 0.31 | | Not Rated 0.00% (0.10%) | | |
| | Total British Virgin Islands | 5,809 | 0.31 | | Total Finland | - | - |
| FRANCE 2.13% (2.92%) | | | | FRANCE 2.13% (2.92%) | | | |
| | AA 0.29% (0.43%) | | | | AA 0.29% (0.43%) | | |
| EUR | 6,000,000 Sanofi 0% 13/01/2020 | 5,314 | 0.29 | EUR | 6,000,000 Sanofi 0% 13/01/2020 | 5,314 | 0.29 |

Threadneedle Credit Opportunities Fund

Portfolio Statement

(continued)

| | Value £000 | % of Net Asset Value | | Value £000 | % of Net Asset Value |
|---|---------------|----------------------------|---|----------------|----------------------------|
| LUXEMBOURG 6.71% (7.49%) (continued) | | | | | |
| Baa3 0.01% (0.01%) | | | | | |
| EUR | 150,000 | | HeidelbergCement Finance Luxembourg 9.5% 15/12/2018 | 144 | 0.01 |
| BB+ 0.45% (0.00%) | | | | | |
| EUR | 1,505,000 | | BMBG Bond Finance 3% 15/06/2021 | 1,356 | 0.07 |
| EUR | 6,825,000 | | Gaz Capital 4.625% 15/10/2018 | 6,202 | 0.33 |
| GBP | 880,000 | | Leonardo 8% 16/12/2019 | 991 | 0.05 |
| BB 0.50% (0.24%) | | | | | |
| EUR | 2,163,000 | | Arena Luxembourg Finance 2.875% 01/11/2024 | 1,971 | 0.11 |
| EUR | 720,000 | | *Arena Luxembourg Finance FRN 01/11/2023 | 640 | 0.03 |
| EUR | 1,710,000 | | Dufry Finance 4.55% 01/08/2023 | 1,588 | 0.09 |
| EUR | 1,720,000 | | Fiat Chrysler Finance Europe 6.75% 14/10/2019 | 1,688 | 0.09 |
| EUR | 3,587,000 | | Fiat Finance & Trade 6.625% 15/03/2018 | 3,198 | 0.17 |
| EUR | 200,000 | | Fiat Finance & Trade 7.375% 09/07/2018 | 182 | 0.01 |
| BB- 0.17% (0.00%) | | | | | |
| EUR | 3,347,000 | | Cirsa Funding Luxembourg 5.75% 15/05/2021 | 3,077 | 0.17 |
| B+ 0.00% (0.12%) | | | | | |
| B 1.55% (2.51%) | | | | | |
| EUR | 12,075,000 | | Altice 7.25% 15/05/2022 | 10,638 | 0.57 |
| EUR | 5,493,000 | | Codere Finance 2 (Luxembourg) 6.75% 01/11/2021 | 5,121 | 0.28 |
| USD | 2,500,000 | | Codere Finance 2 (Luxembourg) 7.625% 01/11/2021 | 1,843 | 0.10 |
| EUR | 7,437,000 | | Crystal Almond 10% 01/11/2021 | 7,323 | 0.40 |
| EUR | 2,450,000 | | Intralot Capital 6.75% 15/09/2021 | 2,312 | 0.12 |
| EUR | 200,000 | | JH Holding Finance PIK 8.25% 01/12/2022 | 188 | 0.01 |
| EUR | 9,765,000 | | *Matterhorn FRN 01/02/2023 | 1,233 | 0.07 |
| B- 0.00% (1.21%) | | | | | |
| CCC+ 0.32% (0.00%) | | | | | |
| EUR | 6,225,000 | | Horizon Parent Holdings 8.25% 15/02/2022 | 5,854 | 0.32 |
| Total Luxembourg | | | | 124,418 | 6.71 |
| MEXICO 0.51% (0.52%) | | | | | |
| BBB+ 0.26% (0.35%) | | | | | |
| GBP | 4,495,000 | | United Mexican States 5.625% 19/03/2114 | 4,907 | 0.26 |
| BB 0.25% (0.00%) | | | | | |
| USD | 2,302,000 | | Cemex 7.75% 16/04/2026 | 1,878 | 0.10 |
| EUR | 3,000,000 | | Cemex 2.75% 05/12/2024 | 2,685 | 0.15 |
| B+ 0.00% (0.17%) | | | | | |
| Total Mexico | | | | 9,470 | 0.51 |
| NETHERLANDS 6.86% (6.86%) | | | | | |
| AA- 0.50% (0.75%) | | | | | |
| EUR | 8,000,000 | | Nederland Gasunie 0% 18/11/2019 | 7,085 | 0.38 |
| EUR | 2,470,000 | | *Nederland Gasunie 0.075% 16/10/2018 | 2,187 | 0.12 |
| BBB+ 1.66% (1.81%) | | | | | |
| EUR | 10,000,000 | | Deutsche Telekom 0.375% 30/10/2021 | 8,869 | 0.48 |
| EUR | 5,000,000 | | *Deutsche Telekom FRN 03/04/2020 | 4,444 | 0.24 |
| GBP | 3,031,000 | | *ING Bank 6.875% 29/05/2023 | 3,088 | 0.17 |
| GBP | 3,374,000 | | PostNL 7.5% 14/08/2018 | 3,495 | 0.19 |
| EUR | 8,551,000 | | Vesteda Finance 1.75% 22/07/2019 | 7,712 | 0.42 |
| USD | 3,966,000 | | Vonovia Finance 5% 02/10/2023 | 2,975 | 0.16 |
| BBB 0.79% (0.61%) | | | | | |
| EUR | 8,394,000 | | *Eneco Holding 3.25% 29/12/2049 | 8,005 | 0.43 |
| GBP | 4,923,000 | | Innogy Finance 6.25% 03/06/2030 | 6,702 | 0.36 |
| BBB- 0.94% (0.76%) | | | | | |
| USD | 7,983,000 | | Teva Pharmaceutical 1.7% 19/07/2019 | 5,608 | 0.30 |
| EUR | 1,912,000 | | Teva Pharmaceutical Finance 0.375% 25/07/2020 | 1,621 | 0.09 |
| EUR | 4,500,000 | | *Vonovia Finance 4% 29/12/2049 | 4,368 | 0.23 |
| EUR | 6,500,000 | | *Vonovia Finance 4.625% 08/04/2074 | 6,015 | 0.32 |
| BB+ 1.52% (0.79%) | | | | | |
| EUR | 2,033,000 | | Schaeffler Holding Finance 2.5% 15/05/2020 | 1,819 | 0.10 |
| EUR | 7,150,000 | | Schaeffler Holding Finance 3.5% 15/05/2022 | 6,429 | 0.35 |
| EUR | 8,400,000 | | *Telefonica Europe 3.75% 31/12/2049 | 7,913 | 0.43 |
| GBP | 2,000,000 | | *Telefonica Europe 6.75% Perpetual | 2,227 | 0.12 |
| EUR | 10,370,000 | | *Tennet Holding 2.995% 01/06/2024 | 9,613 | 0.52 |
| BB 0.24% (0.00%) | | | | | |
| EUR | 4,971,000 | | *Koninklijke KPN 6.125% 29/03/2049 | 4,552 | 0.24 |
| Ba2 0.00% (0.59%) | | | | | |
| BB- 0.70% (0.47%) | | | | | |
| EUR | 14,288,000 | | InterXion Holding 6% 15/07/2020 | 13,005 | 0.70 |
| B 0.51% (0.81%) | | | | | |
| EUR | 9,835,000 | | LGE HoldCo Vi 7.125% 15/05/2024 | 9,545 | 0.51 |
| Not Rated 0.00% (0.27%) | | | | | |
| Total Netherlands | | | | 127,277 | 6.86 |
| NORWAY 0.74% (1.08%) | | | | | |
| AA- 0.27% (0.00%) | | | | | |
| EUR | 5,588,000 | | Avinor 1.25% 09/02/2027 | 4,992 | 0.27 |
| A+ 0.47% (0.81%) | | | | | |
| USD | 11,885,000 | | *DNB Bank FRN 02/06/2021 | 8,737 | 0.47 |
| BBB+ 0.00% (0.27%) | | | | | |
| Total Norway | | | | 13,729 | 0.74 |
| PORTUGAL 0.25% (0.33%) | | | | | |
| Not Rated 0.25% (0.33%) | | | | | |
| EUR | 17,100,000 | | Banco Espirito Santo 4% 21/01/2019 (Defaulted) | 4,533 | 0.25 |
| Total Portugal | | | | 4,533 | 0.25 |
| REPUBLIC OF IRELAND 4.39% (0.56%) | | | | | |
| BBB 0.23% (0.00%) | | | | | |
| EUR | 4,670,000 | | Liberty Mutual 1.75% 27/03/2024 | 4,274 | 0.23 |
| BB+ 0.00% (0.14%) | | | | | |

Threadneedle Credit Opportunities Fund

Portfolio Statement

(continued)

| | Holding | Investment | Value £000 | % of Net Asset Value | | Holding | Investment | Value £000 | % of Net Asset Value |
|--|------------|---|---------------|----------------------------|---|------------|---|---------------|----------------------------|
| REPUBLIC OF IRELAND 4.39% (0.56%) (continued) | | | | | | | | | |
| | | BB- 0.15% (0.20%) | | | USD | 6,275,000 | *UBS Group 7% 29/12/2049 | 5,132 | 0.28 |
| EUR | 2,710,000 | *Governor & Co of the Bank of Ireland 7.375% 29/12/2049 | 2,711 | 0.15 | | | Total Switzerland | 37,257 | 2.01 |
| | | B1u 0.31% (0.00%) | | | UNITED ARAB EMIRATES 0.00% (0.40%) | | | | |
| EUR | 5,707,000 | *Allied Irish Banks 7.375% 29/12/2049 | 5,756 | 0.31 | | | A3 0.00% (0.40%) | | |
| | | B 0.15% (0.22%) | | | | | Total United Arab Emirates | - | - |
| GBP | 2,704,000 | Virgin Media 5.5% 15/09/2024 | 2,760 | 0.15 | UNITED KINGDOM 25.38% (22.81%) | | | | |
| | | B- 0.27% (0.00%) | | | GBP | 1,160,000 | Broadgate Financing 4.949% 05/04/2029 | 873 | 0.05 |
| EUR | 5,605,000 | Europcar Drive DAC 4.125% 15/11/2024 | 5,015 | 0.27 | GBP | 2,500,000 | *Driver UK FRN 25/01/2024 | 920 | 0.05 |
| | | Liquidity Funds 3.28% (0.00%) | | | GBP | 1,850,000 | Meadowhall Finance 4.986% 12/01/2032 | 1,750 | 0.09 |
| EUR | 50,000,000 | BlackRock Institutional Cash Series Euro Liquidity Platinum | 44,181 | 2.38 | GBP | 10,957,000 | *Towd Point Mortgage Funding 2016 FRN 20/04/2045 | 9,771 | 0.53 |
| GBP | 6,000,000 | BlackRock Institutional Cash Series Sterling Liquidity Platinum | 6,000 | 0.32 | | | AA 0.34% (0.38%) | | |
| USD | 15,000,000 | BlackRock Institutional Cash Series US Dollar Liquidity Platinum | 10,803 | 0.58 | GBP | 6,465,000 | Telereal Securitisation 4.9741% 10/09/2027 | 5,110 | 0.28 |
| | | Total Republic of Ireland | 81,500 | 4.39 | GBP | 1,100,000 | Telereal Securitisation 5.5534% 10/12/2031 | 1,086 | 0.06 |
| SOUTH KOREA 0.20% (0.00%) | | | | | | | A 0.01% (0.27%) | | |
| | | AA 0.20% (0.00%) | | | GBP | 430,000 | Canary Wharf Finance II 6.455% 22/04/2030 | 131 | 0.01 |
| USD | 3,210,000 | *Export-Import Bank of Korea FRN 21/10/2019 | 2,306 | 0.13 | | | A- 0.50% (2.34%) | | |
| USD | 1,920,000 | *Korea Development Bank FRN 27/02/2020 | 1,378 | 0.07 | GBP | 1,724,000 | Greene King Finance 4.0643% 15/03/2035 | 1,767 | 0.10 |
| | | Total South Korea | 3,684 | 0.20 | GBP | 1,329,000 | Greene King Finance 5.106% 15/03/2034 | 1,575 | 0.09 |
| SPAIN 0.42% (0.10%) | | | | | GBP | 1,340,000 | *Greene King Finance FRN 15/09/2021 A3 | 405 | 0.02 |
| | | BBB- 0.42% (0.00%) | | | GBP | 2,750,000 | *HSBC Bank 5% 20/03/2023 | 2,767 | 0.15 |
| EUR | 8,795,000 | Nortegas Energia 2.065% 28/09/2027 | 7,871 | 0.42 | GBP | 4,903,000 | Mitchells & Butlers Finance 5.574% 15/12/2030 | 2,622 | 0.14 |
| | | BB- 0.00% (0.10%) | | | | | BBB+ 4.93% (2.44%) | | |
| | | Total Spain | 7,871 | 0.42 | EUR | 10,000,000 | British Telecommunication 0.625% 10/03/2021 | 8,938 | 0.48 |
| SWEDEN 1.99% (2.03%) | | | | | EUR | 7,348,000 | Cadent Finance 0.625% 22/09/2024 | 6,322 | 0.34 |
| | | BBB 1.82% (0.66%) | | | GBP | 7,490,000 | Cadent Finance 2.125% 22/09/2028 | 7,270 | 0.39 |
| EUR | 9,635,000 | Akelius 1.75% 07/02/2025 | 8,622 | 0.47 | GBP | 4,930,000 | Cadent Finance 2.625% 22/09/2038 | 4,724 | 0.25 |
| EUR | 16,137,000 | Akelius Residential 1.5% 23/01/2022 | 14,661 | 0.79 | GBP | 2,203,000 | Cadent Finance 2.75% 22/09/2046 | 2,113 | 0.11 |
| EUR | 3,582,000 | Akelius Residential 3.375% 23/09/2020 | 3,413 | 0.18 | GBP | 4,580,000 | *Legal & General Group 10% 23/07/2041 | 5,820 | 0.31 |
| USD | 9,825,000 | *Swedish Export 2.88% 14/11/2023 | 7,036 | 0.38 | GBP | 8,680,000 | Lloyds Banking Group 2.25% 16/10/2024 | 8,699 | 0.47 |
| | | BBB- 0.00% (1.37%) | | | GBP | 6,312,000 | Severn Trent Utilities Finance 3.625% 16/01/2026 | 6,940 | 0.37 |
| | | BB+ 0.17% (0.00%) | | | GBP | 3,071,000 | Standard Chartered 4.375% 18/01/2038 | 3,538 | 0.19 |
| EUR | 3,474,000 | Intrum Justitia 2.75% 15/07/2022 | 3,087 | 0.17 | GBP | 6,104,000 | *Telereal Securitisation 4.0902% 10/12/2033 | 6,415 | 0.35 |
| | | Total Sweden | 36,819 | 1.99 | GBP | 2,004,000 | Telereal Securitisation 5.4252% 10/12/2031 | 2,150 | 0.12 |
| SWITZERLAND 2.01% (2.09%) | | | | | GBP | 9,550,000 | Thames Water Utilities Finance 5.05% 30/06/2020 | 10,310 | 0.56 |
| | | A- 0.36% (0.00%) | | | GBP | 17,140,000 | Western Power Distribution 3.625% 06/11/2023 | 18,416 | 0.99 |
| USD | 9,000,000 | *UBS Group Funding FRN 23/05/2023 | 6,610 | 0.36 | | | Baa1 0.25% (0.00%) | | |
| | | BBB+ 0.80% (0.87%) | | | GBP | 4,588,000 | Bupa Finance 2% 05/04/2024 | 4,613 | 0.25 |
| USD | 9,000,000 | Credit Suisse 4.282% 09/01/2028 | 6,659 | 0.36 | | | | | |
| USD | 3,595,000 | *Credit Suisse Group 3.869% 12/01/2029 | 2,568 | 0.14 | | | | | |
| EUR | 5,720,000 | *UBS 4.75% 12/02/2026 | 5,656 | 0.30 | | | | | |
| | | BBB 0.57% (0.78%) | | | | | | | |
| EUR | 10,613,000 | *Credit Suisse 5.75% 18/09/2025 | 10,632 | 0.57 | | | | | |

Threadneedle Credit Opportunities Fund

Portfolio Statement

(continued)

| | Value | % of | | Value | % of | | | | |
|---|--------------------------------|---|-----------------|--------------|------------|-----------|---|-------|------|
| Holding | Investment | £000 | Net Asset Value | Holding | Investment | £000 | Net Asset Value | | |
| UNITED KINGDOM 25.38% (22.81%) (continued) | | | | | | | | | |
| | BBB 2.09% (2.71%) | | | | | | | | |
| GBP | 5,720,000 | Annington Funding 3.935% 12/07/2047 | 6,239 | 0.34 | EUR | 375,000 | OTE 3.5% 09/07/2020 | 350 | 0.02 |
| GBP | 9,475,000 | Barclays 3.25% 17/01/2033 | 9,490 | 0.51 | EUR | 1,100,000 | OTE 4.375% 02/12/2019 | 1,031 | 0.06 |
| USD | 10,000,000 | British Sky Broadcasting Group 3.75% 16/09/2024 | 7,416 | 0.40 | GBP | 6,004,000 | OTE 7.875% 07/02/2018 | 574 | 0.03 |
| EUR | 6,780,000 | Imperial Brands Finance 0.5% 27/07/2021 | 6,021 | 0.32 | GBP | 3,000,000 | Southern Water Greensands Financing 8.5% 15/04/2019 | 6,524 | 0.35 |
| USD | 13,450,000 | Imperial Tobacco Finance 2.05% 11/02/2018 | 9,686 | 0.52 | GBP | 6,024,000 | Virgin Media 4.875% 15/01/2027 | 3,044 | 0.16 |
| | Baa2 1.03% (0.54%) | | | | | | | | |
| GBP | 9,432,000 | Bupa Finance 5% 08/12/2026 | 11,023 | 0.59 | GBP | 6,024,000 | Anglian Water Osprey Financing 7% 31/01/2018 | 6,029 | 0.33 |
| GBP | 7,125,000 | WM Morrison Supermarkets 4.625% 08/12/2023 | 8,091 | 0.44 | | | | | |
| | BBB- 3.97% (2.98%) | | | | | | | | |
| GBP | 4,866,000 | *CYBG 4% 22/06/2025 | 5,004 | 0.27 | | | | | |
| EUR | 18,198,000 | DS Smith 1.375% 26/07/2024 | 16,043 | 0.87 | | | | | |
| GBP | 6,417,000 | G4S 7.75% 13/05/2019 | 6,943 | 0.37 | | | | | |
| EUR | 8,240,000 | G4S International Finance 1.5% 09/01/2023 | 7,454 | 0.40 | | | | | |
| EUR | 9,850,000 | G4S International Finance 1.5% 02/06/2024 | 8,769 | 0.47 | | | | | |
| GBP | 9,241,000 | GKN Holdings 3.375% 12/05/2032 | 9,289 | 0.50 | | | | | |
| GBP | 6,467,000 | GKN Holdings 5.375% 19/09/2022 | 7,220 | 0.39 | | | | | |
| GBP | 7,733,000 | GKN Holdings 6.75% 28/10/2019 | 8,424 | 0.45 | | | | | |
| GBP | 1,000,000 | *Marstons Issuer FRN 15/07/2020 | 211 | 0.01 | | | | | |
| GBP | 1,095,000 | Mitchells & Butlers Finance 5.965% 15/12/2023 | 397 | 0.02 | | | | | |
| USD | 5,231,000 | Royal Bank of Scotland 4.8% 05/04/2026 | 3,986 | 0.22 | | | | | |
| | Baa3 0.85% (1.11%) | | | | | | | | |
| USD | 5,480,000 | *HSBC Holdings 6% 22/05/2162 | 4,172 | 0.23 | | | | | |
| EUR | 5,941,000 | *National Express Group FRN 15/05/2020 | 5,257 | 0.28 | | | | | |
| GBP | 5,720,000 | *TSB Banking Group 5.75% 06/05/2026 | 6,348 | 0.34 | | | | | |
| | BB+ 1.56% (1.07%) | | | | | | | | |
| GBP | 1,508,000 | Daily Mail and General Trust 5.75% 07/12/2018 | 1,566 | 0.08 | | | | | |
| GBP | 2,050,000 | Jaguar Land Rover Automotive 2.75% 24/01/2021 | 2,081 | 0.11 | | | | | |
| GBP | 7,120,000 | National Westminster Bank 6.5% 07/09/2021 | 8,253 | 0.45 | | | | | |
| GBP | 6,899,000 | Tesco Property Finance 4 5.8006% 13/10/2040 | 7,971 | 0.43 | | | | | |
| GBP | 7,924,000 | Tesco Property Finance 5.5% 13/10/2041 | 9,083 | 0.49 | | | | | |
| | BB 0.96% (0.70%) | | | | | | | | |
| GBP | 4,450,000 | *Barclays Bank 14% 29/11/2049 | 5,172 | 0.28 | | | | | |
| GBP | 549,000 | *Co-Operative Group FRN 08/07/2020 | 606 | 0.03 | | | | | |
| GBP | 5,875,000 | *CYBG 5% 09/02/2026 | 6,257 | 0.34 | | | | | |
| EUR | 2,365,000 | EC Finance 2.375% 15/11/2022 | 2,153 | 0.12 | | | | | |
| GBP | 6,600,000 | Unique Pub Finance 6.542% 30/03/2021 | 3,495 | 0.19 | | | | | |
| | BB- 1.38% (1.79%) | | | | | | | | |
| GBP | 956,000 | EI Group 6.5% 06/12/2018 | 994 | 0.05 | | | | | |
| GBP | 9,935,000 | Iron Mountain UK 3.875% 15/11/2025 | 9,702 | 0.52 | | | | | |
| GBP | 2,878,000 | *Lloyds Banking Group 7.875% 29/12/2049 | 3,599 | 0.19 | | | | | |
| | Ba3 0.33% (0.30%) | | | | | | | | |
| | B+ 1.15% (0.30%) | | | | | | | | |
| GBP | 3,630,000 | *Barclays 5.875% 15/12/2065 | 3,746 | 0.20 | | | | | |
| GBP | 2,200,000 | *Barclays Bank 7.75% 08/03/2075 | 2,498 | 0.13 | | | | | |
| EUR | 2,774,000 | Synlab 6.25% 01/07/2022 | 2,578 | 0.14 | | | | | |
| EUR | 5,370,000 | *Synlab Bondco FRN 01/07/2022 | 4,785 | 0.26 | | | | | |
| EUR | 5,796,000 | Thomas Cook Group 6.25% 15/06/2022 | 5,582 | 0.30 | | | | | |
| GBP | 2,250,000 | Voyage Care 5.875% 01/05/2023 | 2,287 | 0.12 | | | | | |
| | B1 0.64% (0.00%) | | | | | | | | |
| GBP | 10,999,000 | Thames Water Kemble Finance 7.75% 01/04/2019 | 11,822 | 0.64 | | | | | |
| | B 1.19% (1.25%) | | | | | | | | |
| GBP | 3,563,000 | Cognita Finance 7.75% 15/08/2021 | 3,692 | 0.20 | | | | | |
| GBP | 13,600,000 | Moy Park Bondco 6.25% 29/05/2021 | 14,014 | 0.76 | | | | | |
| USD | 4,040,000 | *Royal Bank of Scotland 8.625% 29/12/2049 | 3,267 | 0.18 | | | | | |
| GBP | 820,000 | Virgin Media Finance 7% 15/04/2023 | 857 | 0.05 | | | | | |
| | (P)B 0.19% (0.00%) | | | | | | | | |
| GBP | 3,471,000 | Pinnacle Bidco 6.375% 15/02/2025 | 3,531 | 0.19 | | | | | |
| | B2 0.42% (0.00%) | | | | | | | | |
| GBP | 8,250,000 | Shop Direct Funding 7.75% 15/11/2022 | 7,768 | 0.42 | | | | | |
| | B- 0.32% (0.00%) | | | | | | | | |
| GBP | 6,000,000 | Matalan Financial 6.75% 31/01/2023 | 5,955 | 0.32 | | | | | |
| | B3 0.41% (0.00%) | | | | | | | | |
| GBP | 7,470,000 | KIRS Midco 3 8.375% 15/07/2023 | 7,607 | 0.41 | | | | | |
| | CCC+ 0.50% (0.80%) | | | | | | | | |
| USD | 14,741,555 | EnQuest PIK 7% 15/04/2022 | 9,289 | 0.50 | | | | | |
| | CCC 0.00% (0.42%) | | | | | | | | |
| | Caa2 0.00% (0.46%) | | | | | | | | |
| | Not Rated 1.64% (1.69%) | | | | | | | | |
| GBP | 8,970,000 | First Hydro Finance 9% 31/07/2021 | 11,107 | 0.60 | | | | | |
| GBP | 4,014,000 | Intu Debenture 5.562% 31/12/2027 | 4,048 | 0.22 | | | | | |
| GBP | 1,150,000 | Northern Ireland Electricity 6.875% 18/09/2018 | 1,193 | 0.06 | | | | | |
| GBP | 13,870,000 | *Pennon Group Perpetual Variable 22/05/2066 | 14,038 | 0.76 | | | | | |
| | Total United Kingdom | | 470,676 | 25.38 | | | | | |
| UNITED STATES OF AMERICA 19.12% (12.13%) | | | | | | | | | |
| | AA 1.29% (0.52%) | | | | | | | | |
| EUR | 7,244,000 | Berkshire Hathaway 0.25% 17/01/2021 | 6,423 | 0.35 | | | | | |
| EUR | 7,000,000 | Berkshire Hathaway 0.5% 13/03/2020 | 6,248 | 0.34 | | | | | |
| EUR | 12,500,000 | *Pfizer FRN 06/03/2019 | 11,085 | 0.60 | | | | | |

Threadneedle Credit Opportunities Fund

Portfolio Statement

(continued)

| | Value | % of | | Value | % of | | |
|---|------------|--|-----------------|------------------------------------|--------------------------|--|----------------------|
| Holding | Investment | £000 | Net Asset Value | Holding | Investment | £000 | Net Asset Value |
| UNITED STATES OF AMERICA 19.12% (12.13%) (continued) | | | | | | | |
| | | | | | BB+ 1.03% (0.99%) | | |
| | | | | USD | 7,200,000 | Continental Resources 5% 15/09/2022 | 5,283 0.28 |
| EUR | 13,000,000 | *Coca-Cola FRN 08/03/2019 | 11,528 0.62 | EUR | 8,930,000 | Equinix 2.875% 01/10/2025 | 7,995 0.43 |
| | | | | EUR | 5,135,000 | Equinix 2.875% 01/02/2026 | 4,554 0.25 |
| | | | | USD | 1,690,000 | Equinix 5.375% 15/05/2027 | 1,294 0.07 |
| | | | | | | BB- 0.19% (0.36%) | |
| USD | 7,201,000 | Loews 3.75% 01/04/2026 | 5,308 0.29 | USD | 4,580,000 | Hertz 7.625% 01/06/2022 | 3,472 0.19 |
| USD | 13,330,000 | *Qualcomm FRN 30/01/2023 | 9,571 0.52 | | | B+ 0.24% (0.00%) | |
| | | | | EUR | 4,785,000 | Catalent Pharma Solution 4.75% 15/12/2024 | 4,515 0.24 |
| | | | | | | B1 0.49% (0.00%) | |
| USD | 13,525,000 | Anheuser-Busch InBev 3.3% 01/02/2023 | 9,857 0.53 | GBP | 8,972,000 | Vantiv 3.875% 15/11/2025 | 9,062 0.49 |
| | | | | | | B 0.43% (0.19%) | |
| USD | 9,820,000 | American Electric Power 3.2% 13/11/2027 | 6,914 0.37 | EUR | 8,981,000 | Avantor 4.75% 01/10/2024 | 7,961 0.43 |
| EUR | 5,835,000 | American International Group 1.875% 21/06/2027 | 5,250 0.28 | | | B- 0.27% (0.57%) | |
| GBP | 7,450,000 | American International Group 5% 26/04/2023 | 8,526 0.46 | USD | 5,912,000 | CSC Holdings 10.875% 15/10/2025 | 5,067 0.27 |
| USD | 16,706,000 | AT&T 3.4% 14/08/2024 | 12,026 0.65 | | | Total United States of America | 354,675 19.12 |
| USD | 20,650,000 | AT&T 3.6% 17/02/2023 | 15,094 0.81 | DERIVATIVES -0.08% (-0.40%) | | | |
| EUR | 11,465,000 | *AT&T FRN 04/09/2023 | 10,364 0.56 | | | Credit Default Swaps -1.15% (-0.78%) | |
| USD | 21,880,000 | BAT Capital 3.222% 15/08/2024 | 15,564 0.84 | EUR | (18,140,000) | Barclays Banca Popolare di Milano Credit Default Swap Buy Protection 20/06/2022 Spread 500 | (754) (0.04) |
| USD | 6,600,000 | *Prudential Financial 8.875% 15/06/2038 | 4,853 0.26 | EUR | 5,000,000 | Barclays Garfunkelux HoldCo Credit Default Swap Sell Protection 20/12/2022 Spread 500 | 81 - |
| USD | 8,165,000 | Sempra Energy 3.55% 15/06/2024 | 5,972 0.32 | EUR | (56,300,000) | Barclays Itraxx-Finance Credit Default Swap Index Buy Protection 20/06/2021 Spread 100 | (1,260) (0.07) |
| USD | 7,000,000 | Verizon Communications 4.4% 01/11/2034 | 5,049 0.27 | EUR | (3,850,000) | Barclays Metro Group Credit Default Swap Buy Protection 20/06/2021 Spread 100 | (48) - |
| GBP | 5,071,000 | Welltower 4.8% 20/11/2028 | 5,904 0.32 | EUR | (3,670,000) | Barclays PostNL Credit Default Swap Buy Protection 20/12/2020 Spread 100 | (79) - |
| | | | | EUR | (27,400,000) | Barclays RWE Credit Default Swap Buy Protection 20/03/2020 Spread 100 | (448) (0.02) |
| | | | | EUR | (8,145,000) | Barclays Swedbank Credit Default Swap Buy Protection 20/06/2020 Spread 100 | (149) (0.01) |
| | | | | EUR | (10,000,000) | Barclays UPC Holding Credit Default Swap Buy Protection 20/12/2022 Spread 500 | (1,493) (0.08) |
| | | | | EUR | (11,400,000) | BNP Paribas Tesco Credit Default Swap Buy Protection 20/06/2020 Spread 100 | (157) (0.01) |
| | | | | EUR | (5,500,000) | Citigroup ArcelorMittal Credit Default Swap Buy Protection 20/12/2022 Spread 500 | (907) (0.05) |
| | | | | EUR | (9,000,000) | Citigroup Credit Agricole Credit Default Swap Buy Protection 20/12/2018 Spread 500 | (361) (0.02) |
| | | | | EUR | (9,000,000) | Citigroup Iceland Bond Credit Default Swap Buy Protection 20/12/2022 Spread 500 | (558) (0.03) |
| | | | | EUR | 10,000,000 | Citigroup ING Bank Credit Default Swap Sell Protection 20/06/2020 Spread 100 | 164 0.01 |
| | | | | | | BBB- 4.33% (3.65%) | |
| USD | 12,571,000 | Broadcom 3.625% 15/01/2024 | 8,949 0.48 | | | Baa3e 0.33% (0.00%) | |
| GBP | 9,818,000 | Discovery 2.5% 20/09/2024 | 9,744 0.53 | EUR | 7,000,000 | *Molson Coors Brewing 0.021% 15/03/2019 | 6,191 0.33 |
| USD | 7,560,000 | *Discovery Communications FRN 20/09/2019 | 5,472 0.30 | | | | |
| USD | 5,458,000 | *Hartford Financial Services 8.125% 15/06/2038 | 4,004 0.22 | | | | |
| USD | 17,750,000 | Kinder Morgan 3.15% 15/01/2023 | 12,638 0.68 | | | | |
| USD | 16,668,000 | Kinder Morgan Energy Partners 4.25% 01/09/2024 | 12,445 0.67 | | | | |
| EUR | 7,360,000 | Molson Coors Brewing 1.25% 15/07/2024 | 6,540 0.35 | | | | |
| USD | 5,465,000 | Molson Coors Brewing 5% 01/05/2042 | 4,380 0.24 | | | | |
| USD | 17,568,000 | Plains All American Pipeline 4.65% 15/10/2025 | 13,032 0.70 | | | | |
| USD | 4,310,000 | Teva Pharmaceutical Finance 2.25% 18/03/2020 | 3,020 0.16 | | | | |

Threadneedle Credit Opportunities Fund

Portfolio Statement

(continued)

| | Holding | Investment | Value £000 | % of Net Asset Value | | Holding | Investment | Value £000 | % of Net Asset Value |
|--|--------------|--|---------------|----------------------------|---|--------------|---|---------------|----------------------------|
| DERIVATIVES -0.08% (-0.40%) (continued) | | | | | | | | | |
| EUR | (8,250,000) | Citigroup Itraxx Crossover Credit Default Swap Index Buy Protection 20/06/2018 Spread 500 | (142) | (0.01) | EUR | (21,100,000) | J.P. Morgan Gas Natural Capital Credit Default Swap Buy Protection 20/03/2020 Spread 100 | (327) | (0.02) |
| EUR | (21,600,000) | Citigroup Itraxx Crossover Credit Default Swap Index Buy Protection 20/12/2020 Spread 500 | (1,793) | (0.10) | USD | (22,950,000) | J.P. Morgan General Motors Credit Default Swap Buy Protection 20/12/2022 Spread 500 | (3,075) | (0.17) |
| EUR | (14,000,000) | Citigroup Itraxx Crossover Credit Default Swap Index Buy Protection 20/12/2021 Spread 500 | (1,473) | (0.08) | EUR | (7,650,000) | J.P. Morgan Metro Group Credit Default Swap Buy Protection 20/06/2021 Spread 100 | (95) | (0.01) |
| EUR | (51,000,000) | Citigroup Itraxx Crossover Credit Default Swap Index Buy Protection 20/12/2022 Spread 500 | (5,396) | (0.29) | EUR | (1,700,000) | J.P. Morgan PizzaExpress Credit Default Swap Buy Protection 20/12/2022 Spread 500 | 183 | 0.01 |
| EUR | (10,680,000) | Citigroup Metro Group Credit Default Swap Buy Protection 20/06/2021 Spread 100 | (132) | (0.01) | EUR | (5,500,000) | J.P. Morgan Rexel Senior Credit Default Swap Buy Protection 20/12/2022 Spread 500 | (942) | (0.05) |
| EUR | (19,225,000) | Citigroup Pearson Credit Default Swap Buy Protection 20/09/2020 Spread 100 | (326) | (0.02) | EUR | (14,850,000) | J.P. Morgan United Utilities Credit Default Swap Buy Protection 20/03/2020 Spread 100 | (227) | (0.01) |
| EUR | (4,250,000) | Citigroup PizzaExpress Credit Default Swap Buy Protection 20/12/2022 Spread 500 | 458 | 0.03 | EUR | 2,050,000 | Interest Rate Swaps -0.01% (-0.03%) Citigroup Interest Rate Swap Receive EUR Euribor + 316.50Bp Pay 4.5% 25/10/2019 | (49) | - |
| EUR | (5,650,000) | Citigroup PostNL Credit Default Swap Buy Protection 20/12/2020 Spread 100 | (121) | (0.01) | EUR | 2,500,000 | Citigroup Interest Rate Swap Receive EUR Euribor Pay 1.182% 16/01/2019 | (32) | - |
| EUR | 10,000,000 | Citigroup Virgin Media Finance Credit Default Swap Sell Protection 20/12/2022 Spread 500 | 1,267 | 0.07 | EUR | 10,500,000 | Citigroup Interest Rate Swap Receive EUR Euribor Pay 1.184% 15/01/2019 | (133) | (0.01) |
| EUR | 5,000,000 | Credit Suisse Garfunkelux HoldCo Credit Default Swap Sell Protection 20/12/2022 Spread 500 | 81 | - | EUR | (1,099) | Futures and Options 0.46% (0.01%) UBS EURO-Bobl Future Expiring March 2018 | 1,357 | 0.07 |
| EUR | (4,650,000) | Credit Suisse Kelda Group Credit Default Swap Buy Protection 20/03/2018 Spread 100 | (6) | - | EUR | (1,091) | UBS EURO Bond Future Expiring March 2018 | 2,434 | 0.13 |
| EUR | (12,000,000) | Goldman Sachs Casino Guichard Perrachon Credit Default Swap Buy Protection 20/12/2022 Spread 100 | 303 | 0.02 | GBP | (1,775) | UBS Long Gilt Future Expiring March 2018 | 1,368 | 0.07 |
| EUR | (31,900,000) | Goldman Sachs Pernod Ricard Credit Default Swap Buy Protection 20/12/2019 Spread 100 | (520) | (0.03) | USD | (437) | UBS US 5 Year Note Future Expiring March 2018 | 487 | 0.03 |
| EUR | (3,895,000) | Goldman Sachs PostNL Credit Default Swap Buy Protection 20/12/2020 Spread 100 | (84) | - | USD | (1,024) | UBS US 10 Year Note Future Expiring March 2018 | 1,712 | 0.09 |
| EUR | (6,000,000) | Goldman Sachs Unilabs Credit Default Swap Buy Protection 20/12/2022 Spread 500 | (618) | (0.03) | USD | (437) | UBS US 10 Year Ultra Future Expiring March 2018 | 947 | 0.05 |
| EUR | (8,400,000) | Goldman Sachs Vattenfall Credit Default Swap Buy Protection 20/06/2021 Spread 100 | (185) | (0.01) | USD | (152) | UBS US Long Bond Future Expiring March 2018 | 388 | 0.02 |
| EUR | 14,000,000 | Goldman Sachs Vue International Bidco Credit Default Swap Sell Protection 20/12/2021 Spread 500 | 1,462 | 0.08 | Forward Foreign Exchange Contracts 0.62% (0.40%) | | | | |
| USD | (31,000,000) | Goldman Sachs Westpac Banking Credit Default Swap Buy Protection 20/03/2020 Spread 100 | (413) | (0.02) | Sell USD 2,312 | | | | |
| EUR | (81,750,000) | HSBC Itraxx-Finance Credit Default Swap Index Buy Protection 20/06/2021 Spread 100 | (1,830) | (0.10) | Buy EUR 1,888 J.P. Morgan | | | | |
| EUR | (11,500,000) | HSBC UBS Credit Default Swap Buy Protection 20/03/2019 Spread 300 | (347) | (0.02) | Sell GBP 92 | | | | |
| EUR | (17,880,000) | J.P. Morgan BCO Comercial Portugues Credit Default Swap Buy Protection 20/06/2022 Spread 500 | (915) | (0.05) | Buy EUR 103 J.P. Morgan | | | | |
| | | | | | Sell GBP 10,000,000 | | | | |
| | | | | | Buy EUR 11,239,188 UBS | | | | |
| | | | | | Sell GBP 114 | | | | |
| | | | | | Buy EUR 129 J.P. Morgan | | | | |
| | | | | | Sell GBP 120 | | | | |
| | | | | | Buy EUR 135 J.P. Morgan | | | | |
| | | | | | Sell USD 183,700,000 | | | | |
| | | | | | Buy EUR 149,699,135 Lloyds | | | | |
| | | | | | Sell USD 183,700,000 | | | | |
| | | | | | Buy EUR 149,722,329 Citigroup | | | | |
| | | | | | Sell USD 183,710,000 | | | | |
| | | | | | Buy EUR 149,728,149 J.P. Morgan | | | | |
| | | | | | Sell GBP 159,000,000 | | | | |
| | | | | | Buy EUR 179,284,135 HSBC | | | | |
| | | | | | (572) | | | | |
| | | | | | (0.03) | | | | |

Threadneedle Credit Opportunities Fund

Portfolio Statement

(continued)

| Holding | Investment | Value £000 | % of Net Asset Value | Holding | Investment | Value £000 | % of Net Asset Value |
|--|--------------------------------------|---------------|----------------------------|---------|--------------------------------|---------------|----------------------------|
| DERIVATIVES -0.08% (-0.40%) (continued) | | | | | Sell EUR 132,517 | | |
| | Sell GBP 159,000,000 | | | | Buy GBP 117,957 J.P. Morgan | 1 | - |
| | Buy EUR 179,329,531 Citigroup | (532) | (0.03) | | Sell EUR 14,190 | | |
| | Sell GBP 159,790,000 | | | | Buy GBP 12,510 J.P. Morgan | - | - |
| | Buy EUR 180,212,998 Bank of Scotland | (541) | (0.03) | | Sell EUR 140,789 | | |
| | Sell GBP 163,430,000 | | | | Buy GBP 125,341 J.P. Morgan | 1 | - |
| | Buy EUR 184,869,355 Barclays | 75 | - | | Sell EUR 15 | | |
| | Sell GBP 163,430,000 | | | | Buy GBP 14 J.P. Morgan | - | - |
| | Buy EUR 184,875,775 Bank of Scotland | 81 | 0.01 | | Sell EUR 20 | | |
| | Sell GBP 163,430,000 | | | | Buy GBP 18 J.P. Morgan | - | - |
| | Buy EUR 184,882,070 Citigroup | 86 | 0.01 | | Sell EUR 194,611 | | |
| | Sell USD 3,200,000 | | | | Buy GBP 172,149 J.P. Morgan | - | - |
| | Buy EUR 2,653,764 Goldman Sachs | 41 | - | | Sell EUR 22,122 | | |
| | Sell GBP 2,500,000 | | | | Buy GBP 19,503 J.P. Morgan | - | - |
| | Buy EUR 2,823,444 Goldman Sachs | (5) | - | | Sell EUR 22,287 | | |
| | Sell USD 272,380,000 | | | | Buy GBP 19,761 J.P. Morgan | - | - |
| | Buy EUR 228,746,396 HSBC | 5,991 | 0.32 | | Sell EUR 2,930 | | |
| | Sell USD 272,380,000 | | | | Buy GBP 2,601 J.P. Morgan | - | - |
| | Buy EUR 228,782,613 Barclays | 6,023 | 0.33 | | Sell EUR 3,167,781 | | |
| | Sell GBP 208 | | | | Buy GBP 2,809,771 J.P. Morgan | 10 | - |
| | Buy EUR 234 J.P. Morgan | - | - | | Sell EUR 3,369 | | |
| | Sell GBP 25,389 | | | | Buy GBP 3,000 J.P. Morgan | - | - |
| | Buy EUR 28,645 J.P. Morgan | - | - | | Sell EUR 301,380 | | |
| | Sell USD 35,800 | | | | Buy GBP 267,824 J.P. Morgan | 2 | - |
| | Buy EUR 30,059 J.P. Morgan | 1 | - | | Sell EUR 4,360 | | |
| | Sell GBP 277 | | | | Buy GBP 3,843 J.P. Morgan | - | - |
| | Buy EUR 312 J.P. Morgan | - | - | | Sell EUR 364,564 | | |
| | Sell GBP 29,971 | | | | Buy GBP 323,661 J.P. Morgan | 1 | - |
| | Buy EUR 33,766 J.P. Morgan | - | - | | Sell EUR 41,300 | | |
| | Sell USD 446,603 | | | | Buy GBP 36,778 J.P. Morgan | - | - |
| | Buy EUR 371,583 J.P. Morgan | 7 | - | | Sell EUR 44,110 | | |
| | Sell GBP 349 | | | | Buy GBP 39,097 J.P. Morgan | - | - |
| | Buy EUR 394 J.P. Morgan | - | - | | Sell EUR 43,988 | | |
| | Sell GBP 372,635 | | | | Buy GBP 39,116 J.P. Morgan | - | - |
| | Buy EUR 422,784 J.P. Morgan | 1 | - | | Sell EUR 4,898,897 | | |
| | Sell GBP 39,406 | | | | Buy GBP 4,345,243 J.P. Morgan | 15 | - |
| | Buy EUR 44,398 J.P. Morgan | - | - | | Sell EUR 6,436 | | |
| | Sell AUD 77,000 | | | | Buy GBP 5,700 J.P. Morgan | - | - |
| | Buy EUR 50,253 UBS | - | - | | Sell EUR 57,819 | | |
| | Sell USD 70,439 | | | | Buy GBP 51,393 J.P. Morgan | - | - |
| | Buy EUR 58,918 J.P. Morgan | 1 | - | | Sell EUR 66,012 | | |
| | Sell CAD 11,309,000 | | | | Buy GBP 58,688 J.P. Morgan | - | - |
| | Buy EUR 7,395,278 UBS | (21) | - | | Sell EUR 9,589 | | |
| | Sell CAD 11,309,000 | | | | Buy GBP 8,499 J.P. Morgan | - | - |
| | Buy EUR 7,398,210 UBS | (8) | - | | Sell EUR 947,658 | | |
| | Sell GBP 7,009 | | | | Buy GBP 840,558 J.P. Morgan | 3 | - |
| | Buy EUR 7,871 J.P. Morgan | - | - | | Sell EUR 97,230 | | |
| | Sell GBP 67,221 | | | | Buy GBP 86,576 J.P. Morgan | 1 | - |
| | Buy EUR 75,911 J.P. Morgan | - | - | | Sell EUR 10,699 | | |
| | Sell AUD 13,888,300 | | | | Buy GBP 9,486 J.P. Morgan | - | - |
| | Buy EUR 8,946,065 UBS | (107) | (0.01) | | Sell EUR 103,457,660 | | |
| | Sell AUD 13,965,300 | | | | Buy GBP 91,765,289 J.P. Morgan | 319 | 0.02 |
| | Buy EUR 9,108,597 Goldman Sachs | 9 | - | | Sell EUR 107,867 | | |
| | Sell USD 11,949 | | | | Buy GBP 95,520 J.P. Morgan | - | - |
| | Buy EUR 9,848 J.P. Morgan | - | - | | Sell EUR 11,711,556 | | |
| | Sell GBP 822 | | | | Buy USD 13,954,459 J.P. Morgan | (306) | (0.02) |
| | Buy EUR 923 J.P. Morgan | - | - | | Sell EUR 113,556 | | |
| | Sell USD 1,176 | | | | Buy USD 137,142 J.P. Morgan | (2) | - |
| | Buy EUR 990 J.P. Morgan | - | - | | Sell EUR 3,535 | | |
| | Sell EUR 11,816 | | | | Buy USD 4,252 J.P. Morgan | - | - |
| | Buy GBP 10,481 J.P. Morgan | - | - | | | | |

Threadneedle Credit Opportunities Fund

Portfolio Statement

(continued)

| Holding | Investment | Value £000 | % of Net Asset Value |
|--|--------------------------|------------------|----------------------------|
| DERIVATIVES -0.08% (-0.40%) (continued) | | | |
| | Sell EUR 361 | | |
| | Buy USD 441 J.P. Morgan | — | — |
| | Sell EUR 472 | | |
| | Buy USD 564 J.P. Morgan | — | — |
| | Total Derivatives | (1,391) | (0.08) |
| Total value of investments | | 1,667,903 | 89.93 |
| Net other assets (23.48%) | | 186,840 | 10.07 |
| Net assets | | 1,854,743 | 100.00 |

January 2017 comparatives in brackets.

*Variable rate bonds.

(P) refers to provisional rating.

| | Value £000 | % of Investment |
|---|------------------|--------------------|
| ANALYSIS OF INVESTMENTS BY ASSET CLASS | | |
| Fixed interest | 1,309,784 | 78.53 |
| Floating rate notes | 359,510 | 21.55 |
| Derivatives | (1,391) | (0.08) |
| Total value of investments | 1,667,903 | 100.00 |

ANALYSIS OF UNDERLYING EXPOSURE FUTURES AND OPTIONS

| | Value £000 |
|---|------------------|
| UBS EURO-Bobl Future Expiring March 2018 | (144,150) |
| UBS EURO Bond Future Expiring March 2018 | (175,024) |
| UBS Long Gilt Future Expiring March 2018 | (248,476) |
| UBS US 5 Year Note Future Expiring March 2018 | (41,041) |
| UBS US 10 Year Note Future Expiring March 2018 | (102,126) |
| UBS US 10 Year Ultra Future Expiring March 2018 | (46,705) |
| UBS US Long Bond Future Expiring March 2018 | (18,457) |
| Total net exposure | (775,979) |

Performance Summary – UK Universe

for the year ended 31 January 2018

| Fund | Fund Sector | Net Tax Return Class 1 % | Net Tax Return Class 2 % | Index* Total Return % |
|----------------------------|-----------------|--------------------------|--------------------------|-----------------------|
| Credit Opportunities Fund# | Absolute Return | +1.82 | +2.50 | +0.30 |

All fund and peer group data sourced from Morningstar.

The fund sector is taken from the UK Unit Trusts/OEICs universe. Comparing the fund's performance to this fund sector is only relevant for UK Investors.

Unless otherwise stated, all of the above returns are quoted net of fees, in Sterling and on a bid to bid basis with net income reinvested for a UK basic rate taxpayer. Index returns are gross. These returns are also after annual management charges have been deducted.

*Index for the Credit Opportunities Fund is the Citigroup WMMI Euro Deposit EMU GBP (1 month).

#GBP Hedged Share Class shown.

Performance Summary – Offshore Universe

for the year ended 31 January 2018

| Fund | Fund Sector | Performance Share Class 1 % | Index* Total Return % | Performance Share Class 2 % | Currency |
|---------------------------|-----------------------------|-----------------------------|-----------------------|-----------------------------|----------|
| Credit Opportunities Fund | Alternative Long/Short Debt | +1.33 | -0.47 | +1.92 | EUR |

Morningstar, Offshore Territories, NAV to NAV in fund currency, net of fees with gross income reinvested. Data reflects current management and other charges, but does not consider the effect of initial charges applicable to new investments. All index returns are gross.

*Index for the Credit Opportunities Fund is the Citigroup Euro Deposit (1 month).

Risk and Reward Profiles

| Fund | Share Class | SRRI* |
|---------------------------|--|-------|
| Credit Opportunities Fund | Class 1 GBP Hedged – Accumulation shares | 4 |
| | Class 1 – Gross income shares | 4 |
| | Class 1 – Gross accumulation shares | 4 |
| | Class 1 GBP Hedged – Gross accumulation shares | 4 |
| | Class 1 USD Hedged – Gross accumulation shares | 4 |
| | Class 2 GBP Hedged – Income shares | 2 |
| | Class 2 GBP Hedged – Accumulation shares | 2 |
| | **Class 2 – Gross income shares | 4 |
| | Class 2 – Gross accumulation shares | 4 |
| | Class X GBP Hedged – Gross accumulation shares | 4 |

*As at 21 January 2018 the synthetic risk and reward indicator (SRRI) is explained in the table below:

| SRRI | |
|------|--|
| 1 | The fund is in this specific category because historically it has shown a low level of volatility (how much the value of the fund went up and down compared to other categories). |
| 2 | The fund is in this specific category because historically it has shown a relatively low level of volatility (how much the value of the fund went up and down compared to other categories). |
| 3 | The fund is in this specific category because historically it has shown a medium to low level of volatility (how much the value of the fund went up and down compared to other categories). |
| 4 | The fund is in this specific category because historically it has shown a medium level of volatility (how much the value of the fund went up and down compared to other categories). |
| 5 | The fund is in this specific category because historically it has shown a medium to high level of volatility (how much the value of the fund went up and down compared to other categories). |
| 6 | The fund is in this specific category because historically it has shown a high level of volatility (how much the value of the fund went up and down compared to other categories). |
| 7 | The fund is in this specific category because historically it has shown a very high level of volatility (how much the value of the fund went up and down compared to other categories). |

The Risk and Reward Profile is based on past performance data in pound sterling. If your investment in the fund is not in pound sterling, please check the figure for the risk and reward profile disclosed on our website (columbiathreadneedle.com) according to the currency of your investment in the fund.

Historical data may not be a reliable indication of the future risk profile of the fund.

The SRRI category shown is not guaranteed to remain unchanged and that the categorisation of the fund may shift over time. The KIID contains the current SRRI.

The lowest category does not mean a risk-free investment.

No form of capital protection or capital guarantee applies to any of the classes.

The risk and reward profile of the Credit Opportunities Fund Class 2 GBP Hedged – Income shares changed from 4 to 2 on 17 March 2017.

The risk and reward profile of the Credit Opportunities Fund Class 2 GBP Hedged – Accumulation shares changed from 4 to 2 on 17 March 2017.

**For launch dates, refer to the footnotes after the fund's comparative table.

Important Information

Threadneedle Focus Investment Funds ICVC (the Company) is an open-ended investment company with variable capital incorporated in England and Wales under regulation 14 (Authorisation) of the Open-Ended Investment Companies Regulations 2001 (as amended) and the shareholders are not liable for the debts of the Company.

The Company is structured as an umbrella company in which different sub-funds (funds) may be established from time to time by the ACD with the approval of the Financial Conduct Authority (FCA) and the agreement of the Depositary.

References in this document to any fund do not constitute an offer or invitation to subscribe to shares in such a fund. We recommend you obtain detailed information before the purchase of shares. Subscriptions to a fund may only be made on the basis of the current Prospectus or Key Investor Information document (KIID) and the latest annual and interim reports. Please refer also to the Risk Factors in the Prospectus.

Past performance is not a guide to future returns. The value of investments and any income from them is not guaranteed and may fall as well as rise and the investor may not get back the original investment. Exchange rate movements could increase or decrease the value of underlying investments/holdings. The dealing price of the funds may include a dilution adjustment. Further details are available in the Prospectus.

The mention of any specific shares or bonds should not be taken as a recommendation to deal and anyone considering dealing in these financial instruments should consult a stockbroker or financial adviser. The research and analysis included in this document has been produced by Threadneedle 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.

Prospectus

A prospectus (the Prospectus), which describes each fund in detail, is available from Threadneedle Investment Services Limited, DST Financial Services, P.O. Box 10033, Chelmsford, Essex CM99 2AL and from the paying agents and distributors in the countries where the fund is distributed.

The funds are segregated portfolios of assets and, accordingly, the assets of a fund belong exclusively to that Fund and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the umbrella, or any other fund, and shall not be available for any such purpose.

Each fund has the investment powers equivalent to those of a UCITS scheme (as defined in the FCA rules).

Other funds may be launched in the future.

Key Investor Information Document – 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 obtain the latest KIID from columbiathreadneedle.com.

Compulsory conversions

The Prospectus and Instrument of the Company have been updated to give the ACD the ability to convert shares in a Fund from one share class of the

Fund to another share class of the same Fund, effective from 1 February 2018. This is known as compulsory conversion. The ACD will only apply compulsory conversions if it is in the best interests of shareholders to do so and any shareholders affected by a compulsory conversion will be notified of any such conversion in accordance with the FCA rules.

Changes to the management of the ACD

The following changes have been made to the directors of the ACD:

- Resignation of Tim Gillbanks on 31 March 2017;
- Appointment of Michelle Scrimgeour on 14 August 2017.

Changes to the Prospectus

During the period from 22 January 2017 to 21 January 2018 the following changes were made to the Prospectus of the Company:

- Updates to include changes to the COLL rules (including PRN, changes regarding short reports, eligible markets);
- Updates to reflect changes being made to UK tax on distributions (gross vs net units, as well as tax changes more generally);
- Updates to the list of funds managed by the ACD and the directors of the ACD;
- Enhanced disclosures regarding hedged share classes and performance fee calculations;
- Updates required for implementation of the revised Markets in Financial Instruments Directive (MiFID II);
- Inclusion of compulsory conversion clause effective 1 February 2018;
- Updates to performance, dilution adjustments and available share classes;
- Miscellaneous changes including address of the Financial Services Ombudsman, clarification on privacy statement, clarification of dividend payment dates, addresses of paying agents.

Changes to the Instrument of Incorporation

During the period from 22 January 2017 to 21 January 2018 the instrument of incorporation of the Company has been updated to include a compulsory conversion clause effective 1 February 2018.

Characteristics of Shares

The Company is structured as an umbrella company and currently consists of one sub-fund. Several classes of share may be issued in respect of the fund, distinguished by their criteria for subscription and fee structure.

| Share Class | Minimum Investment | Eligibility |
|-------------|--------------------|--|
| Class 1 | EUR 2,500 | Available to retail and institutional investors seeking income or growth (or a combination of both) over the medium to long term |

Important Information

(continued)

| Share Class | Minimum Investment | Eligibility |
|-----------------------|--------------------------------|---|
| Class 2 | EUR 750,000 | Available at the ACD's discretion to institutional investors and eligible distributors that have entered into separate fee arrangements with their clients. If operating within the European Union (ex UK), the distributors will ordinarily be distributors providing (i) discretionary portfolio management; (ii) investment advice on an independent basis or (iii) investment advice on a non-independent basis where those distributors have agreed with their clients to receive fee-based remuneration and will not receive commission and or trail fees, each as defined in the Markets in Financial Instruments Directive. For distributors operating under (i), (ii) or (iii) above no minimum subscription/ investment level applies. Existing Shareholders in Class 2 Shares, who held such Shares as at 1 January 2018 but no longer comply with the requirements set out above, can continue to hold such Shares and will be able to continue to apply for additional subscriptions in Class 2 Shares. |
| Class X | EUR 5 million | Available only to Eligible investors. |
| Class 1 Hedged shares | GBP 2,000 USD 3,000 | Available to retail and institutional investors seeking income or growth (or a combination of both) over the medium to long-term. |
| Class 2 Hedged shares | GBP 500,000 USD 800,000 | Available at the ACD's discretion to institutional investors and eligible distributors that have entered into separate fee arrangements with their clients. If operating within the European Union (ex UK), the distributors will ordinarily be distributors providing (i) discretionary portfolio management; (ii) investment advice on an independent basis or (iii) investment advice on a non-independent basis where those distributors have agreed with their clients to receive fee-based remuneration and will not receive commission and or trail fees, each as defined in the Markets in Financial Instruments Directive. For distributors operating under (i), (ii) or (iii) above no minimum subscription/ investment level applies. Existing Shareholders in Class 2 Shares, who held such Shares as at 1 January 2018 but no longer comply with the requirements set out above, can continue to hold such Shares and will be able to continue to apply for additional subscriptions in Class 2 Shares. |
| Class X Hedged shares | GBP 3 million USD 5 million | Available only to Eligible investors. |

The limits for minimum initial investment, minimum subsequent investment and minimum holding of shares may be waived at the discretion of the ACD. For further information please refer to the Prospectus.

Changes to the share class names

With effect from 6 April 2017, all payments from the Funds are paid gross of UK tax, following changes to the way savings and investments are taxed in the UK. As a result of the change, the word "net" has been removed from the names of all the share classes that were previously "net" paying shares.

Hedged Share Classes (HSCs)

HSCs use currency hedging transactions to try to reduce the exposure to the Reference Currency and replace it with an exposure to the hedged Currency. The terms Reference Currency, Portfolio Currency and Hedged Currency are defined as follows:

- "Reference Currency" or "Reference Currencies" means (according to the context) the primary investment currency of the share class against which the currency hedging transaction will be applied in order to reduce any exchange rate fluctuation with the Hedged Currency;
- "Portfolio Currency" or "Portfolio Currencies" means (according to the context) the currency or currencies in which the underlying assets of the fund are invested in line with the investment objectives applicable to the fund;
- "Hedged Currency" is the currency in which the Hedged Share Class is denominated.

These HSCs should not be confused with other share classes that may be denominated in other currencies but will not be hedged. For full details of the HSCs available, including details of the Reference Currency or Portfolio Currency of each fund for which HSCs are available, please refer to the latest version of the Prospectus.

Income Equalisation

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

Performance

For the period under review, where applicable, fund performance has been compared to the relevant peer group. We show a peer group comparison as this more accurately reflects the way the fund is managed. We continue to show stock market indices for information purposes and for those funds where The Investment Association sector is not felt to be a representative peer group. Audited peer group information is only available from Morningstar's Fund Services at month end points.

Investor Reports

Annual long-form reports and financial statements of the Company will be made available and published within four months of the close of each annual accounting period and half-yearly long report and financial statements will be published within two months of the close of each interim accounting period. At the end of each reporting period short form reports are available on our website columbiathreadneedle.com/shortform and from Threadneedle Investment Services Limited P.O. Box 10033, Chelmsford, Essex CM99 2AL. The annual accounting period for the Company ends on 21 January and the interim reporting period ends on 21 July.

Important Information

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The Auditors gave their opinion on the financial statements presented in English. They take no responsibility for the translation of these financial statements. Where there is any inconsistency between the version presented in English and any translation, the English language version has precedent.

The documents will also be available from the paying agents in the countries where the funds are registered. The reports will provide information on the performance of the funds, the market background, and details of each of the portfolios.

Foreign Account Tax Compliance Act (FATCA)

Threadneedle and its funds (Threadneedle) have registered with the US Internal Revenue Service in accordance with FATCA and other current related legislation. Threadneedle has put in place appropriate processes and procedures to maintain its compliance with the statutory requirements, including ensuring that Threadneedle obtain the required certification from its clients and investors as necessary to mitigate any requirement upon Threadneedle to withhold or report such clients under the legislation. This registration and compliance process will ensure that Threadneedle will not suffer withholding tax under FATCA.

Common reporting standard (CRS)

The Common Reporting Standard ('CRS') has come into effect in stages, starting from 1 January 2016, was developed by the Organisation for Economic Co operation and Development ('OECD'). The CRS has been adopted in the UK by The International Tax Compliance Regulations 2015, and may require Threadneedle funds to report account holder information to HMRC about their shareholdings. HMRC will in turn pass this information onto the competent authorities with which it has an agreement.

Important information for Swiss investors

The funds are not registered with the Swiss Financial Market Supervisory Authority (FINMA). The distribution of Shares in Switzerland in respect of this fund will be exclusively made to, and directed at, regulated qualified investors (the Regulated Qualified Investors), as defined in Article 10(3)(a) and (b) of the Swiss Collective Investment Schemes Act of 23 June 2006, as amended (CISA). Accordingly, the fund has not been and will not be registered with the FINMA and no Swiss representative or paying agent has been or will be appointed in Switzerland for this fund. This report may be made available in Switzerland solely to Regulated Qualified Investors or existing investors.

Brexit

In June 2016 the United Kingdom voted to leave the European Union. While negotiations progress, there is significant uncertainty relating to the UK's withdrawal from the EU, the potential consequences and precise timeframe. It is expected that the UK will exit from the EU on 29 March 2019.

Depending on the outcome of the UK's negotiations with the European Union, and the existence or otherwise of any formal implementation period, it is possible that the Fund may no longer be eligible to enjoy the rights set out in the UCITS Directive. Ceasing to be so eligible may affect the ability of non-UK domiciled investors to make new investments in the Company. The Board of Directors is monitoring the situation and will keep shareholders informed.

Remuneration Disclosures

This disclosure is made in respect of the remuneration policy of Threadneedle Asset Management Sàrl ("TAM Sàrl" or "the Group"), as it applies to

Threadneedle Investments Services Limited ("the Manager") in respect of the Undertakings for Collective Investment in Transferable Securities ("UCITS") Directive and other applicable rules and guidance. The Remuneration Policy applies to all its subsidiary entities to which the UCITS Directives requirements apply, and was last approved by the Remuneration Committee in June 2017. The remuneration requirements under the UCITS Directive were applied from 1 January 2017, 2017 being the first full performance year commencing after the UCITS V requirements were enforced.

1. The Remuneration Committee

The Remuneration Committee of TAM Sàrl is a sub-committee of the TAM Sàrl Board with the responsibility to establish the philosophy and objectives that will govern the Group's compensation and benefit programmes; review and approve compensation and benefit plans, policies, and practices; and oversee and approve the Group's remuneration. It has been determined to be independent of the day-to-day executive management of the Group, its Members being Directors of the Group who are nominated by Ameriprise Financial, and the Group's parent company.

Current Committee Members are Mr Walter Berman, and Mr Ted Truscott. Meetings are normally held in January, March, June, September and December. The Group's Global Head, Reward acts as Secretary to the Committee. The Committee may invite the attendance of any Group employee or functional expert from the parent company as deemed appropriate, to allow it to fulfil its responsibilities including ensuring remuneration is consistent with effective risk management and does not encourage excessive risk taking.

2. Determining Incentive Remuneration Pools

The Manager made its annual Total Incentive Award decisions from separate pools covering the Property business, Distribution unit, Investments business and Support functions, ultimately aggregated for governance and oversight at the EMEA regional level. Those pools are determined at the final discretion of the Remuneration Committee with reference to four un-weighted factors being a 'Top-Down' assessment of market practice, legal and regulatory requirements and any other internal or external contextual factors; a 'Bottom-Up' calculation based on business performance against Plan and Target Incentive level for the firm (see 'Pay for Performance' below); the overall financial and strategic performance of the Group; and the financial and strategic performance of Ameriprise Financial as the Group's parent company and shareholder. The Committee also receives ongoing reports through the year from the Risk function regarding risk assessments and any themes or areas of note related to risk control or risk-related behavioural concerns.

The Committee takes all of these factors into account in order to make a balanced decision on the Total Incentive pool for the year in question.

3. Determining Individual Total Incentive Awards

Individual reward decisions are wholly discretionary, although strongly informed by the annual performance appraisal and by known market remuneration levels for equivalent jobs as well as by the pool funding available. Risk and Compliance provide a critical input to final performance rating setting, ensuring that any risk and relevant behavioural concerns are reflected in performance appraisals and subsequently in remuneration recommendations. The leads in Risk and Compliance also report directly to the Remuneration Committee of the award process to ensure that the Committee receives a direct report on which to base its final risk adjustment decisions.

Base salaries are maintained at a market-competitive level in order to ensure that, if required, it is possible to award zero incentive.

Important Information

(continued)

Pay for Performance

The bottom-up element of the incentive pool determination process measures team and wider business performance against key business targets for each area of the Group, including longer-term investment performance for the Investments and Property divisions and a mix of gross and net sales for Distribution. Investment performance is assessed against each fund's benchmarks and its risk profile. All such assessments' impacts on the bottom-up calculation are capped so as not to incentivise managers to take excessive risk in order to deliver higher incentive pools. While the Group and parent company financial and strategic results are important factors in pool determination, the model is set up to ensure that delivery of the business' core goals, including delivering investment performance to its customers, is an explicit and significant driver in pool determination for those divisions.

Individual discretionary awards from the available pool, in context of market-competitive reward levels for the job in question, are driven strongly by each individual's ratings against Goals (objectives) and the Group's Values, each of which is separately rated on a 5-point scale to ensure the Values assessment is given due prominence. Goals focus on the key deliverables for the role that year, in particular on the delivery of investment performance for Investments employees and for the Property division: all employees are also managed against a mandatory Risk Management Goal. Investment performance, where relevant to the role, is assessed against each fund's benchmark and its risk profile.

Ratings are consistency-checked across the business with the input of the Heads of Risk and Compliance to ensure balance and due reflection of risk management. There is no pre-determined grid or formula driving awards, which are discretionary in order to be able to account for and reflect all relevant factors.

Delivery of Total Incentives

Threadneedle believes that deferred awards for higher earners are a matter of good practice and an important part of aligning key staff's interests with the long-term interests of customers and shareholders. To that end, Total Incentive awards for all employees in the Group may be delivered partly in deferred awards through the Ameriprise Financial Long-Term Incentive Award ("LTIA") programme and, for those in the Investments division, through a fund deferral programme. Deferrals, and delivery of awards in instruments, will comply with relevant regulatory requirements in force from time to time.

Staff qualifying as Identified employees and those of a comparable level of seniority are subject to a higher rate of deferral. 50% of the overall incentive award is delivered in fund link units subject to a holding period after delivery. The fund linked units are designed to reflect the performance of a cross section of products and asset classes within the region.

4. Identified Staff

The Manager defines its' Identified Staff in line with the definitions provided by SYSC 19E and associated guidance. Those Identified Staff are the senior management, individuals with a material impact on the risk profile of UCITS, individuals within control functions and other employees whose total remuneration takes them in to the same bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Manager or of the funds it manages. In practice, this will include the named Fund Managers of the Manager's funds.

5. Remuneration Payment Disclosure

The performance period for remuneration operate on a calendar year basis.

Total remuneration paid by the Management Company to 7 UCITS V Remuneration Code Staff Senior Managers in respect of its UCITS activities

in the 2017-18 performance year was £1.6m, of which £0.5m was fixed and £1.1m was variable. Total remuneration paid to other members of the UCITS Remuneration Code Staff whose actions had a material impact on the risk profile of the Manager was £15.0m, of which £6.2m was fixed and £8.8m was variable.

Key Risks of the Fund:

The following Key Risks apply to the Credit Opportunities Fund. A definition of the key risks can be found below:

Description of the Key Risks:

Investment Risk: The value of investments can fall as well as rise and investors might not get back the sum originally invested.

Currency Risk: Where investments are in assets that are denominated in multiple currencies, or currencies other than your own, changes in exchange rates may affect the value of the investments.

No Capital Guarantee Risk: Positive returns are not guaranteed and no form of capital protection applies.

Counterparty Risk: The fund may enter into financial transactions with selected counterparties. Any financial difficulties arising at these counterparties could significantly affect the availability and the value of fund assets.

Issuer Risk: The Fund invests in securities whose value would be significantly affected if the issuer refused, was unable to or was perceived to be unable to pay.

Liquidity Risk: The fund holds assets which could prove difficult to sell. The fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.

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.

Valuation Risk: The fund's assets may sometimes be difficult to value objectively and the actual value may not be recognised until assets are sold.

Short Selling Risk: Short selling intends to make a profit from falling prices. However if the value of the underlying investment increases, the value of the short position will decrease. The potential losses are unlimited as the prices of the underlying investments can increase very significantly in a short space of time.

Investment in Derivatives Risk: The Investment Policy of the fund allows it to invest materially in derivatives.

Leverage Risk: Leverage amplifies the effect that a change in the price of an investment has on the fund's value. As such, leverage can enhance returns to investors but can also increase losses, including losses in excess of the amount invested.

Further risks applicable to the fund can be found in the Prospectus.

Directory

Registered Office

Cannon Place
78 Cannon Street
London EC4N 6AG

Authorised Corporate Director (ACD)

Threadneedle Investment Services Limited
Cannon Place
78 Cannon Street
London EC4N 6AG

Registrar

Threadneedle Investment Services Limited
Delegated to:
DST Financial Services Europe Limited¹
(Authorised and regulated by the Financial Conduct Authority (FCA))
St Nicholas Lane
Basildon
Essex SS15 5FS

Investment Manager

Threadneedle Asset Management Limited
Cannon Place
78 Cannon Street
London EC4N 6AG

Depository

Citibank Europe plc, UK branch
(Authorised by the Prudential Regulatory Authority (PRA)
and regulated by the FCA and PRA)
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

Legal Advisers

Eversheds Sutherland (International) LLP
One Wood Street
London EC2V 7WS

Baum Financial Services Law Team
Grosser Burstah 42
20457 Hamburg
Germany

Independent Auditor

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Authorised Corporate Director Client Services Details

UK Investors

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

Telephone (dealing & customer enquiries): 0800 953 0134*

Fax (dealing): 0845 113 0274

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

All Other Investors

Address: Threadneedle Investment Services Limited
International Financial Data Services
47, avenue JF Kennedy
Grand Duchy of Luxembourg
Telephone (dealing & customer enquiries): +352 464 010 7020*
Fax (dealing): +352 2452 9807
Email (enquiries): questions@service.columbiathreadneedle.co.uk
Website: columbiathreadneedle.com

Paying and Information Agent in Austria

Erste Bank der österreichischen Sparkassen AG
Petersplatz 7
A-1100 Vienna
Austria

Paying and Information Agent in France

BNP Paribas Securities Services
66 rue de la Victoire
75009 Paris
France

Paying and Information Agent in Germany

J.P. Morgan AG
Junghofstr. 14
60311 Frankfurt am Main
Germany

Paying and Information Agent in Italy

State Street Bank S.p.A.
Via Ferrante Aporti, 10
20125 Milan
Italy
Allfunds Bank S.A. (filiale di Milano)
via Bocchetto, 6
20123 Milan
Italy

BNP Paribas Securities Services
Piazza Lina Bo Bardi, 3
20124 Milan
Italy

Société Générale Securities Services S.p.A.
via Benigno Crespi 19/A – MAC2
20159 Milan
Italy

Paying and Information Agent in Luxembourg

State Street Bank Luxembourg S.A.
49 avenue J.F. Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

Information Agent in Spain

Threadneedle Focus Investment Funds ICVC is duly authorised for its marketing in Spain under registered number 700 for such purposes with the Register of Foreign Collective Investment Schemes of the Comisión Nacional del Mercado de Valores (CNMV), in accordance with section 15.2 of Law 35/2003 of 4 November 2003 on Collective Investment Schemes, as amended.

A list of the appointed local distributors and Funds and share classes available for public distribution in Spain is available at the CNMV web page (www.cnmv.es).

¹International Financial Data Services (UK) Limited changed its name to DST Financial Services Europe Limited on 15 August 2017.

*Calls will be recorded.

To find out more visit columbiathreadneedle.com



Threadneedle Investment Services Limited, ISA Manager, Authorised Corporate Director and Unit Trust Manager. Registered No. 3701768. Registered in England and Wales. Registered Office: Cannon Place, 78 Cannon Street, London EC4N 6AG. Authorised and regulated by the Financial Conduct Authority. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies. columbiathreadneedle.com 220734