



Your success. Our priority.

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
THREADNEEDLE MANAGED FUNDS
MAY 2018

THREADNEEDLE MANAGED FUNDS

Contents

Introduction	2
Threadneedle Managed Equity Fund	3 – 12
Threadneedle Managed Equity Focused Fund	13 – 22
Threadneedle Managed Equity & Bond Fund	23 – 32
Threadneedle Managed Bond Focused Fund	33 – 42
Threadneedle Managed Bond Fund	43 – 52
Risk and Reward Profiles*	53
Important Information*	54 – 56
Directory*	57

**These pages, together with the investment reports, Directors' Statements, Comparative Table Disclosure, Reconciliation of units and portfolio statements of the individual funds comprise the Manager's Report.*

Introduction

These Annual Reports and Audited Financial Statements cover the 12 months to 15 May 2018 and review the performance and market background for five of the unit trusts in the Threadneedle Managed Funds range. These comprise the Threadneedle Managed Equity Fund, Threadneedle Managed Equity Focused Fund, Threadneedle Managed Equity & Bond Fund, Threadneedle Managed Bond Focused Fund and Threadneedle Managed Bond Fund.

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.

A handwritten signature in black ink, appearing to read 'M Scrimgeour', written in a cursive style.

M Scrimgeour

Director

Threadneedle Managed Equity Fund

Investment Report

Investment Objective and Policy

To provide a return by way of capital growth.

The Fund will invest at least two-thirds of its assets in funds managed or operated by companies in the Threadneedle group. These funds may invest worldwide.

The Fund will invest at least two-thirds of its assets in funds that invest in company shares, but also have some exposure to fixed income securities.

The Fund may also hold cash, near cash and money market instruments.

Up to 20% of the value of the Fund may be invested in funds that invest in derivatives for purposes other than Efficient Portfolio Management.

The Fund will always invest so as to be eligible as an ISA investment.

Review

This report covers the period from 16 May 2017 to 15 May 2018.

Fund Performance

During the period under review the offer price of Class A units rose by 7.37% from 191.20p to 205.30p and the offer price of Class B units rose by 7.61% from 189.30p to 203.70p.

Looking at performance within its peer group (the IA – Flexible Investment Sector), the total return on the trust for the twelve months ending 30 April 2018, including net reinvested income, is +6.29% as compared to a median sector return of +5.97% over the same period. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

Fully updated peer group information is only available from Morningstar at month-end points.

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

Market Overview and Portfolio Activity

The period started well for world equities, which rose strongly, supported by positive global economic data and improving corporate results. Strong gains throughout 2017 were slightly eroded in February and March 2018 amid a global sell-off. Markets encountered rising volatility on fears that copious central bank stimulus could soon come to an end, and concerns over protectionist measures from the Trump administration, including plans for steep tariffs on steel and aluminium imports.

Within the UK, Prime Minister Theresa May's unexpected call for a snap general election in June 2017 fuelled hopes that this would lead to an increased parliamentary majority for the Conservatives, thereby strengthening the government's hand in Brexit negotiations. In the event, the Conservatives lost their overall majority, triggering concerns over the implications for Brexit. While investors remain anxious, sentiment was buoyed by an agreement between the UK and EU in March 2018 on some elements of a post-Brexit transition deal.

In the US, the S&P 500 index performed strongly, consistently hitting record highs before falling back in February and March this year. US equities received support from President Trump's flagship tax-cutting bill, which features a permanent cut in corporation tax from 35% to 21% and smaller temporary reductions in income taxes. Against the stronger economic backdrop, the Federal Reserve raised interest rates by 25 basis points on three occasions, in June, December and March.

It was also a positive period for European equities, which were spurred by the improvement in corporate earnings. The eurozone economy gathered momentum with 2017 the best year for GDP growth in a decade, and unemployment reaching a nine-year low. The eurozone economy strengthened sufficiently for the European Central Bank to start scaling back its bond purchases, although the duration of the financial stimulus plan has been extended until at least September 2018.

The Japanese market was another strong performer. Investors responded positively to the landslide victory of Shinzo Abe's Liberal Democratic Party in October's general election, as he is expected to continue his 'Abenomics' reform programme. Asian markets rose strongly but also suffered a bout of volatility in early 2018, given concerns over a steeper trajectory for US interest-rate hikes and US-China trade tensions. Over the period as a whole, Chinese equities performed particularly well on the back of robust earnings and positive economic releases, including stronger-than-expected GDP growth. Within Latin America, Brazilian equities were buoyed by hopes of a market-friendly election result in October 2018.

Core government bonds had a more difficult year as investors braced for a world with less "easy money" and favoured risk assets amid optimism over corporate earnings and economic indicators.

We made several asset allocation adjustments during the period. Following their strong performance, we took some profits on equities in Asia, Latin America and global emerging markets. We significantly reduced the positions in the UK Equity Income Fund, UK Growth & Income Fund and the Global Equity Income Fund. As an investment style, equity income has struggled over the past year in comparison to more growth-oriented strategies.

We increased the equity exposure to Japan and Europe, where companies are well placed to benefit from the stronger global economy. In addition, a new holding was established in Threadneedle (Lux) Global Smaller Companies. Within the US, we scaled back the position in the American Fund and added to Threadneedle (Lux) American Absolute Alpha.

In fixed income, we reduced the position in global government bonds, via the Global Bond Fund, and pared back the exposure to high yield corporate bonds, which were trading on richer valuations. Elsewhere, we slightly increased the holding in Threadneedle (Lux) Flexible Asian Bond and established new holdings in Threadneedle (Lux) Global Emerging Market Short-Term Bonds, Threadneedle (Lux) Global Corporate Bond Fund and the Dollar Bond.

Key challenges facing equity markets include a rising interest rate environment, especially in the US; the risk of higher tariffs and reduced trade; and the scope for tighter regulation of fast-growing technology giants. While these risks are real, we are encouraged by the fact that equity fundamentals look robust. Economic growth is currently well-entrenched across developed and emerging markets, and this is driving double-digit corporate earnings growth.

Bond markets continue to be supported by accommodative monetary policy, including outright quantitative easing in the eurozone, and demand for income remains a positive force. However, the credit cycle is fairly mature and, although earnings have been strong, the benefits have been largely accruing to shareholders. With bond yields still low, returns are expected to be muted.

Directors' Statement

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
Director

25 July 2018

M Scrimgeour
Director

Threadneedle Managed Equity Fund

STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2017 to 15 May 2018

	Notes	2018 £000	2017 £000
Income			
Net capital gains	3	25,608	67,235
Revenue	4	7,124	7,558
Expenses	5	(4,962)	(4,744)
Interest payable and similar charges	6	(4)	(1)
Net revenue before taxation		2,158	2,813
Taxation	7	(171)	(193)
Net revenue after taxation		1,987	2,620
Total return before distributions		27,595	69,855
Distributions	8	(2,091)	(2,722)
Change in net assets attributable to unitholders from investment activities		25,504	67,133

BALANCE SHEET

as at 15 May 2018

	Notes	2018 £000	2017 £000
Assets:			
Fixed assets:			
Investments		399,279	366,045
Current assets:			
Debtors	9	1,589	2,120
Cash and bank balances		757	1,506
Total assets		401,625	369,671
Liabilities:			
Investment liabilities		–	(146)
Creditors:			
Distribution payable		(171)	(249)
Other creditors	10	(1,300)	(1,443)
Total liabilities		(1,471)	(1,838)
Net assets attributable to unitholders		400,154	367,833

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2017 to 15 May 2018

	2018 £000	2017 £000
Opening net assets attributable to unitholders	367,833	325,978
Amounts receivable on the issue of units	15,648	15,051
Amounts payable on the cancellation of units	(31,049)	(42,513)
Amounts receivable on inspecie transfers	20,417	–
	5,016	(27,462)
Change in net assets attributable to unitholders from investment activities (see statement of total return above)	25,504	67,133
Retained distribution on accumulation units	1,801	2,184
Closing net assets attributable to unitholders	400,154	367,833

DISTRIBUTION TABLE

for the accounting period 16 May 2017 to 15 May 2018

Dividend distribution in pence per unit

Class A – Accumulation units

Distribution Period	Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1				
16/05/17 to 15/05/18	0.7218	–	0.7218	1.0616
Group 2				
16/05/17 to 15/05/18	0.4701	0.2517	0.7218	1.0616
Total distributions in the period			0.7218	1.0616

Class B – Accumulation units

Distribution Period	Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1				
16/05/17 to 15/05/18	1.1792	–	1.1792	1.4747
Group 2				
16/05/17 to 15/05/18	0.3841	0.7951	1.1792	1.4747
Total distributions in the period			1.1792	1.4747

Class T – Income units[†]

Distribution Period	Revenue	Equalisation	Distribution Paid/ Payable 2017/2018	Distribution Paid 2016/2017
Group 1				
16/05/17 to 15/11/17	0.4651	–	0.4651	0.4932
16/11/17 to 15/05/18	0.3971	–	0.3971	0.5523
Group 2				
16/05/17 to 15/11/17	0.3959	0.0692	0.4651	0.4932
16/11/17 to 15/05/18	0.3313	0.0658	0.3971	0.5523
Total distributions in the period			0.8622	1.0455

Class Z – Accumulation units

Distribution Period	Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1				
16/05/17 to 15/05/18	1.2103	–	1.2103	1.3878
Group 2				
16/05/17 to 15/05/18	0.5906	0.6197	1.2103	1.3878
Total distributions in the period			1.2103	1.3878

[†]Group 2: units purchased during a distribution period.

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

Threadneedle Managed Equity Fund

Comparative Table Disclosure

	Class A – Accumulation units			Class B – Accumulation units		
	15/05/2018	15/05/2017	15/05/2016	15/05/2018	15/05/2017	15/05/2016
Change in net assets per unit						
Opening net asset value per unit (p)	184.22	151.07	154.72	189.24	154.89	157.60
Return before operating charges (p)	16.82	35.96	(1.12)	17.17	36.80	(0.50)
Operating charges (p)	(3.21)	(2.81)	(2.53)	(2.79)	(2.45)	(2.21)
Return after operating charges (p)*	13.61	33.15	(3.65)	14.38	34.35	(2.71)
Distributions (p)	(0.72)	(1.06)	(1.02)	(1.18)	(1.47)	(1.41)
Retained distributions on accumulation units (p)	0.72	1.06	1.02	1.18	1.47	1.41
Closing net asset value per unit (p)	197.83	184.22	151.07	203.62	189.24	154.89
*after direct transaction costs of (p)	–	–	–	–	–	–
Performance						
Return after charges (%)	7.39	21.94	(2.36)	7.60	22.18	(1.72)
Other information						
Closing net asset value (£000)	172,530	182,901	166,259	102,253	84,538	80,479
Closing number of units	87,210,758	99,285,426	110,050,885	50,216,898	44,672,597	51,959,499
Operating charges (%)**	1.68	1.65	1.69	1.42	1.40	1.44
Direct transaction costs (%)	–	–	–	–	–	–
Prices						
Highest unit price (p)	206.50	191.30	163.10	204.70	189.40	160.90
Lowest unit price (p)	181.90	149.10	138.20	186.90	152.90	141.70
	Class T – Income units			Class Z – Accumulation units		
	15/05/2018	15/05/2017	15/05/2016 ¹	15/05/2018	15/05/2017	15/05/2016
Change in net assets per unit						
Opening net asset value per unit (p)	121.79	100.49	100.00	134.06	109.39	111.34
Return before operating charges (p)	11.03	23.82	2.45	12.10	25.97	(0.78)
Operating charges (p)	(1.68)	(1.47)	(1.34)	(1.51)	(1.30)	(1.17)
Return after operating charges (p)*	9.35	22.35	1.11	10.59	24.67	(1.95)
Distributions (p)	(0.86)	(1.05)	(0.62)	(1.21)	(1.39)	(1.26)
Retained distributions on accumulation units (p)	–	–	–	1.21	1.39	1.26
Closing net asset value per unit (p)	130.28	121.79	100.49	144.65	134.06	109.39
*after direct transaction costs of (p)	–	–	–	–	–	–
Performance						
Return after charges (%)	7.68	22.24	1.11	7.90	22.55	(1.75)
Other information						
Closing net asset value (£000)	56,096	54,905	48,162	69,275	45,489	31,078
Closing number of units	43,058,835	45,083,172	47,926,648	47,889,596	33,932,632	28,409,238
Operating charges (%)**	1.33	1.30	1.34 ¹	1.08	1.05	1.08
Direct transaction costs (%)	–	–	–	–	–	–
Prices						
Highest unit price (p)	131.40	122.50	104.50	145.30	134.20	113.40
Lowest unit price (p)	120.30	99.21	92.43	132.40	108.00	99.96

**The Operating charges are represented by the Ongoing Charges Figure (OCF) which is the European standard method of disclosing the charges of a unit 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). The Key Investor Information Document (KIID) contains the current OCF. The calculation includes the fund's share of the expenses of the underlying fund less any fee rebates received. The share of the costs of the underlying funds may fluctuate due to changes in investment decisions, which may be required as a result of changes in market conditions. For a more detailed breakdown please visit columbiathreadneedle.com/fees.

¹Commenced 30 October 2015.

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

Threadneedle Managed Equity Fund

Notes to the financial statements

for the accounting period 16 May 2017 to 15 May 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 using the single price at 12 noon (UK time), being the valuation point on the last working day of the accounting period. The single price may include an adjustment to cover dealing costs in the underlying funds.

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

(c) Exchange rates

Assets and liabilities expressed in foreign currencies are translated into sterling at the exchange rates ruling at 12 noon (UK time), being the valuation point on the last working day of the accounting period.

Transactions denominated in foreign currency are translated into sterling at the exchange rates ruling at the date of the transaction.

(d) Recognition of revenue

Revenue is included in the Statement of Total Return on the following bases: Distributions from Collective Investment Schemes (CIS) are recognised when the security is quoted ex-dividend.

Any reported revenue from an offshore fund with UK fund reporting status in excess of any distributions is recognised as revenue after the end of the reporting period not later than the date when the reporting fund makes this information available.

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

(e) 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 accruals basis and include irrecoverable VAT where appropriate.

(f) Fee rebate

In addition to any direct charge for registration and management fees within the fund, there would occur, in the absence of a rebate mechanism, an indirect charge for registration and management fees in respect of investment in other Threadneedle funds. Any such target funds themselves bear registration and management fees, which reduce the value of those funds from what they otherwise would be. The rebate mechanism operates to ensure that investors in the fund bear only the registration and management fee validly applicable to them.

Depending upon the Manager's treatment of management fees within the underlying funds, where management fees are taken to capital, any rebate is classified as a capital item and will not form part of the amount available for distribution.

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

The allocation of revenue and expenses to each unit class is based upon the proportion of the fund's capital net assets attributable to each unit class on the day the revenue is earned or the expense is suffered. Annual management charges and registration fees are specific to each unit class.

(h) Deferred tax

Deferred taxation liabilities are provided for in full, and deferred tax assets are recognised to the extent that they are considered recoverable, in respect of all items for which recognition falls in different accounting periods for accounting and taxation purposes.

(i) Equalisation policy

The fund operates equalisation to ensure the level of distributable income for any unit class is not affected by the issue or cancellation of units.

2 DISTRIBUTION POLICIES

Where the revenue from investments exceeds the expenses and taxation a distribution will be made from that unit class. Should expenses and taxation exceed revenue for any unit class, there will be no distribution for that unit class and a transfer from capital will be made to cover the shortfall.

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

Where distributions are unclaimed for a period of six years these are brought back into the fund as capital.

When a transfer is made between the revenue and capital of the same unit 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 unit classes of the fund.

Equalisation on distributions received is treated as a repayment of capital and therefore disregarded in determining the revenue available for distribution.

3 NET CAPITAL GAINS

Net capital gains during the period comprise:

	2018 £000	2017 £000
Non-derivative securities	25,062	66,875
Forward currency contracts	—	(276)
Management fee rebate on collective investment scheme holdings	515	668
Other gains/(losses)	31	(32)
Net capital gains	25,608	67,235

4 REVENUE

	2018 £000	2017 £000
Franked dividend distributions	1,876	2,517
Interest distributions	1,094	1,147
Bank interest	10	6
Management fee rebate on collective investment scheme holdings	4,144	3,888
Total revenue	7,124	7,558

5 EXPENSES

	2018 £000	2017 £000
Payable to the Manager or associates of the Manager, and the agents of either of them:		
Annual management charge	(4,898)	(4,684)
	(4,898)	(4,684)
Payable to the trustee or associates of the trustee, and the agents of either of them:		
Trustee fees	(44)	(41)
Safe custody fees	(9)	(9)
	(53)	(50)
Other expenses:		
Audit fees	(11)	(10)
	(11)	(10)
Total expenses*	(4,962)	(4,744)

*Including irrecoverable VAT where applicable.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £000	2017 £000
Interest payable	(4)	(1)
Total interest payable & similar charges	(4)	(1)

7 TAXATION

	2018 £000	2017 £000
a) Analysis of charge in period		
Corporation tax	(171)	(193)
Total current tax (note 7b)	(171)	(193)
Total tax charge for the period	(171)	(193)
b) Factors affecting taxation charge for period		
Net revenue before taxation	2,158	2,813
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	(432)	(563)

Threadneedle Managed Equity Fund

Notes to the financial statements

(continued)

	2018 £000	2017 £000
Effects of:		
Revenue not subject to taxation	375	504
Capitalised revenue subject to taxation	(103)	(134)
Retail Distribution Review (RDR) conversion transfer from capital	(11)	–
Current tax charge for period (note 7a)	(171)	(193)

8 DISTRIBUTIONS

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

	2018 £000	2017 £000
Interim	206	229
Final	1,972	2,433
	2,178	2,662
Add: Revenue deducted on the cancellation of units	59	118
Deduct: Revenue received on the creation of units	(146)	(58)
Net distribution for the period	2,091	2,722
Net revenue after taxation	1,987	2,620
Equalisation on conversion	45	2
Tax charge on capital management fee rebates	59	100
Total distributions	2,091	2,722

Details of the distribution per unit are set out in the table on page 4.

9 DEBTORS

	2018 £000	2017 £000
Amounts receivable for the issue of units	636	1,196
Accrued revenue	953	921
United Kingdom income tax recoverable	–	3
Total debtors	1,589	2,120

10 OTHER CREDITORS

	2018 £000	2017 £000
Amounts payable for the cancellation of units	(573)	(725)
Accrued expenses	(14)	(14)
Amounts payable to Manager	(611)	(590)
Corporation tax payable	(102)	(114)
Total other creditors	(1,300)	(1,443)

11 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, a related party, acts as principal in respect of all transactions of units in the fund. The aggregated monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. The amount due to or from Threadneedle Investment Services Limited in respect of unit transactions at the end of the accounting period are disclosed in Notes 9 and 10.

Amounts payable to and receivable from Threadneedle Investment Services Limited in respect of fund administration services are disclosed in Note 9 and 10. A balance of £611,182 (2017: £590,445), in respect of annual management service charge and £697,303 (2017: £600,439) in respect of annual management rebates are respectively payable and receivable at the end of the accounting period.

Amounts payable to Citibank Europe plc, a related party, in respect of trustee services and safe custody charges are disclosed in Note 10. A balance of £5,709 (2017: £5,383), in respect of trustee services and £1,086 (2017: £1,034), in respect of safe custody is due at the end of the accounting period.

The fund receives and pays interest on deposits held with Citibank Europe plc as disclosed in Notes 4 and 6. A balance of £155 (2017: £122), was receivable at the end of the accounting period. Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The fund invests in a number of funds managed by Columbia Threadneedle, all transactions in respect of which are transacted with Threadneedle Investment Services Limited. Details of the investments are shown in the Portfolio Statement and gains and losses in the period are disclosed in Note 3. Details of revenue received from the funds are shown in Note 4 and amounts receivable at the end of the accounting period in Note 9.

The Manager, or associate of the Manager acted as principal in all investment transactions.

12 UNITHOLDER FUNDS

Threadneedle Managed Equity Fund currently has four unit classes; Class A, Class B, Class T and Class Z units. The charges on each unit class are as follows:

Annual management charge

Class A units	1.50%
Class B units	1.25%
Class T units	1.15%
Class Z units	0.90%

The net asset value of each unit class, the net asset value per unit, and the number of units in each class are given in the comparative tables on page 5. The distribution per unit class is given in the distribution table on page 4.

All classes have the same rights on winding up.

Reconciliation of units

	2018
Class A – Accumulation units	
Opening units	99,285,426
Units issued	1,199,582
Units redeemed	(6,739,090)
Net conversions	(6,535,160)
Closing units	87,210,758
Class B – Accumulation units	
Opening units	44,672,597
Units issued	11,493,621
Units redeemed	(5,932,678)
Net conversions	(16,642)
Closing units	50,216,898
Class T – Income units	
Opening units	45,083,172
Units issued	671,360
Units redeemed	(2,717,986)
Net conversions	22,289
Closing units	43,058,835
Class Z – Accumulation units	
Opening units	33,932,632
Units issued	7,302,787
Units redeemed	(2,297,038)
Net conversions	8,951,215
Closing units	47,889,596

13 RISK MANAGEMENT

In pursuing its investment objectives set out on page 3, the Threadneedle Managed Equity Fund may hold the following financial instruments:

- Funds of the Threadneedle Investment Funds ICVC, Threadneedle Specialist Investment Funds ICVC, Threadneedle Focus Investment Funds ICVC and Threadneedle (Lux) Funds of which a maximum of 20% of the value of the property of the fund may be invested in any one fund within this range of investment funds;
- Cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- Unitholders' funds which represent investors monies which are invested on their behalf;
- Borrowing used to finance investment activity;
- Derivative transactions to manage the currency and market risks arising from the fund's investment activities.

The Manager uses a risk management process (RMP)*, as reviewed by the Trustee. Throughout the period under review, it has been the policy of the fund to buy and sell financial instruments for the purpose of investment rather than trading. The main risks arising from the fund's financial instruments are market price, liquidity, credit, interest rate and foreign currency risk. The policies for managing each of these risks are reviewed regularly and agreed with the Trustee of the fund and they are summarised below.

*The RMP available on request from the client services team contact details on page 57.

Threadneedle Managed Equity Fund

Notes to the financial statements

(continued)

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the fund might suffer through holding market positions in the face of price movements. The value of the investment can fall as well as rise and investors might not recover the amount invested, especially if investments are not held for the long term. The fund is exposed to market risk by virtue of their Investments in Collective Investment Schemes.

The Manager meets regularly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameters and seeks to ensure that individual stocks also meet the risk reward profile that is acceptable.

The investment guidelines and investment and borrowing powers are set out in the trust deed, the prospectus and in the Financial Conduct Authority's (FCA's) Collective Investment Schemes Sourcebook and describe the nature of the market price risk to which the fund will be exposed.

Market price risk sensitivity

A 5% market increase applied to the equity portion of the fund would result in an increase on net asset value of the fund by 3.73% and vice versa (2017: 3.84%).

A 1.00% interest rate increase applied to the bond portion of the fund would result in a decrease on net asset value of the fund by 1.22% and vice versa (2017: 0.55%).

Liquidity risk

Liquidity risk is the risk that the fund cannot raise sufficient cash to meet its liabilities when due. The main liability of the fund is the cancellation of units that the investors wish to sell. The fund's assets comprise mainly realisable securities which can readily be sold.

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 units.

The Manager manages the fund's cash to ensure it can meet its liabilities. The Manager receives daily reports of issues and cancellations enabling the Manager to raise cash from the fund's portfolio in order to meet cancellation requests. In addition the Manager monitors market liquidity of the investment portfolio to ensure the fund maintains sufficient liquidity to meet known and potential cancellation activity. Fund cash balances are monitored daily by the Manager 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.

There are no new arrangements within the fund to manage liquidity and there is no significant liquidity risk at the period end.

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

Currency risk

Foreign currency risk is the risk that the value of the funds' investments will fluctuate as a result of changes in foreign currency exchange rates.

The capital values of the fund's underlying investments can be affected by currency translation movements where the assets are denominated in currencies other than sterling, which is the fund's principal currency.

Two principal areas where foreign currency risk could impact the fund are:

- Where movements in rates affect the value of the underlying investments, the fund may hedge the initial investment;
- Where movements in rates affect the revenue received from the underlying investments; the fund does not hedge or otherwise seek to avoid rate movement risk on revenue accrued but not received.

There is no direct foreign currency exposure within the fund at the balance sheet date. However, a portion of the fund's underlying investments have significant currency exposure since their assets are denominated in currencies other than sterling, with the effect that their balance sheets and total returns can be affected by currency movements. Investee funds' significant exposure to non sterling currencies, based on their most recent published financial statements are as follows:

- The principal exposures of Threadneedle (Lux) – Global Smaller Companies and Threadneedle Global Bond Fund are to Euro, Japanese Yen and US Dollar.
- The principal exposure of Threadneedle (Lux) – Global Corporate Bond Fund is to Euro, UK Sterling and US Dollar.
- The principal exposure of Threadneedle Global Opportunities Bond Fund is to Euro and Japanese Yen.
- The principal exposure of Threadneedle Emerging Market Local Fund is to Indonesian Rupiah, Mexican Peso, Polish Zloty and US Dollar.
- The principal exposure of Threadneedle Emerging Market Bond Fund, Threadneedle (Lux) – American Absolute Alpha Fund, Threadneedle Global Extended Alpha Fund, Threadneedle American Select Fund, Threadneedle American Fund, Threadneedle (Lux) – Flexible Asian Bond Fund, Threadneedle (Lux) – Global Emerging Market Short-Term Bonds and Threadneedle Dollar Bond Fund is to US Dollar.
- The principal exposure of Threadneedle (Lux) – Pan European Absolute Alpha Fund, Threadneedle UK Absolute Alpha Fund, Threadneedle Pan European Smaller Companies Fund, Threadneedle Pan European Focus Fund and Threadneedle European Select Fund is to Euro.
- The principal exposure of Threadneedle Global Equity Income Fund is to Euro and US Dollar.
- The principal exposure of Threadneedle Global Emerging Markets Equity Fund is to Hong Kong Dollar, Indian Rupee and US Dollar.
- The principal exposures of Threadneedle European Fund and Threadneedle European Smaller Companies Fund are to Euro and Swedish Krona.
- The principal exposure of Threadneedle Latin America Fund is to Brazilian Real, Mexican Peso and US Dollar.
- The principal exposure of Threadneedle Japan Fund is to Japanese Yen.
- The principal exposure of Threadneedle Asia Fund is to Australian Dollar, Hong Kong Dollar, South Korean Won and US Dollar.
- The principal exposure of Threadneedle (Lux) – Asia Contrarian Equity Fund is to Australian Dollar, China Yuan Renminb, Hong Kong Dollar, South Korean Won and Taiwan Dollar.
- The principal exposure of Threadneedle (Lux) – Asian Equity Income Fund is to Australian Dollar, China Yuan Renminb and Taiwan Dollar.

Currency sensitivity

As the fund has no material currency exposure, no sensitivity analysis has been shown (2017: same).

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 the underlying investments in the CIS's it holds.

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 Floating Rate Notes) 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 and underlying investments are 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 underlying funds only buy and sell investments through brokers which have been approved by the Manager 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.

Credit/Counterparty exposure

As at the balance sheet date there is no derivative exposure or collateral to disclose.

2017		Forward Foreign Exchange Contracts Exposure
Counterparty		£000
HSBC		46

The fund did not hold any collateral received from the fund's counterparties in either the current or prior year.

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

Threadneedle Managed Equity Fund

Notes to the financial statements

(continued)

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 may invest in floating rate securities.

Thus any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Manager being unable to secure similar returns on the expiry of contracts or the sale of securities.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general, if interest rates rise the revenue potential of the fund also rises but the value of fixed rate securities will decline.

A decline in interest rates will in general have the opposite effect.

Duration is a measure of the extent to which this is the case, with a longer duration suggesting higher sensitivity to interest rate moves.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

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 forward foreign exchange contracts 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 forward foreign exchange contracts 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 15 May 2018, the fund had outstanding forward foreign exchange contracts with an asset value of £Nil (2017: £192,000) and a liability value of £Nil (2017: £146,000).

14 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.

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 £000	Liabilities £000	Assets £000	Liabilities £000
Level 2	399,279	–	366,045	(146)
	399,279	–	366,045	(146)

15 CONTINGENT LIABILITIES AND COMMITMENTS

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

16 PORTFOLIO TRANSACTION COSTS

During the period under review the fund's purchases and sales of bonds Collective investment schemes purchases and sales amounted to £85,305,225 (2017: £61,685,128) and £78,023,681 (2017: £88,314,115) respectively. In specie transaction costs and proceeds amounted to £20,223,637 (2017: £Nil) and £Nil (2017: £Nil) respectively.

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

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

Threadneedle Managed Equity Fund

Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme

The Collective Investment Schemes (COLL) Sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA) requires the Manager 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 Scheme and of its net revenue and the net capital gains/(losses) on the property of the Scheme for the period. In preparing the financial statements the Manager 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 Scheme will continue in operation for the foreseeable future.

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

Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of the Threadneedle Managed Equity Fund of the Threadneedle Managed Funds ("the Trust") for the Period ended 15 May 2018

The Trustee is responsible for the safekeeping of all property of the Trust 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 Trustee to take reasonable care to ensure that the Trust is managed and operated in accordance with the Financial Conduct Authority' Collective Investment Schemes Sourcebook ("the Sourcebook"), the Financial Services and Markets Act 2000, as amended, and the Trust Deed and the Prospectus of the Trust, concerning: the pricing of and dealing in Trust Units; the application of income of the scheme; and the Trust investment portfolio and borrowing activities.

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Trustee of the scheme, based on information and explanations provided to us, we believe that, in all material respects, the Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income in accordance with the Sourcebook, the Trust Deed and Prospectus;
- (ii) has observed the investment and borrowing powers and restrictions applicable to the scheme; and
- (iii) has, otherwise, ensured the proper operation of the Trust.

Citibank Europe plc,
UK Branch
London
25 July 2018

Threadneedle Managed Equity Fund

Independent auditors' report to the Unitholders of Managed Equity Fund

Report on the audit of the financial statements

Opinion

In our opinion, Threadneedle Managed Equity Fund's financial statements:

- give a true and fair view of the financial position of the Trust as at 15 May 2018 and of the net revenue and the net capital gains on its scheme property 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 Trust Deed.

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 15 May 2018; the statement of total return and the statement of change in net assets attributable to unitholders 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 Trust 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 Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust'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 Trust'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 Fund Manager 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 Fund Manager's Report

In our opinion, the information given in the Authorised Fund Manager'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 Fund Manager for the financial statements

As explained more fully in the Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme set out on page 10, the Authorised Fund Manager 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 Fund Manager 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 Fund Manager is responsible for assessing the Trust'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 Fund Manager either intend to wind up or terminate the Trust, or have 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 Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook 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 and returns.

We have no exceptions to report arising from this responsibility.

Edinburgh
25 July 2018

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors

Threadneedle Managed Equity Fund

Portfolio Statement

as at 15 May 2018

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
COLLECTIVE INVESTMENT SCHEMES 99.78% (99.46%)				155,827	Threadneedle (Lux) – Global Emerging Market Short-Term Bonds	1,964	0.49
	UK equity 19.39% (20.65%)			2,847,105	Threadneedle Dollar Bond Fund	1,639	0.41
9,028,307	Threadneedle UK Absolute Alpha Fund	12,673	3.17	1,789,312	Threadneedle Emerging Market Bond Fund	1,800	0.45
11,760,649	Threadneedle UK Equity Alpha Income Fund	8,416	2.10	3,105,248	Threadneedle Emerging Market Local Fund	4,557	1.14
312,528	Threadneedle UK Equity Income Fund	310	0.08	3,235,021	Threadneedle Global Bond Fund	2,705	0.68
1,691,112	Threadneedle UK Extended Alpha Fund	8,853	2.21	3,913,081	Threadneedle Global Opportunities Bond Fund	3,579	0.89
11,381,995	Threadneedle UK Fund	16,694	4.17	6,311,783	Threadneedle High Yield Bond Fund	2,694	0.67
2,123,249	Threadneedle UK Growth & Income Fund	2,046	0.51		Total overseas bond	24,061	6.01
1,718,771	Threadneedle UK Mid 250 Fund	4,715	1.18		Total collective investment schemes	399,279	99.78
15,971,807	Threadneedle UK Select Fund	21,821	5.45				
587,276	Threadneedle UK Smaller Companies Fund	2,084	0.52				
	Total UK equity	77,612	19.39	DERIVATIVES 0.00% (0.01%)			
	UK bond 8.68% (9.33%)				Forward foreign exchange contracts 0.00% (0.01%)		
25,324,290	Threadneedle Sterling Fund	25,291	6.32		Total derivatives	–	–
4,992,634	Threadneedle Sterling Short-Dated Corporate Bond Fund	5,322	1.33				
6,711,811	Threadneedle UK Corporate Bond Fund	4,110	1.03		Total value of investments	399,279	99.78
	Total UK bond	34,723	8.68		Net other assets (0.53%)	875	0.22
	Overseas equity 65.70% (62.50%)				Net assets	400,154	100.00
739,487	Threadneedle (Lux) – American Absolute Alpha	12,571	3.14		<i>May 2017 comparatives in brackets.</i>		
1,734,000	Threadneedle (Lux) – Asia Contrarian Equity	20,031	5.01				
77,117	Threadneedle (Lux) – Asian Equity Income	5,133	1.28				
49,516	Threadneedle (Lux) – Global Smaller Companies	1,232	0.31				
301,289	Threadneedle (Lux) – Pan European Absolute Alpha	3,094	0.77				
8,024,885	Threadneedle American Fund	23,562	5.89				
15,134,045	Threadneedle American Select Fund	46,343	11.58				
7,782,358	Threadneedle Asia Fund	18,049	4.51				
7,947,694	Threadneedle European Fund	18,834	4.71				
7,842,413	Threadneedle European Select Fund	23,800	5.95				
839,619	Threadneedle European Smaller Companies Fund	7,537	1.88				
8,289,538	Threadneedle Global Emerging Markets Equity Fund	9,611	2.40				
1,218,772	Threadneedle Global Equity Income Fund	1,653	0.41				
2,946,365	Threadneedle Global Extended Alpha Fund	9,497	2.37				
57,891,686	Threadneedle Japan Fund	36,373	9.09				
824,998	Threadneedle Latin America Fund	2,001	0.50				
4,992,244	Threadneedle Pan European Focus Fund	13,103	3.28				
3,898,106	Threadneedle Pan European Smaller Companies Fund	10,459	2.62				
	Total overseas equity	262,883	65.70				
	Overseas bond 6.01% (6.98%)						
264,189	Threadneedle (Lux) – Flexible Asian Bond	2,215	0.55				
260,562	Threadneedle (Lux) – Global Corporate Bond	2,908	0.73				

Threadneedle Managed Equity Focused Fund

Investment Report

Investment Objective and Policy

To provide a total return by way of capital growth and income.

The Fund will invest at least two-thirds of its assets in funds managed or operated by companies in the Threadneedle group. These funds may invest worldwide.

The Fund will invest with a focus on funds that invest in company shares, but will also have exposure to fixed income securities.

The Fund may also hold cash, near cash and money market instruments.

Up to 20% of the value of the Fund may be invested in funds that invest in derivatives for purposes other than Efficient Portfolio Management.

The Fund will always invest so as to be eligible as an ISA investment.

Review

This report covers the period from 16 May 2017 to 15 May 2018.

Fund Performance

During the period under review the offer price of Class A units rose by 4.98% from 168.60p to 177.00p and the offer price of Class B units rose by 5.21% from 166.90p to 175.60p.

Looking at performance within its peer group (the IA – Mixed Investment 40-85% Shares Sector), the total return on the trust for the twelve months ending 30 April 2018, including net reinvested income, is +4.37% as compared to a median sector return of +4.99% over the same period. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

Fully updated peer group information is only available from Morningstar at month-end points.

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

Market Overview and Portfolio Activity

The period started well for world equities, which rose strongly, supported by positive global economic data and improving corporate results. Strong gains throughout 2017 were slightly eroded in February and March 2018 amid a global sell-off. Markets encountered rising volatility on fears that copious central bank stimulus could soon come to an end, and concerns over protectionist measures from the Trump administration, including plans for steep tariffs on steel and aluminium imports.

Within the UK, Prime Minister Theresa May's unexpected call for a snap general election in June 2017 fuelled hopes that this would lead to an increased parliamentary majority for the Conservatives, thereby strengthening the government's hand in Brexit negotiations. In the event, the Conservatives lost their overall majority, triggering concerns over the implications for Brexit. While investors remain anxious, sentiment was buoyed by an agreement between the UK and EU in March 2018 on some elements of a post-Brexit transition deal.

In the US, the S&P 500 index performed strongly, consistently hitting record highs before falling back in February and March this year. US equities received support from President Trump's flagship tax-cutting bill, which features a permanent cut in corporation tax from 35% to 21% and smaller temporary reductions in income taxes. Against the stronger economic backdrop, the Federal Reserve raised interest rates by 25 basis points on three occasions, in June, December and March.

It was also a positive period for European equities, which were spurred by the improvement in corporate earnings. The eurozone economy gathered momentum with 2017 the best year for GDP growth in a decade, and unemployment reaching a nine-year low. The eurozone economy strengthened sufficiently for the European Central Bank to start scaling back its bond purchases, although the duration of the financial stimulus plan has been extended until at least September 2018.

The Japanese market was another strong performer. Investors responded positively to the landslide victory of Shinzo Abe's Liberal Democratic Party in October's general election, as he is expected to continue his 'Abenomics' reform programme. Asian markets rose strongly but also suffered a bout of volatility in early 2018, given concerns over a steeper trajectory for US interest-rate hikes and US-China trade tensions. Over the period as a whole, Chinese equities performed particularly well on the back of robust earnings and positive economic releases, including stronger-than-expected GDP growth. Within Latin America, Brazilian equities were buoyed by hopes of a market-friendly election result in October 2018.

Core government bonds had a more difficult year as investors braced for a world with less "easy money" and favoured risk assets amid optimism over corporate earnings and economic indicators.

We made several asset allocation adjustments during the reporting period. Following their strong performance, we took some profits on equities in Latin America and global emerging markets. We also significantly reduced the positions in the UK Equity Income Fund, UK Growth & Income Fund and the Global Equity Income Fund. As an investment style, equity income has struggled over the past year in comparison to more growth-oriented strategies.

We increased the equity exposure to Japan and Europe, where companies are well placed to benefit from the stronger global economy. In addition, a new holding was established in Threadneedle (Lux) Global Smaller Companies. Within the US, we increased the position in Threadneedle (Lux) American Absolute Alpha.

In fixed income, we reduced the position in global government bonds, via the Global Bond Fund, and pared back the exposure to gilts, UK investment grade corporate bonds and high yield bonds. Conversely, we substantially increased the holding in the Sterling Short-Dated Corporate Bond Fund, which should be less sensitive to rising interest rates than a fund that invests in longer-dated UK corporate bonds. Elsewhere, we increased the holding in Threadneedle (Lux) Flexible Asian Bond and established new positions in Threadneedle (Lux) Global Emerging Market Short-Term Bonds, Threadneedle (Lux) Global Corporate Bond Fund and the Dollar Bond.

Key challenges facing equity markets include a rising interest rate environment, especially in the US; the risk of higher tariffs and reduced trade; and the scope for tighter regulation of fast-growing technology giants. While these risks are real, we are encouraged by the fact that equity fundamentals look robust. Economic growth is currently well-entrenched across developed and emerging markets, and this is driving double-digit corporate earnings growth.

Bond markets continue to be supported by accommodative monetary policy, including outright quantitative easing in the eurozone, and demand for income remains a positive force. However, the credit cycle is fairly mature and, although earnings have been strong, the benefits have been largely accruing to shareholders. With bond yields still low, returns are expected to be muted.

Directors' Statement

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
Director

25 July 2018

M Scrimgeour
Director

Threadneedle Managed Equity Focused Fund

STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2017 to 15 May 2018

	Notes	2018 £000	2017 £000
Income			
Net capital gains	3	33,566	111,205
Revenue	4	16,659	17,056
Expenses	5	(9,471)	(9,158)
Interest payable and similar charges	6	(6)	(1)
Net revenue before taxation		7,182	7,897
Taxation	7	(691)	(716)
Net revenue after taxation		6,491	7,181
Total return before distributions		40,057	118,386
Distributions	8	(6,922)	(7,619)
Change in net assets attributable to unitholders from investment activities		33,135	110,767

BALANCE SHEET

as at 15 May 2018

	Notes	2018 £000	2017 £000
Assets:			
Fixed assets:			
Investments		817,884	761,878
Current assets:			
Debtors	9	2,471	2,917
Cash and bank balances		862	1
Total assets		821,217	764,796
Liabilities:			
Investment liabilities		–	(197)
Creditors:			
Bank overdrafts		(1)	(48)
Other creditors	10	(2,810)	(1,529)
Total liabilities		(2,811)	(1,774)
Net assets attributable to unitholders		818,406	763,022

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2017 to 15 May 2018

	2018 £000	2017 £000
Opening net assets attributable to unitholders	763,022	659,291
Amounts receivable on the issue of units	23,356	51,430
Amounts payable on the cancellation of units	(67,310)	(65,991)
Amounts receivable on inspecie transfers	58,922	–
	14,968	(14,561)
Change in net assets attributable to unitholders from investment activities (see statement of total return above)	33,135	110,767
Retained distribution on accumulation units	7,281	7,525
Closing net assets attributable to unitholders	818,406	763,022

DISTRIBUTION TABLE

for the accounting period 16 May 2017 to 15 May 2018

Dividend distribution in pence per unit

Class A – Accumulation units

Distribution Period	Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1				
16/05/17 to 15/05/18	1.1941	–	1.1941	1.3413
Group 2				
16/05/17 to 15/05/18	0.5938	0.6003	1.1941	1.3413
Total distributions in the period			1.1941	1.3413

Class B – Accumulation units

Distribution Period	Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1				
16/05/17 to 15/05/18	1.5772	–	1.5772	1.6936
Group 2				
16/05/17 to 15/05/18	0.3183	1.2589	1.5772	1.6936
Total distributions in the period			1.5772	1.6936

Class Z – Accumulation units

Distribution Period	Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1				
16/05/17 to 15/05/18	1.5855	–	1.5855	1.6508
Group 2				
16/05/17 to 15/05/18	0.8409	0.7446	1.5855	1.6508
Total distributions in the period			1.5855	1.6508

Group 2: units purchased during a distribution period.

Threadneedle Managed Equity Focused Fund

Comparative Table Disclosure

	Class A – Accumulation units			Class B – Accumulation units		
	15/05/2018	15/05/2017	15/05/2016	15/05/2018	15/05/2017	15/05/2016
Change in net assets per unit						
Opening net asset value per unit (p)	162.41	137.86	140.03	166.86	141.35	143.30
Return before operating charges (p)	10.78	26.98	(0.58)	11.00	27.61	(0.61)
Operating charges (p)	(2.64)	(2.43)	(1.59)	(2.29)	(2.10)	(1.34)
Return after operating charges (p)*	8.14	24.55	(2.17)	8.71	25.51	(1.95)
Distributions (p)	(1.19)	(1.34)	(1.33)	(1.58)	(1.69)	(1.65)
Retained distributions on accumulation units (p)	1.19	1.34	1.33	1.58	1.69	1.65
Closing net asset value per unit (p)	170.55	162.41	137.86	175.57	166.86	141.35
*after direct transaction costs of (p)	–	–	–	–	–	–
Performance						
Return after charges (%)	5.01	17.81	(1.55)	5.22	18.05	(1.36)
Other information						
Closing net asset value (£000)	282,909	315,561	294,665	348,306	302,050	283,970
Closing number of units	165,881,911	194,297,706	213,750,121	198,384,998	181,022,712	200,903,642
Operating charges (%)**	1.59	1.60	1.59	1.34	1.35	1.34
Direct transaction costs (%)	–	–	–	–	–	–
Prices						
Highest unit price (p)	177.80	168.60	147.70	176.30	166.90	145.70
Lowest unit price (p)	160.80	136.60	127.60	165.30	140.70	130.70

**The Operating charges are represented by the Ongoing Charges Figure (OCF) which is the European standard method of disclosing the charges of a unit 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). The Key Investor Information Document (KIID) contains the current OCF. The calculation includes the fund's share of the expenses of the underlying fund less any fee rebates received. The share of the costs of the underlying funds may fluctuate due to changes in investment decisions, which may be required as a result of changes in market conditions. For a more detailed breakdown please visit columbiathreadneedle.com/fees.

Threadneedle Managed Equity Focused Fund

Notes to the financial statements

for the accounting period 16 May 2017 to 15 May 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 using the single price at 12 noon (UK time), being the valuation point on the last working day of the accounting period. The single price may include an adjustment to cover dealing costs in the underlying funds.

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

(c) Exchange rates

Assets and liabilities expressed in foreign currencies are translated into sterling at the exchange rates ruling at 12 noon (UK time), being the valuation point on the last working day of the accounting period.

Transactions denominated in foreign currency are translated into sterling at the exchange rates ruling at the date of the transaction.

(d) Recognition of revenue

Revenue is included in the Statement of Total Return on the following bases: Distributions from Collective Investment Schemes (CIS) are recognised when the security is quoted ex-dividend.

Any reported revenue from an offshore fund with UK fund reporting status in excess of any distributions is recognised as revenue after the end of the reporting period not later than the date when the reporting fund makes this information available.

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

(e) 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 accruals basis and include irrecoverable VAT where appropriate.

(f) Fee rebate

In addition to any direct charge for registration and management fees within the fund, there would occur, in the absence of a rebate mechanism, an indirect charge for registration and management fees in respect of investment in other Threadneedle funds. Any such target funds themselves bear registration and management fees, which reduce the value of those funds from what they otherwise would be. The rebate mechanism operates to ensure that investors in the fund bear only the registration and management fee validly applicable to them.

Depending upon the Manager's treatment of management fees within the underlying funds, where management fees are taken to capital, any rebate is classified as a capital item and will not form part of the amount available for distribution.

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

The allocation of revenue and expenses to each unit class is based upon the proportion of the fund's capital net assets attributable to each unit class on the day the revenue is earned or the expense is suffered. Annual management charges and registration fees are specific to each unit class.

(h) Deferred tax

Deferred taxation liabilities are provided for in full, and deferred tax assets are recognised to the extent that they are considered recoverable, in respect of all items for which recognition falls in different accounting periods for accounting and taxation purposes.

(i) Equalisation policy

The fund operates equalisation to ensure the level of distributable income for any unit class is not affected by the issue or cancellation of units.

2 DISTRIBUTION POLICIES

Where the revenue from investments exceeds the expenses and taxation a distribution will be made from that unit class. Should expenses and taxation exceed revenue for any unit class, there will be no distribution for that unit class and a transfer from capital will be made to cover the shortfall.

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

Where distributions are unclaimed for a period of six years these are brought back into the fund as capital.

When a transfer is made between the revenue and capital of the same unit 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 unit classes of the fund.

Equalisation on distributions received is treated as a repayment of capital and therefore disregarded in determining the revenue available for distribution.

3 NET CAPITAL GAINS

Net capital gains during the period comprise:

	2018 £000	2017 £000
Non-derivative securities	31,676	109,398
Forward currency contracts	—	(376)
Management fee rebate on collective investment scheme holdings	1,810	2,213
Other gains/(losses)	80	(30)
Net capital gains	33,566	111,205

4 REVENUE

	2018 £000	2017 £000
Franked dividend distributions	5,620	6,535
Interest distributions	3,616	3,870
Bank interest	9	7
Management fee rebate on collective investment scheme holdings	7,414	6,644
Total revenue	16,659	17,056

5 EXPENSES

	2018 £000	2017 £000
Payable to the Manager or associates of the Manager, and the agents of either of them:		
Annual management charge	(9,359)	(9,057)
	(9,359)	(9,057)
Payable to the trustee or associates of the trustee, and the agents of either of them:		
Trustee fees	(92)	(82)
Safe custody fees	(9)	(9)
	(101)	(91)
Other expenses:		
Audit fees	(11)	(10)
	(11)	(10)
Total expenses*	(9,471)	(9,158)

*Including irrecoverable VAT where applicable.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £000	2017 £000
Interest payable	(6)	(1)
Total interest payable & similar charges	(6)	(1)

7 TAXATION

	2018 £000	2017 £000
a) Analysis of charge in period		
Corporation tax	(691)	(716)
Total current tax (note 7b)	(691)	(716)
Total tax charge for the period	(691)	(716)
b) Factors affecting taxation charge for period		
Net revenue before taxation	7,182	7,897
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	(1,436)	(1,579)
Effects of:		
Revenue not subject to taxation	1,124	1,307
Capitalised revenue subject to taxation	(362)	(443)
Retail Distribution Review (RDR) conversion transfer from capital	(17)	(1)
Current tax charge for period (note 7a)	(691)	(716)

Threadneedle Managed Equity Focused Fund

Notes to the financial statements

(continued)

8 DISTRIBUTIONS

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

	2018 £000	2017 £000
Final	7,281	7,525
	7,281	7,525
Add: Revenue deducted on the cancellation of units	234	292
Deduct: Revenue received on the creation of units	(593)	(198)
Net distribution for the period	6,922	7,619
Net revenue after taxation	6,491	7,181
Equalisation on conversion	84	5
Tax charge on capital management fee rebates	347	433
Total distributions	6,922	7,619

Details of the distribution per unit are set out in the table on page 14.

9 DEBTORS

	2018 £000	2017 £000
Amounts receivable for the issue of units	286	826
Accrued revenue	2,185	2,052
United Kingdom income tax recoverable	—	39
Total debtors	2,471	2,917

10 OTHER CREDITORS

	2018 £000	2017 £000
Amounts payable for the cancellation of units	(1,196)	(709)
Accrued expenses	(20)	(20)
Amounts payable to Manager	(1,184)	(385)
Corporation tax payable	(410)	(415)
Total other creditors	(2,810)	(1,529)

11 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, a related party, acts as principal in respect of all transactions of units in the fund. The aggregated monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. The amount due to or from Threadneedle Investment Services Limited in respect of unit transactions at the end of the accounting period are disclosed in Notes 9 and 10.

Amounts payable to and receivable from Threadneedle Investment Services Limited in respect of fund administration services are disclosed in Note 9 and 10. A balance of £1,183,641 (2017: £385,265), in respect of annual management service charge and £1,364,775 (2017: £1,193,409) in respect of annual management rebates are respectively payable and receivable at the end of the accounting period.

Amounts payable to Citibank Europe plc, a related party, in respect of trustee services and safe custody charges are disclosed in Note 10. A balance of £11,766 (2017: £11,154), in respect of trustee services and £1,086 (2017: £1,034), in respect of safe custody is due at the end of the accounting period.

The fund receives and pays interest on deposits held with Citibank Europe plc as disclosed in Notes 4 and 6. A balance of £215 (2017: £81), was receivable at the end of the accounting period. Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The fund invests in a number of funds managed by Columbia Threadneedle, all transactions in respect of which are transacted with Threadneedle Investment Services Limited. Details of the investments are shown in the Portfolio Statement and gains and losses in the period are disclosed in Note 3. Details of revenue received from the funds are shown in Note 4 and amounts receivable at the end of the accounting period in Note 9.

The Manager, or associate of the Manager acted as principal in all investment transactions.

12 UNITHOLDER FUNDS

Threadneedle Managed Equity Focused Fund currently has three unit classes; Class A, Class B and Class Z units. The charges on each unit class are as follows:

Annual management charge

Class A units	1.45%
Class B units	1.20%
Class Z units	0.85%

The net asset value of each unit class, the net asset value per unit, and the number of units in each class are given in the comparative tables on page 15. The distribution per unit class is given in the distribution table on page 14.

All classes have the same rights on winding up.

Reconciliation of units

	2018
Class A – Accumulation units	
Opening units	194,297,706
Units issued	1,457,605
Units redeemed	(15,390,769)
Net conversions	(14,482,631)
Closing units	165,881,911
Class B – Accumulation units	
Opening units	181,022,712
Units issued	38,002,196
Units redeemed	(20,585,790)
Net conversions	(54,120)
Closing units	198,384,998
Class Z – Accumulation units	
Opening units	112,233,194
Units issued	11,703,131
Units redeemed	(5,167,943)
Net conversions	18,154,780
Closing units	136,923,162

13 RISK MANAGEMENT

In pursuing its investment objectives set out on page 13, the Threadneedle Managed Equity Focused Fund may hold the following financial instruments:

- Funds of the Threadneedle Investment Funds ICVC, Threadneedle Specialist Investment Funds ICVC, Threadneedle Focus Investment Funds ICVC and Threadneedle (Lux) Funds of which a maximum of 20% of the value of the property of the fund may be invested in any one fund within this range of investment funds;
- Cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- Unitholders' funds which represent investors monies which are invested on their behalf;
- Borrowing used to finance investment activity;
- Derivative transactions to manage the currency and market risks arising from the fund's investment activities.

The Manager uses a risk management process (RMP)*, as reviewed by the Trustee. Throughout the period under review, it has been the policy of the fund to buy and sell financial instruments for the purpose of investment rather than trading. The main risks arising from the fund's financial instruments are market price, liquidity, credit, interest rate and foreign currency risk. The policies for managing each of these risks are reviewed regularly and agreed with the Trustee of the fund and they are summarised below.

*The RMP available on request from the client services team contact details on page 57.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the fund might suffer through holding market positions in the face of price movements. The value of the investment can fall as well as rise and investors might not recover the amount invested, especially if investments are not held for the long term. The fund is exposed to market risk by virtue of their Investments in Collective Investment Schemes.

Threadneedle Managed Equity Focused Fund

Notes to the financial statements

(continued)

The Manager meets regularly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameters and seeks to ensure that individual stocks also meet the risk reward profile that is acceptable.

The investment guidelines and investment and borrowing powers are set out in the trust deed, the prospectus and in the Financial Conduct Authority's (FCA's) Collective Investment Schemes Sourcebook and describe the nature of the market price risk to which the fund will be exposed.

Market price risk sensitivity

A 5% market increase applied to the equity portion of the fund would result in an increase on net asset value of the fund by 3.28% and vice versa (2017: 3.37%).

A 1.00% interest rate increase applied to the bond portion of the fund would result in a decrease on net asset value of the fund by 0.11% and vice versa (2017: 1.22%).

Liquidity risk

Liquidity risk is the risk that the fund cannot raise sufficient cash to meet its liabilities when due. The main liability of the fund is the cancellation of units that the investors wish to sell. The fund's assets comprise mainly realisable securities which can readily be sold.

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 units.

The Manager manages the fund's cash to ensure it can meet its liabilities. The Manager receives daily reports of issues and cancellations enabling the Manager to raise cash from the fund's portfolio in order to meet cancellation requests. In addition the Manager monitors market liquidity of the investment portfolio to ensure the fund maintains sufficient liquidity to meet known and potential cancellation activity. Fund cash balances are monitored daily by the Manager 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.

There are no new arrangements within the fund to manage liquidity and there is no significant liquidity risk at the period end.

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

Currency risk

Foreign currency risk is the risk that the value of the funds' investments will fluctuate as a result of changes in foreign currency exchange rates.

The capital values of the fund's underlying investments can be affected by currency translation movements where the assets are denominated in currencies other than sterling, which is the fund's principal currency.

Two principal areas where foreign currency risk could impact the fund are:

- Where movements in rates affect the value of the underlying investments, the fund may hedge the initial investment;
- Where movements in rates affect the revenue received from the underlying investments; the fund does not hedge or otherwise seek to avoid rate movement risk on revenue accrued but not received.

There is no direct foreign currency exposure within the fund at the balance sheet date. However, a portion of the fund's underlying investments have significant currency exposure since their assets are denominated in currencies other than sterling, with the effect that their balance sheets and total returns can be affected by currency movements. Investee funds' significant exposure to non sterling currencies, based on their most recent published financial statements are as follows:

- The principal exposures of Threadneedle (Lux) – Global Smaller Companies and Threadneedle Global Bond Fund are to Euro, Japanese Yen and US Dollar.
- The principal exposure of Threadneedle (Lux) – Global Corporate Bond Fund is to Euro, UK Sterling and US Dollar.
- The principal exposure of Threadneedle Global Opportunities Bond Fund is to Euro and Japanese Yen.
- The principal exposure of Threadneedle Emerging Market Local Fund is to Indonesian Rupiah, Mexican Peso, Polish Zloty and US Dollar.

- The principal exposure of Threadneedle Emerging Market Bond Fund, Threadneedle (Lux) – American Absolute Alpha Fund, Threadneedle Global Extended Alpha Fund, Threadneedle American Fund, Threadneedle (Lux) – Flexible Asian Bond Fund, Threadneedle (Lux) – Global Emerging Market Short-Term Bonds and Threadneedle Dollar Bond Fund is to US Dollar.

- The principal exposure of Threadneedle (Lux) – Pan European Absolute Alpha Fund, Threadneedle UK Absolute Alpha Fund, Threadneedle Pan European Smaller Companies Fund and Threadneedle Pan European Focus Fund is to Euro.

- The principal exposures of Threadneedle Global Equity Income Fund and Threadneedle (Lux) – Global Strategic Bond Fund are to Euro and US Dollar.

- The principal exposure of Threadneedle Global Emerging Markets Equity Fund is to Hong Kong Dollar, Indian Rupee and US Dollar.

- The principal exposures of Threadneedle European Fund and Threadneedle European Smaller Companies Fund are to Euro and Swedish Krona.

- The principal exposure of Threadneedle Latin America Fund is to Brazilian Real, Mexican Peso and US Dollar.

- The principal exposure of Threadneedle Japan Fund is to Japanese Yen.

- The principal exposure of Threadneedle Asia Fund is to Australian Dollar, Hong Kong Dollar, South Korean Won and US Dollar.

- The principal exposure of Threadneedle (Lux) – Asia Contrarian Equity Fund is to Australian Dollar, China Yuan Renminb, Hong Kong Dollar, South Korean Won and Taiwan Dollar.

- The principal exposure of Threadneedle (Lux) – Asian Equity Income Fund is to Australian Dollar, China Yuan Renminb and Taiwan Dollar.

Currency sensitivity

As the fund has no material currency exposure, no sensitivity analysis has been shown (2017: same).

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 the underlying investments in the CIS's it holds.

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 Floating Rate Notes) 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 and underlying investments are 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 underlying funds only buy and sell investments through brokers which have been approved by the Manager 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.

Credit/Counterparty exposure

As at the balance sheet date there is no derivative exposure or collateral to disclose.

2017		Forward Foreign Exchange Contracts Exposure
Counterparty		£000
HSBC		61

The fund did not hold any collateral received from the fund's counterparties in either the current or prior year.

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

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 may invest in floating rate securities.

Thus any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Manager being unable to secure similar returns on the expiry of contracts or the sale of securities.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general, if interest rates rise the revenue potential of the fund also rises but the value of fixed rate securities will decline.

Threadneedle Managed Equity Focused Fund

Notes to the financial statements

(continued)

A decline in interest rates will in general have the opposite effect.

Duration is a measure of the extent to which this is the case, with a longer duration suggesting higher sensitivity to interest rate moves.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

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 forward foreign exchange contracts 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 forward foreign exchange contracts 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 15 May 2018, the fund had outstanding forward foreign exchange contracts with an asset value of £Nil (2017: £258,000) and a liability value of £Nil (2017: £197,000).

14 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.

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 £000	Liabilities £000	Assets £000	Liabilities £000
Level 2	817,884	–	761,878	(197)
	817,884	–	761,878	(197)

15 CONTINGENT LIABILITIES AND COMMITMENTS

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

16 PORTFOLIO TRANSACTION COSTS

During the period under review the fund's purchases and sales of collective investment schemes purchases and sales amounted to £155,855,892 (2017: £121,177,385) and £192,735,709 (2017: £128,284,631) respectively. In specie transaction costs and proceeds amounted to £58,708,532 (2017: £Nil) and £Nil (2017: £Nil) respectively.

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

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

Threadneedle Managed Equity Focused Fund

Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme

The Collective Investment Schemes (COLL) Sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA) requires the Manager 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 Scheme and of its net revenue and the net capital gains/(losses) on the property of the Scheme for the period. In preparing the financial statements the Manager 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 Scheme will continue in operation for the foreseeable future.

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

Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of the Threadneedle Managed Equity Focused Fund of the Threadneedle Managed Funds ("the Trust") for the Period ended 15 May 2018

The Trustee is responsible for the safekeeping of all property of the Trust 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 Trustee to take reasonable care to ensure that the Trust is managed and operated in accordance with the Financial Conduct Authority' Collective Investment Schemes Sourcebook ("the Sourcebook"), the Financial Services and Markets Act 2000, as amended, and the Trust Deed and the Prospectus of the Trust, concerning: the pricing of and dealing in Trust Units; the application of income of the scheme; and the Trust investment portfolio and borrowing activities.

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Trustee of the scheme, based on information and explanations provided to us, we believe that, in all material respects, the Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income in accordance with the Sourcebook, the Trust Deed and Prospectus;
- (ii) has observed the investment and borrowing powers and restrictions applicable to the scheme; and
- (iii) has, otherwise, ensured the proper operation of the Trust.

Citibank Europe plc,
UK Branch
London
25 July 2018

Threadneedle Managed Equity Focused Fund

Independent auditors' report to the Unitholders of Managed Equity Focused Fund Report on the audit of the financial statements

Opinion

In our opinion, Threadneedle Managed Equity Focused Fund's financial statements:

- give a true and fair view of the financial position of the Trust as at 15 May 2018 and of the net revenue and the net capital gains on its scheme property 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 Trust Deed.

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 15 May 2018; the statement of total return and the statement of change in net assets attributable to unitholders 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 Trust 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 Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust'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 Trust'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 Fund Manager 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 Fund Manager's Report

In our opinion, the information given in the Authorised Fund Manager'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 Fund Manager for the financial statements

As explained more fully in the Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme set out on page 20, the Authorised Fund Manager 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 Fund Manager 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 Fund Manager is responsible for assessing the Trust'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 Fund Manager either intend to wind up or terminate the Trust, or have 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 Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook 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 and returns.

We have no exceptions to report arising from this responsibility.

Edinburgh
25 July 2018

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors

Threadneedle Managed Equity Focused Fund

Portfolio Statement

as at 15 May 2018

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
COLLECTIVE INVESTMENT SCHEMES 99.94% (99.81%)							
	UK equity 27.39% (29.72%)			4,339,041	Threadneedle Emerging Market Bond Fund	4,364	0.53
16,792,287	Threadneedle UK Absolute Alpha Fund	23,571	2.88	5,714,855	Threadneedle Emerging Market Local Fund	9,782	1.20
33,760,647	Threadneedle UK Equity Alpha Income Fund	24,159	2.95	36,864,737	Threadneedle Global Bond Fund	30,830	3.77
770,343	Threadneedle UK Equity Income Fund	764	0.09	9,631,733	Threadneedle Global Opportunities Bond Fund	8,809	1.08
60,572,944	Threadneedle UK Fund	88,842	10.86	13,461,586	Threadneedle High Yield Bond Fund	5,747	0.70
14,163,645	Threadneedle UK Growth & Income Fund	13,645	1.67	6,265,270	Threadneedle Strategic Bond Fund	2,903	0.35
46,811,782	Threadneedle UK Select Fund	63,954	7.81		Total overseas bond	95,838	11.71
2,600,921	Threadneedle UK Smaller Companies Fund	9,232	1.13		Total collective investment schemes	817,884	99.94
	Total UK equity	224,167	27.39				
	UK bond 12.17% (15.42%)			DERIVATIVES 0.00% (0.01%)			
26,539,013	Threadneedle Sterling Bond Fund	14,936	1.83		Forward foreign exchange contracts 0.00% (0.01%)		
17,903,928	Threadneedle Sterling Fund	17,881	2.18		Total derivatives	—	—
53,129,626	Threadneedle Sterling Short Dated Corporate Bond Fund	56,636	6.92		Total value of investments	817,884	99.94
8,528,140	Threadneedle UK Corporate Bond Fund	10,138	1.24		Net other assets (0.18%)	522	0.06
	Total UK bond	99,591	12.17		Net assets	818,406	100.00
	Overseas equity 48.67% (43.95%)			<i>May 2017 comparatives in brackets.</i>			
1,506,304	Threadneedle (Lux) – American Absolute Alpha	25,607	3.13				
1,538,805	Threadneedle (Lux) – Asia Contrarian Equity	17,776	2.17				
154,976	Threadneedle (Lux) – Asian Equity Income	10,315	1.26				
99,502	Threadneedle (Lux) – Global Smaller Companies	2,475	0.30				
556,071	Threadneedle (Lux) – Pan European Absolute Alpha	5,711	0.70				
31,260,618	Threadneedle American Fund	91,784	11.21				
8,523,713	Threadneedle Asia Fund	19,768	2.42				
36,180,739	Threadneedle European Fund	85,741	10.48				
1,604,279	Threadneedle European Smaller Companies Fund	14,402	1.76				
15,039,782	Threadneedle Global Emerging Markets Equity Fund	17,437	2.13				
3,742,988	Threadneedle Global Equity Income Fund	5,076	0.62				
4,672,540	Threadneedle Global Extended Alpha Fund	15,061	1.84				
71,930,217	Threadneedle Japan Fund	45,194	5.52				
2,149,485	Threadneedle Latin America Fund	5,213	0.64				
5,945,179	Threadneedle Pan European Focus Fund	16,746	2.05				
7,447,443	Threadneedle Pan European Smaller Companies Fund	19,982	2.44				
	Total overseas equity	398,288	48.67				
	Overseas bond 11.71% (10.72%)						
552,193	Threadneedle (Lux) – Flexible Asian Bond	4,629	0.57				
1,093,697	Threadneedle (Lux) – Global Corporate Bond	12,206	1.49				
319,732	Threadneedle (Lux) – Global Emerging Market Short-Term Bond	4,029	0.49				
180,153	Threadneedle (Lux) – Global Strategic Bond	3,287	0.40				
16,073,685	Threadneedle Dollar Bond Fund	9,252	1.13				

Threadneedle Managed Equity & Bond Fund

Investment Report

Investment Objective and Policy

To provide a total return by way of capital growth and income.

The Fund will invest at least two-thirds of its assets in funds managed or operated by companies in the Threadneedle group. These funds may invest worldwide.

The Fund's investments will be a balance of funds that invest in fixed income securities and funds that hold company shares.

The Fund may also hold cash, near cash and money market instruments.

Up to 20% of the value of the Fund may be invested in funds that invest in derivatives for purposes other than Efficient Portfolio Management.

The Fund will always invest so as to be eligible as an ISA investment.

Review

This report covers the period from 16 May 2017 to 15 May 2018.

Fund Performance

During the period under review the offer price of Class A units rose by 2.33% from 154.30p to 157.90p and the offer price of Class B units rose by 2.49% from 152.50p to 156.30p.

Looking at performance within its peer group (the IA – Mixed Investment 20-60% Shares Sector), the total return on the trust for the twelve months ending 30 April 2018, including net reinvested income, is +2.11% as compared to a median sector return of +3.02% over the same period. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

Fully updated peer group information is only available from Morningstar at month-end points.

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

Market Overview and Portfolio Activity

The period started well for world equities, which rose strongly, supported by positive global economic data and improving corporate results. Strong gains throughout 2017 were slightly eroded in February and March 2018 amid a global sell-off. Markets encountered rising volatility on fears that copious central bank stimulus could soon come to an end, and concerns over protectionist measures from the Trump administration.

Within the UK, Prime Minister Theresa May's unexpected call for a snap general election in June 2017 fuelled hopes that this would lead to an increased parliamentary majority for the Conservatives, thereby strengthening the government's hand in Brexit negotiations. In the event, the Conservatives lost their overall majority. While investors remain anxious over the course of the negotiations, sentiment was recently buoyed by an agreement between the UK and EU on some elements of a post-Brexit transition deal.

In the US, the S&P 500 index performed strongly, consistently hitting record highs before falling back in February and March this year. US equities received support from President Trump's flagship tax-cutting bill, which features a permanent cut in corporation tax and smaller temporary reductions in income taxes. Against the stronger economic backdrop, the Federal Reserve raised interest rates by 25 basis points on three occasions during the reporting period.

It was also a positive period for European equities, which were spurred by the improvement in corporate earnings. The eurozone economy gathered momentum with 2017 the best year for GDP growth in a decade, and unemployment reaching a nine-year low. The eurozone economy strengthened sufficiently for the European Central Bank to start scaling back its bond purchases.

The Japanese market was another strong performer. Investors responded positively to the landslide victory of Shinzo Abe's Liberal Democratic Party in October's general election, as he is expected to continue his 'Abenomics' reform programme. Asian markets rose strongly but also suffered a bout of volatility in early 2018, given concerns over a steeper trajectory for US interest-rate hikes and US-China trade tensions. Over the period as a whole, Chinese equities performed particularly well on the back of robust earnings and positive economic releases, including stronger-than-expected GDP growth. Within Latin America, Brazilian equities were buoyed by hopes of a market-friendly election result in October 2018.

Core government bonds had a more difficult year as investors braced for a world with less "easy money" and favoured risk assets amid optimism over corporate earnings and economic indicators.

We made several asset allocation adjustments during the reporting period. We took some profits on Asian equities following their strong performance. We also reduced the holdings in the UK Equity Income Fund, UK Growth & Income Fund and the Global Equity Income Fund. As an investment style, equity income has struggled over the past year in comparison to more growth-oriented strategies.

We increased the equity exposure to Japan and Europe, where companies are well placed to benefit from the stronger global economy. Elsewhere, we added to the Global Select Fund and established a new holding in Threadneedle (Lux) Global Smaller Companies. Within the US, we scaled back the holding in the American Fund and increased the position in Threadneedle (Lux) American Absolute Alpha.

In fixed income, we reduced the position in global government bonds, via the Global Bond Fund, and pared back the exposure to gilts, UK investment grade corporate bonds and high yield bonds. Conversely, we increased the holding in the Sterling Short-Dated Corporate Bond Fund, which should be less sensitive to rising interest rates than a fund investing in longer-dated UK corporate bonds. In addition, we established a new position in the European Corporate Bond Fund. Elsewhere, we increased the holding in Threadneedle (Lux) Flexible Asian Bond and initiated new positions in Threadneedle (Lux) Global Emerging Market Short-Term Bonds, Threadneedle (Lux) Global Corporate Bond and Dollar Bond, which focuses on US Treasury bonds.

Key challenges facing equity markets include a rising interest rate environment, especially in the US; the risk of higher tariffs and reduced trade; and the scope for tighter regulation of fast-growing technology giants. While these risks are real, we are encouraged by the fact that equity fundamentals look robust. Economic growth is currently well-entrenched across developed and emerging markets, and this is driving double-digit corporate earnings growth.

Bond markets continue to be supported by accommodative monetary policy, including outright quantitative easing in the eurozone, and demand for income remains a positive force. However, the credit cycle is fairly mature and, although earnings have been strong, the benefits have been largely accruing to shareholders. With bond yields still low, returns are expected to be muted.

Directors' Statement

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
Director
25 July 2018

M Scrimgeour
Director

Threadneedle Managed Equity & Bond Fund

STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2017 to 15 May 2018

	Notes	2018 £000	2017 £000
Income			
Net capital gains	3	21,222	149,269
Revenue	4	30,461	28,885
Expenses	5	(13,313)	(12,860)
Interest payable and similar charges	6	(2)	(1)
Net revenue before taxation		17,146	16,024
Taxation	7	(2,655)	(2,461)
Net revenue after taxation		14,491	13,563
Total return before distributions		35,713	162,832
Distributions	8	(16,074)	(15,091)
Change in net assets attributable to unitholders from investment activities		19,639	147,741

BALANCE SHEET

as at 15 May 2018

	Notes	2018 £000	2017 £000
Assets:			
Fixed assets:			
Investments		1,423,289	1,391,601
Current assets:			
Debtors	9	4,496	10,417
Cash and bank balances		1,859	—
Total assets		1,429,644	1,402,018
Liabilities:			
Investment liabilities		—	(286)
Creditors:			
Bank overdrafts		—	(205)
Distribution payable		(489)	(496)
Other creditors	10	(4,636)	(7,653)
Total liabilities		(5,125)	(8,640)
Net assets attributable to unitholders		1,424,519	1,393,378

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2017 to 15 May 2018

	2018 £000	2017 £000
Opening net assets attributable to unitholders	1,393,378	1,160,862
Amounts receivable on the issue of units	65,319	159,199
Amounts payable on the cancellation of units	(91,996)	(88,893)
Amounts receivable on inspecie transfers	22,961	—
	(3,716)	70,306
Change in net assets attributable to unitholders from investment activities (see statement of total return above)	19,639	147,741
Retained distribution on accumulation units	15,218	14,469
Closing net assets attributable to unitholders	1,424,519	1,393,378

DISTRIBUTION TABLE

for the accounting period 16 May 2017 to 15 May 2018

Dividend distribution in pence per unit

Class A – Accumulation units

Distribution Period	Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1				
16/05/17 to 15/05/18	1.3336	—	1.3336	1.3220
Group 2				
16/05/17 to 15/05/18	0.4047	0.9289	1.3336	1.3220
Total distributions in the period			1.3336	1.3220

Class B – Accumulation units

Distribution Period	Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1				
16/05/17 to 15/05/18	1.6775	—	1.6775	1.6462
Group 2				
16/05/17 to 15/05/18	0.9483	0.7292	1.6775	1.6462
Total distributions in the period			1.6775	1.6462

Class T – Income units[†]

Distribution Period	Revenue	Equalisation	Distribution Paid/Payable 2017/2018	Distribution Paid 2016/2017
Group 1				
16/05/17 to 15/11/17	0.6228	—	0.6228	0.6361
16/11/17 to 15/05/18	0.5922	—	0.5922	0.5714
Group 2				
16/05/17 to 15/11/17	0.5043	0.1185	0.6228	0.6361
16/11/17 to 15/05/18	0.4570	0.1352	0.5922	0.5714
Total distributions in the period			1.2150	1.2075

Class Z – Accumulation units

Distribution Period	Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1				
16/05/17 to 15/05/18	1.6991	—	1.6991	1.6606
Group 2				
16/05/17 to 15/05/18	1.0280	0.6711	1.6991	1.6606
Total distributions in the period			1.6991	1.6606

[†] Group 2: units purchased during a distribution period.

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

Threadneedle Managed Equity & Bond Fund

Comparative Table Disclosure

	Class A – Accumulation units			Class B – Accumulation units		
	15/05/2018	15/05/2017	15/05/2016	15/05/2018	15/05/2017	15/05/2016
Change in net assets per unit						
Opening net asset value per unit (p)	148.71	130.89	129.96	152.45	133.92	132.70
Return before operating charges (p)	5.44	19.80	2.76	5.51	20.19	2.77
Operating charges (p)	(2.05)	(1.98)	(1.83)	(1.71)	(1.66)	(1.55)
Return after operating charges (p)*	3.39	17.82	0.93	3.80	18.53	1.22
Distributions (p)	(1.33)	(1.32)	(1.46)	(1.68)	(1.65)	(1.75)
Retained distributions on accumulation units (p)	1.33	1.32	1.46	1.68	1.65	1.75
Closing net asset value per unit (p)	152.10	148.71	130.89	156.25	152.45	133.92
*after direct transaction costs of (p)	–	–	–	–	–	–
Performance						
Return after charges (%)	2.28	13.61	0.72	2.49	13.84	0.92
Other information						
Closing net asset value (£000)	286,165	350,548	318,054	470,164	502,971	480,581
Closing number of units	188,137,522	235,733,376	242,999,370	300,901,245	329,926,250	358,859,425
Operating charges (%)**	1.36	1.39	1.43	1.11	1.14	1.18
Direct transaction costs (%)	–	–	–	–	–	–
Prices						
Highest unit price (p)	159.10	154.30	138.50	157.40	152.50	136.60
Lowest unit price (p)	145.90	129.50	123.30	149.80	132.50	126.00

	Class T – Income units			Class Z – Accumulation units		
	15/05/2018	15/05/2017	15/05/2016 ¹	15/05/2018	15/05/2017	15/05/2016
Change in net assets per unit						
Opening net asset value per unit (p)	114.98	102.14	100.00	123.41	108.08	106.79
Return before operating charges (p)	4.18	15.37	3.55	4.38	16.26	2.17
Operating charges (p)	(1.35)	(1.32)	(0.66)	(0.95)	(0.93)	(0.88)
Return after operating charges (p)*	2.83	14.05	2.89	3.43	15.33	1.29
Distributions (p)	(1.22)	(1.21)	(0.75)	(1.70)	(1.66)	(1.67)
Retained distributions on accumulation units (p)	–	–	–	1.70	1.66	1.67
Closing net asset value per unit (p)	116.59	114.98	102.14	126.84	123.41	108.08
*after direct transaction costs of (p)	–	–	–	–	–	–
Performance						
Return after charges (%)	2.46	13.76	2.89	2.78	14.18	1.21
Other information						
Closing net asset value (£000)	96,225	99,824	94,517	571,965	440,035	267,710
Closing number of units	82,534,965	86,814,794	92,535,741	450,916,995	356,576,289	247,695,297
Operating charges (%)**	1.16	1.19	1.23 ¹	0.76	0.79	0.83
Direct transaction costs (%)	–	–	–	–	–	–
Prices						
Highest unit price (p)	118.50	115.60	110.20	127.70	123.50	105.00
Lowest unit price (p)	112.40	101.10	101.50	121.60	107.00	97.12

**The Operating charges are represented by the Ongoing Charges Figure (OCF) which is the European standard method of disclosing the charges of a unit 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). The Key Investor Information Document (KIID) contains the current OCF. The calculation includes the fund's share of the expenses of the underlying fund less any fee rebates received. The share of the costs of the underlying funds may fluctuate due to changes in investment decisions, which may be required as a result of changes in market conditions. For a more detailed breakdown please visit columbiathreadneedle.com/fees.

¹Commenced 30 October 2015.

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

Threadneedle Managed Equity & Bond Fund

Notes to the financial statements

for the accounting period 16 May 2017 to 15 May 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 using the single price at 12 noon (UK time), being the valuation point on the last working day of the accounting period. The single price may include an adjustment to cover dealing costs in the underlying funds.

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

(c) Exchange rates

Assets and liabilities expressed in foreign currencies are translated into sterling at the exchange rates ruling at 12 noon (UK time), being the valuation point on the last working day of the accounting period.

Transactions denominated in foreign currency are translated into sterling at the exchange rates ruling at the date of the transaction.

(d) Recognition of revenue

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

Distributions from Collective Investment Schemes (CIS) are recognised when the security is quoted ex-dividend.

Any reported revenue from an offshore fund with UK fund reporting status in excess of any distributions is recognised as revenue after the end of the reporting period not later than the date when the reporting fund makes this information available.

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

(e) 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 accruals basis and include irrecoverable VAT where appropriate.

(f) Fee rebate

In addition to any direct charge for registration and management fees within the fund, there would occur, in the absence of a rebate mechanism, an indirect charge for registration and management fees in respect of investment in other Threadneedle funds. Any such target funds themselves bear registration and management fees, which reduce the value of those funds from what they otherwise would be. The rebate mechanism operates to ensure that investors in the fund bear only the registration and management fee validly applicable to them.

Depending upon the Manager's treatment of management fees within the underlying funds, where management fees are taken to capital, any rebate is classified as a capital item and will not form part of the amount available for distribution.

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

The allocation of revenue and expenses to each unit class is based upon the proportion of the fund's capital net assets attributable to each unit class on the day the revenue is earned or the expense is suffered. Annual management charges and registration fees are specific to each unit class.

(h) Deferred tax

Deferred taxation liabilities are provided for in full, and deferred tax assets are recognised to the extent that they are considered recoverable, in respect of all items for which recognition falls in different accounting periods for accounting and taxation purposes.

(i) Equalisation policy

The fund operates equalisation to ensure the level of distributable income for any unit class is not affected by the issue or cancellation of units.

2 DISTRIBUTION POLICIES

Where the revenue from investments exceeds the expenses and taxation a distribution will be made from that unit class. Should expenses and taxation exceed revenue for any unit class, there will be no distribution for that unit class and a transfer from capital will be made to cover the shortfall.

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

Where distributions are unclaimed for a period of six years these are brought back into the fund as capital.

When a transfer is made between the revenue and capital of the same unit 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 unit classes of the fund.

Equalisation on distributions received is treated as a repayment of capital and therefore disregarded in determining the revenue available for distribution.

3 NET CAPITAL GAINS

Net capital gains during the period comprise:

	2018 £000	2017 £000
Non-derivative securities	14,297	142,275
Forward currency contracts	(215)	(548)
Management fee rebate on collective investment scheme holdings	6,758	7,590
Other gains/(losses)	382	(48)
Net capital gains	21,222	149,269

4 REVENUE

	2018 £000	2017 £000
Franked dividend distributions	10,862	11,318
Interest distributions	11,126	10,479
Bank interest	9	11
Management fee rebate on collective investment scheme holdings	8,464	7,077
Total revenue	30,461	28,885

5 EXPENSES

	2018 £000	2017 £000
Payable to the Manager or associates of the Manager, and the agents of either of them:		
Annual management charge	(13,131)	(12,688)
	(13,131)	(12,688)
Payable to the trustee or associates of the trustee, and the agents of either of them:		
Trustee fees	(163)	(152)
Safe custody fees	(8)	(9)
	(171)	(161)
Other expenses:		
Audit fees	(11)	(11)
	(11)	(11)
Total expenses*	(13,313)	(12,860)

*Including irrecoverable VAT where applicable.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £000	2017 £000
Interest payable	(2)	(1)
Total interest payable & similar charges	(2)	(1)

7 TAXATION

	2018 £000	2017 £000
a) Analysis of charge in period		
Corporation tax	(2,655)	(2,461)
Total current tax (note 7b)	(2,655)	(2,461)
Total tax charge for the period	(2,655)	(2,461)
b) Factors affecting taxation charge for period		
Net revenue before taxation	17,146	16,024
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	(3,429)	(3,205)
Effects of:		
Revenue not subject to taxation	2,172	2,264
Capitalised revenue subject to taxation	(1,352)	(1,518)
Retail Distribution Review (RDR) conversion transfer from capital	(46)	(2)
Current tax charge for period (note 7a)	(2,655)	(2,461)

Threadneedle Managed Equity & Bond Fund

Notes to the financial statements

(continued)

8 DISTRIBUTIONS

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

	2018 £000	2017 £000
Interim	527	571
Final	15,707	14,965
	16,234	15,536
Add: Revenue deducted on the cancellation of units	327	375
Deduct: Revenue received on the creation of units	(487)	(820)
Net distribution for the period	16,074	15,091
Net revenue after taxation	14,491	13,563
Equalisation on conversion	232	10
Tax charge on capital management fee rebates	1,352	1,518
Undistributed revenue carried forward	(1)	—
Total distributions	16,074	15,091

Details of the distribution per unit are set out in the table on page 24.

9 DEBTORS

	2018 £000	2017 £000
Amounts receivable for the issue of units	152	1,624
Sales awaiting settlement	—	4,149
Accrued revenue	4,344	4,512
United Kingdom income tax recoverable	—	132
Total debtors	4,496	10,417

10 OTHER CREDITORS

	2018 £000	2017 £000
Amounts payable for the cancellation of units	(1,471)	(1,469)
Purchases awaiting settlement	—	(4,169)
Accrued expenses	(29)	(29)
Amounts payable to Manager	(1,572)	(545)
Corporation tax payable	(1,564)	(1,441)
Total other creditors	(4,636)	(7,653)

11 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, a related party, acts as principal in respect of all transactions of units in the fund. The aggregated monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. The amount due to or from Threadneedle Investment Services Limited in respect of unit transactions at the end of the accounting period are disclosed in Notes 9 and 10.

Amounts payable to and receivable from Threadneedle Investment Services Limited in respect of fund administration services are disclosed in Note 9 and 10. A balance of £1,572,043 (2017: £545,003), in respect of annual management service charge and £2,093,207 (2017: £1,891,823) in respect of annual management rebates are respectively payable and receivable at the end of the accounting period.

Amounts payable to Citibank Europe plc, a related party, in respect of trustee services and safe custody charges are disclosed in Note 10. A balance of £20,645 (2017: £20,476), in respect of trustee services and £1,086 (2017: £1,034), in respect of safe custody is due at the end of the accounting period.

The fund receives and pays interest on deposits held with Citibank Europe plc as disclosed in Notes 4 and 6. A balance of £471 (2017: £158), was receivable at the end of the accounting period. Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The fund invests in a number of funds managed by Columbia Threadneedle, all transactions in respect of which are transacted with Threadneedle Investment Services Limited. Details of the investments are shown in the Portfolio Statement and gains and losses in the period are disclosed in Note 3. Details of revenue received from the funds are shown in Note 4 and amounts receivable at the end of the accounting period in Note 9.

The Manager, or associate of the Manager acted as principal in all investment transactions.

12 UNITHOLDER FUNDS

Threadneedle Managed Equity & Bond Fund currently has four unit classes; Class A, Class B, Class T and Class Z units. The charges on each unit class are as follows:

Annual management charge	
Class A units	1.25%
Class B units	1.00%
Class T units	1.05%
Class Z units	0.65%

The net asset value of each unit class, the net asset value per unit, and the number of units in each class are given in the comparative tables on page 25. The distribution per unit class is given in the distribution table on page 24.

All classes have the same rights on winding up.

Reconciliation of units

	2018
Class A – Accumulation units	
Opening units	235,733,376
Units issued	17,778,421
Units redeemed	(20,227,529)
Net conversions	(45,146,746)
Closing units	188,137,522
Class B – Accumulation units	
Opening units	329,926,250
Units issued	3,328,521
Units redeemed	(32,200,409)
Net conversions	(153,117)
Closing units	300,901,245
Class T – Income units	
Opening units	86,814,794
Units issued	1,526,251
Units redeemed	(5,806,080)
Net conversions	—
Closing units	82,534,965
Class Z – Accumulation units	
Opening units	356,576,289
Units issued	44,212,417
Units redeemed	(4,251,654)
Net conversions	54,379,943
Closing units	450,916,995

13 RISK MANAGEMENT

In pursuing its investment objectives set out on page 23, the Threadneedle Managed Equity & Bond Fund may hold the following financial instruments:

- Funds of the Threadneedle Investment Funds ICVC, Threadneedle Specialist Investment Funds ICVC, Threadneedle Focus Investment Funds ICVC and Threadneedle (Lux) Funds of which a maximum of 20% of the value of the property of the fund may be invested in any one fund within this range of investment funds;
- Cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- Unitholders' funds which represent investors monies which are invested on their behalf;
- Borrowing used to finance investment activity;
- Derivative transactions to manage the currency and market risks arising from the fund's investment activities.

The Manager uses a risk management process (RMP)*, as reviewed by the Trustee. Throughout the period under review, it has been the policy of the fund to buy and sell financial instruments for the purpose of investment rather than trading. The main risks arising from the fund's financial instruments are market price, liquidity, credit, interest rate and foreign currency risk. The policies for managing each of these risks are reviewed regularly and agreed with the Trustee of the fund and they are summarised below.

*The RMP available on request from the client services team contact details on page 57.

Threadneedle Managed Equity & Bond Fund

Notes to the financial statements

(continued)

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the fund might suffer through holding market positions in the face of price movements. The value of the investment can fall as well as rise and investors might not recover the amount invested, especially if investments are not held for the long term. The fund is exposed to market risk by virtue of their Investments in Collective Investment Schemes.

The Manager meets regularly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameters and seeks to ensure that individual stocks also meet the risk reward profile that is acceptable.

The investment guidelines and investment and borrowing powers are set out in the trust deed, the prospectus and in the Financial Conduct Authority's (FCA's) Collective Investment Schemes Sourcebook and describe the nature of the market price risk to which the fund will be exposed.

Market price risk sensitivity

A 5% market increase applied to the equity portion of the fund would result in an increase on net asset value of the fund by 2.15% and vice versa (2017: 2.31%).

A 1.00% interest rate increase applied to the bond portion of the fund would result in a decrease on net asset value of the fund by 1.05% and vice versa (2017: 2.78%).

Liquidity risk

Liquidity risk is the risk that the fund cannot raise sufficient cash to meet its liabilities when due. The main liability of the fund is the cancellation of units that the investors wish to sell. The fund's assets comprise mainly realisable securities which can readily be sold.

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 units.

The Manager manages the fund's cash to ensure it can meet its liabilities. The Manager receives daily reports of issues and cancellations enabling the Manager to raise cash from the fund's portfolio in order to meet cancellation requests. In addition the Manager monitors market liquidity of the investment portfolio to ensure the fund maintains sufficient liquidity to meet known and potential cancellation activity. Fund cash balances are monitored daily by the Manager 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.

There are no new arrangements within the fund to manage liquidity and there is no significant liquidity risk at the period end.

In exceptional circumstances the Manager, with the prior agreement of the Trustee, may suspend dealing for a period of 28 days which may be extended further with FCA approval. The Manager may also, in certain circumstances, require a redeeming unitholder, 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.

The capital values of the fund's underlying investments can be affected by currency translation movements where the assets are denominated in currencies other than sterling, which is the fund's principal currency.

Two principal areas where foreign currency risk could impact the fund are:

- Where movements in rates affect the value of the underlying investments, the fund may hedge the initial investment;
- Where movements in rates affect the revenue received from the underlying investments; the fund does not hedge or otherwise seek to avoid rate movement risk on revenue accrued but not received.

There is no direct foreign currency exposure within the fund at the balance sheet date. However, a portion of the fund's underlying investments have significant currency exposure since their assets are denominated in currencies other than sterling, with the effect that their balance sheets and total returns can be affected by currency movements. Investee funds' significant exposure to non sterling currencies, based on their most recent published financial statements are as follows:

- The principal exposures of Threadneedle (Lux) – Global Smaller Companies and Threadneedle Global Bond Fund are to Euro, Japanese Yen and US Dollar.
- The principal exposure of Threadneedle (Lux) – Global Corporate Bond Fund is to Euro, UK Sterling and US Dollar.
- The principal exposure of Threadneedle Global Opportunities Bond Fund is to Euro and Japanese Yen.
- The principal exposure of Threadneedle Emerging Market Local Fund is to Indonesian Rupiah, Mexican Peso, Polish Zloty and US Dollar.
- The principal exposure of Threadneedle European Corporate Bond Fund, Threadneedle (Lux) – Pan European Absolute Alpha Fund and Threadneedle UK Absolute Alpha Fund is to Euro.
- The principal exposure of Threadneedle Emerging Market Bond Fund, Threadneedle (Lux) – American Absolute Alpha Fund, Threadneedle Global Select Fund, Threadneedle American Fund, Threadneedle (Lux) – Flexible Asian Bond Fund, Threadneedle (Lux) – Global Emerging Market Short-Term Bonds and Threadneedle Dollar Bond Fund is to US Dollar.
- The principal exposure of Threadneedle Asia Fund is to Australian Dollar, Hong Kong Dollar, South Korean Won and US Dollar.
- The principal exposure of Threadneedle Global Emerging Markets Equity Fund is to Hong Kong Dollar, Indian Rupee and US Dollar.
- The principal exposures of Threadneedle European Fund and Threadneedle European Smaller Companies Fund are to Euro and Swedish Krona.
- The principal exposure of Threadneedle Latin America Fund is to Brazilian Real, Mexican Peso and US Dollar.
- The principal exposure of Threadneedle Japan Fund is to Japanese Yen.
- The principal exposures of Threadneedle Global Equity Income Fund and Threadneedle (Lux) – Global Strategic Bond Fund are to Euro and US Dollar.
- The principal exposure of Threadneedle (Lux) – Asia Contrarian Equity Fund is to Australian Dollar, China Yuan Renminb, Hong Kong Dollar, South Korean Won and Taiwan Dollar.
- The principal exposure of Threadneedle (Lux) – Asian Equity Income Fund is to Australian Dollar, China Yuan Renminb and Taiwan Dollar.

Currency sensitivity

As the fund has no material currency exposure, no sensitivity analysis has been shown (2017: same).

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 the underlying investments in the CIS's it holds.

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 Floating Rate Notes) 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 and underlying investments are 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 underlying funds only buy and sell investments through brokers which have been approved by the Manager 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.

Credit/Counterparty exposure

As at the balance sheet date there is no derivative exposure or collateral to disclose.

2017		Forward Foreign Exchange Contracts Exposure
Counterparty		£000
HSBC		89

The fund did not hold any collateral received from the fund's counterparties in either the current or prior year.

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

Threadneedle Managed Equity & Bond Fund

Notes to the financial statements

(continued)

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 may invest in floating rate securities.

Thus any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Manager being unable to secure similar returns on the expiry of contracts or the sale of securities.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general, if interest rates rise the revenue potential of the fund also rises but the value of fixed rate securities will decline.

A decline in interest rates will in general have the opposite effect.

Duration is a measure of the extent to which this is the case, with a longer duration suggesting higher sensitivity to interest rate moves.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

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 forward foreign exchange contracts 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 forward foreign exchange contracts 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 15 May 2018, the fund had outstanding forward foreign exchange contracts with an asset value of £Nil (2017: £375,000) and a liability value of £Nil (2017: £286,000).

14 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.

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 £000	Liabilities £000	Assets £000	Liabilities £000
Level 2	1,423,289	—	1,391,601	(286)
	1,423,289	—	1,391,601	(286)

15 CONTINGENT LIABILITIES AND COMMITMENTS

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

16 PORTFOLIO TRANSACTION COSTS

During the period under review the fund's purchases and sales of bonds Collective investment schemes purchases and sales amounted to £286,286,839 (2017: £277,046,893) and £274,627,806 (2017: £195,216,774) respectively. In specie transaction costs and proceeds amounted to £22,845,116 (2017: £Nil) and £Nil (2017: £Nil) respectively. The purchases and sales are not subject to portfolio transaction costs.

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

Threadneedle Managed Equity & Bond Fund

Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme

The Collective Investment Schemes (COLL) Sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA) requires the Manager 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 Scheme and of its net revenue and the net capital gains/(losses) on the property of the Scheme for the period. In preparing the financial statements the Manager 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 Scheme will continue in operation for the foreseeable future.

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

Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of the Threadneedle Managed Equity & Bond Fund of the Threadneedle Managed Funds ("the Trust") for the Period ended 15 May 2018

The Trustee is responsible for the safekeeping of all property of the Trust 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 Trustee to take reasonable care to ensure that the Trust is managed and operated in accordance with the Financial Conduct Authority' Collective Investment Schemes Sourcebook ("the Sourcebook"), the Financial Services and Markets Act 2000, as amended, and the Trust Deed and the Prospectus of the Trust, concerning: the pricing of and dealing in Trust Units; the application of income of the scheme; and the Trust investment portfolio and borrowing activities.

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Trustee of the scheme, based on information and explanations provided to us, we believe that, in all material respects, the Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income in accordance with the Sourcebook, the Trust Deed and Prospectus;
- (ii) has observed the investment and borrowing powers and restrictions applicable to the scheme; and
- (iii) has, otherwise, ensured the proper operation of the Trust.

Citibank Europe plc,
UK Branch
London
25 July 2018

Threadneedle Managed Equity & Bond Fund

Independent auditors' report to the Unitholders of Managed Equity & Bond Fund Report on the audit of the financial statements

Opinion

In our opinion, Threadneedle Managed Equity & Bond Fund's financial statements:

- give a true and fair view of the financial position of the Trust as at 15 May 2018 and of the net revenue and the net capital gains on its scheme property 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 Trust Deed.

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 15 May 2018; the statement of total return and the statement of change in net assets attributable to unitholders 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 Trust 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 Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust'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 Trust'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 Fund Manager 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 Fund Manager's Report

In our opinion, the information given in the Authorised Fund Manager'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 Fund Manager for the financial statements

As explained more fully in the Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme set out on page 30, the Authorised Fund Manager 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 Fund Manager 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 Fund Manager is responsible for assessing the Trust'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 Fund Manager either intend to wind up or terminate the Trust, or have 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 Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook 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 and returns.

We have no exceptions to report arising from this responsibility.

Edinburgh
25 July 2018

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors

Threadneedle Managed Equity & Bond Fund

Portfolio Statement

as at 15 May 2018

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
COLLECTIVE INVESTMENT SCHEMES 99.91% (99.84%)				8,227,500	Threadneedle Emerging Market Bond Fund	8,275	0.58
	UK equity 21.05% (22.25%)			12,049,533	Threadneedle Emerging Market Local Fund	20,625	1.45
66,536,140	Threadneedle Monthly Extra Income Fund	54,839	3.85	15,731,974	Threadneedle European Corporate Bond Fund	17,363	1.22
30,591,500	Threadneedle UK Absolute Alpha Fund	42,941	3.01	216,672,129	Threadneedle Global Bond Fund	181,203	12.72
94,728,313	Threadneedle UK Equity Alpha Income Fund	67,788	4.76	17,792,608	Threadneedle Global Opportunities Bond Fund	16,273	1.14
4,717,693	Threadneedle UK Equity Income Fund	4,681	0.33	23,285,219	Threadneedle High Yield Bond Fund	9,940	0.70
53,747,732	Threadneedle UK Fund	78,832	5.53	11,252,957	Threadneedle Strategic Bond Fund	5,215	0.37
39,439,719	Threadneedle UK Growth & Income Fund	37,996	2.67		Total overseas bond	305,888	21.47
1,267,968	Threadneedle UK Mid 250 Fund	3,478	0.24				
2,632,465	Threadneedle UK Smaller Companies Fund	9,343	0.66		Total collective investment schemes	1,423,289	99.91
	Total UK equity	299,898	21.05				
	UK bond 23.89% (24.92%)			DERIVATIVES 0.00% (0.01%)			
133,986,534	Threadneedle Sterling Bond Fund	75,408	5.29		Forward foreign exchange contracts 0.00% (0.01%)		
140,124,069	Threadneedle Sterling Fund	139,942	9.83		Total derivatives	–	–
37,109,190	Threadneedle Sterling Short Dated Corporate Bond Fund	39,558	2.78				
71,808,638	Threadneedle UK Corporate Bond Fund	85,366	5.99	Total value of investments		1,423,289	99.91
	Total UK bond	340,274	23.89	Net other assets (0.15%)		1,230	0.09
	Overseas equity 33.50% (30.43%)			Net assets		1,424,519	100.00
2,263,088	Threadneedle (Lux) – American Absolute Alpha	38,473	2.70		<i>May 2017 comparatives in brackets.</i>		
860,144	Threadneedle (Lux) – Asia Contrarian Equity	9,936	0.70				
193,226	Threadneedle (Lux) – Asian Equity Income	12,860	0.90				
180,932	Threadneedle (Lux) – Global Smaller Companies	4,501	0.32				
660,262	Threadneedle (Lux) – Pan European Absolute Alpha	6,781	0.48				
5,405,543	Threadneedle American Fund	15,871	1.11				
3,984,815	Threadneedle Asia Fund	9,242	0.65				
61,168,437	Threadneedle European Fund	144,957	10.17				
1,158,860	Threadneedle European Smaller Companies Fund	10,403	0.73				
30,426,625	Threadneedle Global Emerging Markets Equity Fund	35,277	2.48				
33,308,999	Threadneedle Global Equity Income Fund	45,167	3.17				
43,013,381	Threadneedle Global Select Fund	95,989	6.74				
72,559,074	Threadneedle Japan Fund	45,589	3.20				
900,023	Threadneedle Latin America Fund	2,183	0.15				
	Total overseas equity	477,229	33.50				
	Overseas bond 21.47% (22.24%)						
943,420	Threadneedle (Lux) – Flexible Asian Bond	7,909	0.55				
1,897,534	Threadneedle (Lux) – Global Corporate Bond	21,177	1.49				
556,317	Threadneedle (Lux) – Global Emerging Market Short-Term Bonds	7,010	0.49				
328,501	Threadneedle (Lux) – Global Strategic Bond	5,993	0.42				
8,521,364	Threadneedle Dollar Bond Fund	4,905	0.34				

Threadneedle Managed Bond Focused Fund

Investment Report

Investment Objective and Policy

To provide a total return by way of income and capital growth.

The Fund will invest at least two-thirds of its assets in other funds managed or operated by companies in the Threadneedle group. These funds may invest worldwide.

The Fund will invest with a focus on funds that invest in fixed income securities, but will also have exposure to company shares, particularly the shares of UK companies or companies with significant UK operations.

The Fund may also hold cash, near cash and money market instruments.

Up to 20% of the value of the Fund may be invested in funds that invest in derivatives for purposes other than Efficient Portfolio Management.

The Fund will always invest so as to be eligible as an ISA investment.

Review

This report covers the period from 16 May 2017 to 15 May 2018.

Fund Performance

During the period under review the offer price of Class A accumulation units rose by 1.04% from 115.20p to 116.40p and the offer price of Class B units rose by 1.32% from 113.90p to 115.40p.

The total return on the trust for the twelve months ending 30 April 2018, including net reinvested income, is +1.18%. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

Over the same period the median sector return of the peer group (IA – Mixed Investment 0-35% Shares Sector) was +1.65%. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

Fully updated peer group information is only available from Morningstar at month-end points.

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

Market Overview and Portfolio Activity

The period started well for world equities, which rose strongly, supported by positive global economic data and improving corporate results. Strong gains throughout 2017 were slightly eroded in February and March 2018 amid a global sell-off. Markets encountered rising volatility on fears that copious central bank stimulus could soon come to an end, and concerns over protectionist measures from the Trump administration.

Overall, global bond markets had a more difficult year as yields on core government bonds moved higher. Investors braced for a world with less “easy money” and favoured risk assets amid optimism over corporate earnings and economic indicators. Of the major government bond markets, Europe was the strongest performer, followed by Japan, whereas the US and UK posted negative returns over the period. In the credit markets, it was also a lacklustre year for investment grade corporate bonds, although high yield bonds performed reasonably well. Emerging market debt recorded a negative return over the period.

In the UK, Prime Minister Theresa May’s unexpected call for a snap general election in June 2017 fuelled hopes that this would lead to an increased parliamentary majority for the Conservatives, thereby strengthening the government’s hand in Brexit negotiations. In the event, the Conservatives lost their overall majority. While investors remain anxious over the course of the negotiations, sentiment was recently buoyed by an agreement between the UK and EU on some elements of a post-Brexit transition deal.

The US stock market performed well, reaching record highs during the period. Equities received support from President Trump’s flagship tax-cutting bill, which features a permanent cut in corporation tax and smaller temporary reductions in income taxes. Against the stronger economic backdrop, the Federal Reserve raised interest rates by 25 basis points on three occasions during the reporting period.

European equities benefited from the improvement in corporate earnings, and the eurozone economy strengthened sufficiently for the European Central Bank to start scaling back its bond purchases. The Japanese stock market was another strong performer. Investors responded positively to the landslide victory of Shinzo Abe’s Liberal Democratic Party in October’s general election, as he is expected to continue his ‘Abenomics’ reform programme. Asian equities rose strongly but also suffered a bout of volatility in early 2018, given concerns over a steeper trajectory for US interest-rate hikes and US-China trade tensions.

During the period, we realised some gains on the fund’s equity exposure to Japan. Within the UK, we notably reduced the holding in the UK Equity Income Fund and sold out of the Monthly Extra Income Fund. As an investment style, equity income has struggled over the past year in comparison to more growth-oriented strategies. We significantly increased the exposure to the UK Fund and also added to the UK Absolute Alpha Fund, both of which seek to achieve long-term capital growth. In addition, we initiated new holdings in the Global Select Fund and Threadneedle (Lux) Global Smaller Companies. Elsewhere, we raised the exposure to Europe via the European Fund and Threadneedle (Lux) Pan European Absolute Alpha. Within the US, we scaled back the American Fund and added to Threadneedle (Lux) American Absolute Alpha.

There were several adjustments to the fixed income holdings. Notably, the positions in the Global Opportunities Bond Fund, High Yield Bond Fund, UK Corporate Bond Fund, Dollar Bond Fund and European Corporate Bond Fund were reduced. Conversely, we significantly increased the exposure to UK gilts and overseas government bonds via the Sterling Bond Fund and Global Bond Fund respectively. We also added to the Sterling Short-Dated Corporate Bond Fund, which should be less sensitive to rising interest rates than a fund investing in longer-dated UK corporate bonds. Additionally, a new holding was established in Threadneedle (Lux) Global Emerging Market Short-Term Bonds and we trimmed the position in Threadneedle (Lux) Flexible Asian Bond.

Key challenges facing equity markets include a rising interest rate environment, especially in the US; the risk of higher tariffs and reduced trade; and the scope for tighter regulation of fast-growing technology giants. While these risks are real, we are encouraged by the fact that equity fundamentals look robust. Economic growth is currently well-entrenched across developed and emerging markets, and this is driving double-digit corporate earnings growth.

Bond markets continue to be supported by accommodative monetary policy, including outright quantitative easing in the eurozone, and demand for income remains a positive force. However, the credit cycle is fairly mature and, although earnings have been strong, the benefits have been largely accruing to shareholders. With bond yields still low, returns are expected to be muted.

Directors’ Statement

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
Director

25 July 2018

M Scrimgeour
Director

Threadneedle Managed Bond Focused Fund

STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2017 to 15 May 2018

	Notes	2018 £000	2017 £000
Income			
Net capital gains	3	1,288	32,474
Revenue	4	6,961	9,022
Expenses	5	(3,390)	(3,563)
Interest payable and similar charges	6	—	(1)
Net revenue before taxation		3,571	5,458
Taxation	7	(285)	—
Net revenue after taxation		3,286	5,458
Total return before distributions		4,574	37,932
Distributions	8	(3,585)	(5,466)
Change in net assets attributable to unitholders from investment activities		989	32,466

BALANCE SHEET

as at 15 May 2018

	Notes	2018 £000	2017 £000
Assets:			
Fixed assets:			
Investments		323,458	340,728
Current assets:			
Debtors	9	793	1,242
Cash and bank balances		906	1,158
Total assets		325,157	343,128
Liabilities:			
Investment liabilities		—	(424)
Creditors:			
Other creditors	10	(1,655)	(1,095)
Total liabilities		(1,655)	(1,519)
Net assets attributable to unitholders		323,502	341,609

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2017 to 15 May 2018

	2018 £000	2017 £000
Opening net assets attributable to unitholders	341,609	326,743
Amounts receivable on the issue of units	16,239	23,420
Amounts payable on the cancellation of units	(50,102)	(46,310)
Amounts receivable on inspecie transfers	11,234	—
	(22,629)	(22,890)
Change in net assets attributable to unitholders from investment activities (see statement of total return above)	989	32,466
Retained distribution on accumulation units	3,533	5,290
Closing net assets attributable to unitholders	323,502	341,609

DISTRIBUTION TABLE

for the accounting period 16 May 2017 to 15 May 2018

Interest distribution in pence per unit

Class A – Accumulation units

Distribution Period	Gross Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1 16/05/17 to 15/05/18	0.9522	—	0.9522	1.4717
Group 2 16/05/17 to 15/05/18	0.0322	0.9200	0.9522	1.4717
Total distributions in the period			0.9522	1.4717

Class A – Income units*

There is no distribution for the accounting period 16 May 2017 to 15 May 2018, as expenses exceed revenue.

Class B – Accumulation units

Distribution Period	Gross Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1 16/05/17 to 15/05/18	1.2666	—	1.2666	1.7819
Group 2 16/05/17 to 15/05/18	0.6909	0.5757	1.2666	1.7819
Total distributions in the period			1.2666	1.7819

Class Z – Accumulation units

Distribution Period	Gross Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1 16/05/17 to 15/05/18	1.7336	—	1.7336	2.2382
Group 2 16/05/17 to 15/05/18	0.9443	0.7893	1.7336	2.2382
Total distributions in the period			1.7336	2.2382

Group 2: units purchased during a distribution period.

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

Threadneedle Managed Bond Focused Fund

Comparative Table Disclosure

	Class A – Accumulation units			Class A – Income units ⁴	
	15/05/2018	15/05/2017	15/05/2016	15/05/2018 ¹	
Change in net assets per unit					
Opening net asset value per unit (p)	110.96	99.37	99.64	100.00	
Return before operating charges (p)	2.71	13.08	1.39	1.04	
Operating charges (p)	(1.51)	(1.49)	(1.34)	(0.04)	
Return after operating charges (p)*	1.20	11.59	0.05	1.00	
Distributions (p)	(0.95)	(1.47)	(1.60)	–	
Retained distributions on accumulation units (p)**	0.95	1.47	1.28	–	
Closing net asset value per unit (p)	112.16	110.96	99.37	101.00	
*after direct transaction costs of (p)	–	–	–	–	
Performance					
Return after charges (%)	1.08	11.66	0.05	1.00	
Other information					
Closing net asset value (£000)	101,958	105,941	106,358	736	
Closing number of units	90,901,965	95,473,097	107,029,649	729,095	
Operating charges (%)***	1.35	1.39	1.37	1.39 ¹	
Direct transaction costs (%)	–	–	–	–	
Prices					
Highest unit price (p)	118.30	115.30	104.70	104.80	
Lowest unit price (p)	109.30	98.63	94.23	98.40	

	Class B – Accumulation units			Class Z – Accumulation units		
	15/05/2018	15/05/2017	15/05/2016	15/05/2018	15/05/2017	15/05/2016
Change in net assets per unit						
Opening net asset value per unit (p)	113.85	101.71	101.78	118.00	105.04	104.83
Return before operating charges (p)	2.79	13.39	1.43	2.90	13.86	1.45
Operating charges (p)	(1.27)	(1.25)	(1.12)	(0.90)	(0.90)	(0.79)
Return after operating charges (p)*	1.52	12.14	0.31	2.00	12.96	0.66
Distributions (p)	(1.27)	(1.78)	(1.89)	(1.73)	(2.24)	(2.27)
Retained distributions on accumulation units (p)**	1.27	1.78	1.51	1.73	2.24	1.82
Closing net asset value per unit (p)	115.37	113.85	101.71	120.00	118.00	105.04
*after direct transaction costs of (p)	–	–	–	–	–	–
Performance						
Return after charges (%)	1.34	11.94	0.30	1.69	12.34	0.63
Other information						
Closing net asset value (£000)	150,735	176,526	174,327	70,073	59,142	46,058
Closing number of units	130,653,986	155,046,241	171,400,704	58,392,749	50,120,877	43,848,859
Operating charges (%)***	1.10	1.14	1.12	0.75	0.79	0.77
Direct transaction costs (%)	–	–	–	–	–	–
Prices						
Highest unit price (p)	117.10	114.00	103.10	121.50	118.00	106.30
Lowest unit price (p)	112.40	101.00	96.40	116.90	104.30	99.49

**Any difference between the distributions and the retained distributions on accumulation units 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 unit 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). The Key Investor Information Document (KIID) contains the current OCF. The calculation includes the fund's share of the expenses of the underlying fund less any fee rebates received. The share of the costs of the underlying funds may fluctuate due to changes in investment decisions, which may be required as a result of changes in market conditions. For a more detailed breakdown please visit columbiathreadneedle.com/fees.

¹Only available to eligible investors.

²Commenced 16 March 2018.

³The Ongoing Charges Figure is annualised based on the fees incurred since commencement date.

Threadneedle Managed Bond Focused Fund

Notes to the financial statements

for the accounting period 16 May 2017 to 15 May 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 using the single price at 12 noon (UK time), being the valuation point on the last working day of the accounting period. The single price may include an adjustment to cover dealing costs in the underlying funds.

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

(c) Exchange rates

Assets and liabilities expressed in foreign currencies are translated into sterling at the exchange rates ruling at 12 noon (UK time), being the valuation point on the last working day of the accounting period.

Transactions denominated in foreign currency are translated into sterling at the exchange rates ruling at the date of the transaction.

(d) Recognition of revenue

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

Distributions from Collective Investment Schemes (CIS) are recognised when the security is quoted ex-dividend.

Any reported revenue from an offshore fund with UK fund reporting status in excess of any distributions is recognised as revenue after the end of the reporting period not later than the date when the reporting fund makes this information available.

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

(e) 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 accruals basis and include irrecoverable VAT where appropriate.

(f) Fee rebate

In addition to any direct charge for registration and management fees within the fund, there would occur, in the absence of a rebate mechanism, an indirect charge for registration and management fees in respect of investment in other Threadneedle funds. Any such target funds themselves bear registration and management fees, which reduce the value of those funds from what they otherwise would be. The rebate mechanism operates to ensure that investors in the fund bear only the registration and management fee validly applicable to them.

Depending upon the Manager's treatment of management fees within the underlying funds, where management fees are taken to capital, any rebate is classified as a capital item and will not form part of the amount available for distribution.

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

The allocation of revenue and expenses to each unit class is based upon the proportion of the fund's capital net assets attributable to each unit class on the day the revenue is earned or the expense is suffered. Annual management charges and registration fees are specific to each unit class.

(h) Deferred tax

Deferred taxation liabilities are provided for in full, and deferred tax assets are recognised to the extent that they are considered recoverable, in respect of all items for which recognition falls in different accounting periods for accounting and taxation purposes.

(i) Equalisation policy

The fund operates equalisation to ensure the level of distributable income for any unit class is not affected by the issue or cancellation of units.

2 DISTRIBUTION POLICIES

Where the revenue from investments exceeds the expenses and taxation a distribution will be made from that unit class. Should expenses and taxation exceed revenue for any unit class, there will be no distribution for that unit class and a transfer from capital will be made to cover the shortfall.

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

Where distributions are unclaimed for a period of six years these are brought back into the fund as capital.

When a transfer is made between the revenue and capital of the same unit 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 unit classes of the fund.

Equalisation on distributions received is treated as a repayment of capital and therefore disregarded in determining the revenue available for distribution.

3 NET CAPITAL GAINS

Net capital gains during the period comprise:

	2018 £000	2017 £000
Non-derivative securities	(147)	32,451
Forward currency contracts	—	(1,622)
Management fee rebate on collective investment scheme holdings	1,428	1,734
Other gains/(losses)	7	(89)
Net capital gains	1,288	32,474

4 REVENUE

	2018 £000	2017 £000
Franked dividend distributions	1,231	2,418
Interest distributions	4,048	4,998
Bank interest	6	5
Management fee rebate on collective investment scheme holdings	1,676	1,601
Total revenue	6,961	9,022

5 EXPENSES

	2018 £000	2017 £000
Payable to the Manager or associates of the Manager, and the agents of either of them:		
Annual management charge	(3,330)	(3,505)
	(3,330)	(3,505)
Payable to the trustee or associates of the trustee, and the agents of either of them:		
Trustee fees	(40)	(39)
Safe custody fees	(9)	(8)
	(49)	(47)
Other expenses:		
Audit fees	(11)	(11)
	(11)	(11)
Total expenses*	(3,390)	(3,563)

*Including irrecoverable VAT where applicable.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £000	2017 £000
Interest payable	—	(1)
Total interest payable & similar charges	—	(1)

7 TAXATION

	2018 £000	2017 £000
a) Analysis of charge in period		
Corporation tax	(286)	—
Adjustments in respect of prior periods	1	—
Total current tax (note 7b)	(285)	—
Total tax charge for the period	(285)	—
b) Factors affecting taxation charge for period		
Net revenue before taxation	3,571	5,458
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	(714)	(1,092)

Threadneedle Managed Bond Focused Fund

Notes to the financial statements

(continued)

	2018 £000	2017 £000
Effects of:		
Revenue not subject to taxation	246	484
Excess expenses	–	502
Distributions treated as tax deductible	471	455
Capitalised revenue subject to taxation	(286)	(347)
Adjustments in respect of prior periods	1	–
Retail Distribution Review (RDR) conversion transfer from capital	(3)	(2)
Current tax charge for period (note 7a)	(285)	–

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

8 DISTRIBUTIONS

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

	2018 £000	2017 £000
Final	3,533	5,290
	3,533	5,290
Add: Revenue deducted on the cancellation of units	249	356
Deduct: Revenue received on the creation of units	(197)	(180)
Net distribution for the period	3,585	5,466
Net revenue after taxation	3,286	5,458
Equalisation on conversion	13	8
Tax charge on capital management fee rebates	286	–
Total distributions	3,585	5,466

Details of the distribution per unit are set out in the table on page 34.

9 DEBTORS

	2018 £000	2017 £000
Amounts receivable for the issue of units	325	445
Accrued revenue	468	688
United Kingdom income tax recoverable	–	109
Total debtors	793	1,242

10 OTHER CREDITORS

	2018 £000	2017 £000
Amounts payable for the cancellation of units	(1,106)	(429)
Purchases awaiting settlement	–	(510)
Accrued expenses	(13)	(14)
Amounts payable to Manager	(398)	(142)
Corporation tax payable	(138)	–
Total other creditors	(1,655)	(1,095)

11 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, a related party, acts as principal in respect of all transactions of units in the fund. The aggregated monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. The amount due to or from Threadneedle Investment Services Limited in respect of unit transactions at the end of the accounting period are disclosed in Notes 9 and 10.

Amounts payable to and receivable from Threadneedle Investment Services Limited in respect of fund administration services are disclosed in Note 9 and 10. A balance of £397,508 (2017: £142,215), in respect of annual management service charge and £390,656 (2017: £587,890) in respect of annual management rebates are respectively payable and receivable at the end of the accounting period.

Amounts payable to Citibank Europe plc, a related party, in respect of trustee services and safe custody charges are disclosed in Note 10. A balance of £4,750 (2017: £5,041), in respect of trustee services and £1,086 (2017: £1,034), in respect of safe custody is due at the end of the accounting period.

The fund receives and pays interest on deposits held with Citibank Europe plc as disclosed in Notes 4 and 6. A balance of £176 (2017: £90), was receivable at the end

of the accounting period. Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The fund invests in a number of funds managed by Columbia Threadneedle, all transactions in respect of which are transacted with Threadneedle Investment Services Limited. Details of the investments are shown in the Portfolio Statement and gains and losses in the period are disclosed in Note 3. Details of revenue received from the funds are shown in Note 4 and amounts receivable at the end of the accounting period in Note 9.

The Manager, or associate of the Manager acted as principal in all investment transactions.

12 UNITHOLDER FUNDS

Threadneedle Managed Bond Focused Fund currently has three unit classes; Class A, Class B and Class Z units. The charges on each unit class are as follows:

Annual management charge

Class A units	1.25%
Class B units	1.00%
Class Z units	0.65%

The net asset value of each unit class, the net asset value per unit, and the number of units in each class are given in the comparative tables on page 35. The distribution per unit class is given in the distribution table on page 34.

All classes have the same rights on winding up.

Reconciliation of units

	2018
Class A – Accumulation units	
Opening units	95,473,097
Units issued	10,520,068
Units redeemed	(12,673,487)
Net conversions	(2,417,713)
Closing units	90,901,965
Class A – Income units*	
Opening units	–
Units issued	742,540
Units redeemed	(13,445)
Net conversions	–
Closing units	729,095
Class B – Accumulation units	
Opening units	155,046,241
Units issued	2,830,602
Units redeemed	(27,218,003)
Net conversions	(4,854)
Closing units	130,653,986
Class Z – Accumulation units	
Opening units	50,120,877
Units issued	10,010,617
Units redeemed	(4,005,703)
Net conversions	2,266,958
Closing units	58,392,749

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

13 RISK MANAGEMENT

In pursuing its investment objectives set out on page 33, the Threadneedle Managed Bond Focused Fund may hold the following financial instruments:

- Funds of the Threadneedle Investment Funds ICVC, Threadneedle Specialist Investment Funds ICVC, Threadneedle Focus Investment Funds ICVC and Threadneedle (Lux) Funds of which a maximum of 20% of the value of the property of the fund may be invested in any one fund within this range of investment funds;
- Cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- Unitholders' funds which represent investors monies which are invested on their behalf;
- Borrowing used to finance investment activity;
- Derivative transactions to manage the currency and market risks arising from the fund's investment activities.

Threadneedle Managed Bond Focused Fund

Notes to the financial statements

(continued)

The Manager uses a risk management process (RMP)*, as reviewed by the Trustee. Throughout the period under review, it has been the policy of the fund to buy and sell financial instruments for the purpose of investment rather than trading. The main risks arising from the fund's financial instruments are market price, liquidity, credit, interest rate and foreign currency risk. The policies for managing each of these risks are reviewed regularly and agreed with the Trustee of the fund and they are summarised below.

*The RMP available on request from the client services team contact details on page 57.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the fund might suffer through holding market positions in the face of price movements. The value of the investment can fall as well as rise and investors might not recover the amount invested, especially if investments are not held for the long term. The fund is exposed to market risk by virtue of their Investments in Collective Investment Schemes.

The Manager meets regularly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameters and seeks to ensure that individual stocks also meet the risk reward profile that is acceptable.

The investment guidelines and investment and borrowing powers are set out in the trust deed, the prospectus and in the Financial Conduct Authority's (FCA's) Collective Investment Schemes Sourcebook and describe the nature of the market price risk to which the fund will be exposed.

Market price risk sensitivity

A 5% market increase applied to the equity portion of the fund would result in an increase on net asset value of the fund by 1.35% and vice versa (2017: 1.37%).

A 1.00% interest rate increase applied to the bond portion of the fund would result in a decrease on net asset value of the fund by 2.74% and vice versa (2017: 3.86%).

Liquidity risk

Liquidity risk is the risk that the fund cannot raise sufficient cash to meet its liabilities when due. The main liability of the fund is the cancellation of units that the investors wish to sell. The fund's assets comprise mainly realisable securities which can readily be sold.

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 units.

The Manager manages the fund's cash to ensure it can meet its liabilities. The Manager receives daily reports of issues and cancellations enabling the Manager to raise cash from the fund's portfolio in order to meet cancellation requests. In addition the Manager monitors market liquidity of the investment portfolio to ensure the fund maintains sufficient liquidity to meet known and potential cancellation activity. Fund cash balances are monitored daily by the Manager 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.

There are no new arrangements within the fund to manage liquidity and there is no significant liquidity risk at the period end.

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

Currency risk

Foreign currency risk is the risk that the value of the funds' investments will fluctuate as a result of changes in foreign currency exchange rates.

The capital values of the fund's underlying investments can be affected by currency translation movements where the assets are denominated in currencies other than sterling, which is the fund's principal currency.

Two principal areas where foreign currency risk could impact the fund are:

- Where movements in rates affect the value of the underlying investments, the fund may hedge the initial investment;
- Where movements in rates affect the revenue received from the underlying investments; the fund does not hedge or otherwise seek to avoid rate movement risk on revenue accrued but not received.

There is no direct foreign currency exposure within the fund at the balance sheet date. However, a portion of the fund's underlying investments have significant currency exposure since their assets are denominated in currencies other than sterling, with the effect that their balance sheets and total returns can be affected by currency movements. Investee funds' significant exposure to non sterling currencies, based on their most recent published financial statements are as follows:

- The principal exposures of Threadneedle (Lux) – Global Smaller Companies and Threadneedle Global Bond Fund are to Euro, Japanese Yen and US Dollar.
- The principal exposure of Threadneedle (Lux) – Global Corporate Bond Fund is to Euro, UK Sterling and US Dollar.
- The principal exposure of Threadneedle (Lux) – Flexible Asian Bond Fund, Threadneedle Emerging Market Bond Fund, Threadneedle Dollar Bond Fund, Threadneedle (Lux) – American Absolute Alpha Fund, Threadneedle Global Select Fund, Threadneedle American Fund and Threadneedle (Lux) – Global Emerging Market Short-Term Bonds is to US Dollar.
- The principal exposure of Threadneedle Global Opportunities Bond Fund is to Euro and Japanese Yen.
- The principal exposure of Threadneedle Emerging Market Local Fund is to Indonesian Rupiah, Mexican Peso, Polish Zloty and US Dollar.
- The principal exposure of Threadneedle European Corporate Bond Fund, Threadneedle (Lux) – Pan European Absolute Alpha Fund and Threadneedle UK Absolute Alpha Fund is to Euro.
- The principal exposure of Threadneedle Asia Fund is to Australian Dollar, Hong Kong Dollar, South Korean Won and US Dollar.
- The principal exposure of Threadneedle Global Emerging Markets Equity Fund is to Hong Kong Dollar, Indian Rupee and US Dollar.
- The principal exposure of Threadneedle Japan Fund is to Japanese Yen.
- The principal exposure of Threadneedle European Fund is to Euro and Swedish Krona.
- The principal exposure of Threadneedle (Lux) – Asia Contrarian Equity Fund is to Australian Dollar, China Yuan Renminbi, Hong Kong Dollar, South Korean Won and Taiwan Dollar.

Currency sensitivity

As the fund has no material currency exposure, no sensitivity analysis has been shown (2017: same).

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 the underlying investments in the CIS's it holds.

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 Floating Rate Notes) 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 and underlying investments are 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 underlying funds only buy and sell investments through brokers which have been approved by the Manager 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.

Credit/Counterparty exposure

As at the balance sheet date there is no derivative exposure or collateral to disclose.

Forward Foreign Exchange Contracts Exposure	
2017	£000
Counterparty	
HSBC	132

Threadneedle Managed Bond Focused Fund

Notes to the financial statements

(continued)

The fund did not hold any collateral received from the fund's counterparties in either the current or prior year.

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

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 may invest in floating rate securities.

Thus any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Manager being unable to secure similar returns on the expiry of contracts or the sale of securities.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general, if interest rates rise the revenue potential of the fund also rises but the value of fixed rate securities will decline.

A decline in interest rates will in general have the opposite effect.

Duration is a measure of the extent to which this is the case, with a longer duration suggesting higher sensitivity to interest rate moves.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

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 forward foreign exchange contracts 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 forward foreign exchange contracts 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 15 May 2018, the fund had outstanding forward foreign exchange contracts with an asset value of £Nil (2017: £556,000) and a liability value of £Nil (2017: £424,000).

14 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.

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 £000	Liabilities £000	Assets £000	Liabilities £000
Level 2	323,458	–	340,728	(424)
	323,458	–	340,728	(424)

15 CONTINGENT LIABILITIES AND COMMITMENTS

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

16 PORTFOLIO TRANSACTION COSTS

During the period under review the fund's purchases and sales of collective investment schemes purchases and sales amounted to £138,352,168 (2017: £71,763,275) and £168,670,426 (2017: £94,822,992) respectively. In specie transaction costs and proceeds amounted to £11,135,876 (2017: £Nil) and £Nil (2017: £Nil) respectively.

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

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

Threadneedle Managed Bond Focused Fund

Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme

The Collective Investment Schemes (COLL) Sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA) requires the Manager 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 Scheme and of its net revenue and the net capital gains/(losses) on the property of the Scheme for the period. In preparing the financial statements the Manager 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 Scheme will continue in operation for the foreseeable future.

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

Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of the Threadneedle Managed Bond Focused Fund of the Threadneedle Managed Funds ("the Trust") for the Period ended 15 May 2018

The Trustee is responsible for the safekeeping of all property of the Trust 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 Trustee to take reasonable care to ensure that the Trust is managed and operated in accordance with the Financial Conduct Authority' Collective Investment Schemes Sourcebook ("the Sourcebook"), the Financial Services and Markets Act 2000, as amended, and the Trust Deed and the Prospectus of the Trust, concerning: the pricing of and dealing in Trust Units; the application of income of the scheme; and the Trust investment portfolio and borrowing activities.

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Trustee of the scheme, based on information and explanations provided to us, we believe that, in all material respects, the Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income in accordance with the Sourcebook, the Trust Deed and Prospectus;
- (ii) has observed the investment and borrowing powers and restrictions applicable to the scheme; and
- (iii) has, otherwise, ensured the proper operation of the Trust.

Citibank Europe plc,
UK Branch
London
25 July 2018

Threadneedle Managed Bond Focused Fund

Independent auditors' report to the Unitholders of Managed Bond Focused Fund

Report on the audit of the financial statements

Opinion

In our opinion, Threadneedle Managed Bond Focused Fund's financial statements:

- give a true and fair view of the financial position of the Trust as at 15 May 2018 and of the net revenue and the net capital gains on its scheme property 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 Trust Deed.

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 15 May 2018; the statement of total return and the statement of change in net assets attributable to unitholders 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 Trust 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 Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust'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 Trust'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 Fund Manager 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 Fund Manager's Report

In our opinion, the information given in the Authorised Fund Manager'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 Fund Manager for the financial statements

As explained more fully in the Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme set out on page 40, the Authorised Fund Manager 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 Fund Manager 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 Fund Manager is responsible for assessing the Trust'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 Fund Manager either intend to wind up or terminate the Trust, or have 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 Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook 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 and returns.

We have no exceptions to report arising from this responsibility.

Edinburgh
25 July 2018

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors

Threadneedle Managed Bond Focused Fund

Portfolio Statement

as at 15 May 2018

Holding	Investment	Value £000	% of Net Asset Value	Holding	Investment	Value £000	% of Net Asset Value
COLLECTIVE INVESTMENT SCHEMES 99.99% (99.58%)				DERIVATIVES 0.00% (0.04%)			
	UK equity 13.23% (15.11%)				Forward foreign exchange contracts 0.00% (0.04%)		
2,539,794	Threadneedle UK Absolute Alpha Fund	3,565	1.10		Total derivatives	–	–
484,349	Threadneedle UK Equity Income Fund	481	0.15				
15,763,575	Threadneedle UK Fund	23,121	7.15	Total value of investments		323,458	99.99
8,390,709	Threadneedle UK Institutional Fund	14,310	4.42	Net other assets (0.38%)		44	0.01
636,626	Threadneedle UK Smaller Companies Fund	1,321	0.41	Net assets		323,502	100.00
	Total UK equity	42,798	13.23	<i>May 2017 comparatives in brackets.</i>			
	UK bond 33.83% (23.64%)						
73,674,419	Threadneedle Sterling Bond Fund	41,464	12.82				
22,143,719	Threadneedle Sterling Fund	22,115	6.84				
15,337,136	Threadneedle Sterling Short Dated Corporate Bond Fund	16,349	5.05				
24,827,871	Threadneedle UK Corporate Bond Fund	29,515	9.12				
	Total UK bond	109,443	33.83				
	Overseas equity 19.15% (16.14%)						
317,451	Threadneedle (Lux) – American Absolute Alpha	5,397	1.67				
181,491	Threadneedle (Lux) – Asia Contrarian Equity	2,097	0.65				
41,143	Threadneedle (Lux) – Global Smaller Companies	1,024	0.32				
341,805	Threadneedle (Lux) – Pan European Absolute Alpha	3,510	1.08				
2,452,842	Threadneedle American Fund	8,138	2.52				
1,714,997	Threadneedle Asia Fund	3,977	1.23				
10,187,379	Threadneedle European Fund	24,142	7.46				
2,490,757	Threadneedle Global Emerging Markets Equity Fund	2,888	0.89				
777,925	Threadneedle Global Select Fund	1,736	0.54				
5,988,283	Threadneedle Japan Fund	9,021	2.79				
	Total overseas equity	61,930	19.15				
	Overseas bond 33.78% (44.69%)						
559,791	Threadneedle (Lux) – Flexible Asian Bond	6,370	1.97				
762,895	Threadneedle (Lux) – Global Corporate Bond	8,514	2.63				
128,976	Threadneedle (Lux) – Global Emerging Market Short-Term Bonds	1,625	0.50				
12,045,360	Threadneedle Dollar Bond Fund	6,933	2.14				
1,565,906	Threadneedle Emerging Market Bond Fund	1,575	0.49				
3,109,268	Threadneedle Emerging Market Local Fund	4,563	1.41				
12,337,673	Threadneedle European Corporate Bond Fund	13,617	4.21				
62,500,559	Threadneedle Global Bond Fund	52,269	16.16				
12,063,440	Threadneedle Global Opportunities Bond Fund	11,033	3.41				
6,530,175	Threadneedle High Yield Bond Fund	2,788	0.86				
	Total overseas bond	109,287	33.78				
	Total collective investment schemes	323,458	99.99				

Threadneedle Managed Bond Fund

Investment Report

Investment Objective and Policy

To provide income with potential for capital growth.

The Fund will invest at least two-thirds of its assets in funds managed or operated by companies in the Threadneedle group. These funds may invest worldwide.

The Fund will invest at least two-thirds of its assets in funds that invest in fixed income securities, but will also have some exposure to company shares.

The Fund may also hold cash, near cash and money market instruments. Up to 20% of the value of the Fund may be invested in funds that invest in derivatives for purposes other than Efficient Portfolio Management.

The Fund will always invest so as to be eligible as an ISA investment.

Review

This report covers the period from 16 May 2017 to 15 May 2018.

Fund Performance

During the period under review the offer price of Class A units rose by 1.03% from 98.44p to 99.45p and the offer price of Class B units rose by 1.28% from 97.22p to 98.46p.

The total return on the fund for the twelve months ending 30 April 2018, including net reinvested income, is +1.26%. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

Over the same period the median sector return of the peer group (IA – Unclassified Sector) was +3.27%. (Source: Morningstar, bid to bid, income reinvested for a UK basic rate taxpayer).

Fully updated peer group information is only available from Morningstar at month-end points.

In view of the nature of the trust and its investment remit, there is no directly comparable market index. The fund's remit is to pursue an investment strategy designed to achieve total return from a defensively-managed portfolio of fixed interest and UK equity funds managed by Threadneedle.

Market Overview and Portfolio Activity

The period started well for world equities, which rose strongly, supported by positive global economic data and improving corporate results. Strong gains throughout 2017 were slightly eroded in February and March 2018 amid a global sell-off. Markets encountered rising volatility on fears that copious central bank stimulus could soon come to an end, and concerns over protectionist measures from the Trump administration.

Overall, global bond markets had a more difficult year as yields on core government bonds moved higher. Investors braced for a world with less "easy money" and favoured risk assets amid optimism over corporate earnings and economic indicators. Of the major government bond markets, Europe was the strongest performer, followed by Japan, whereas the US and UK posted negative returns over the period. In the credit markets, it was also a lacklustre year for investment grade corporate bonds, although high yield bonds performed reasonably well. Emerging market debt recorded a negative return over the period.

In the UK, Prime Minister Theresa May's unexpected call for a snap general election in June 2017 fuelled hopes that this would lead to an increased parliamentary majority for the Conservatives, thereby strengthening the government's hand in Brexit negotiations. In the event, the Conservatives lost their overall majority. While investors remain anxious over the course of the negotiations, sentiment was recently buoyed by an agreement between the UK and EU on some elements of a post-Brexit transition deal.

The US stock market performed well, reaching record highs during the period. Equities received support from President Trump's flagship tax-cutting bill, which features a permanent cut in corporation tax and smaller temporary reductions in income taxes. Against the stronger economic backdrop, the Federal Reserve raised interest rates by 25 basis points on three occasions during the reporting period.

European equities benefited from the improvement in corporate earnings, and the eurozone economy strengthened sufficiently for the European Central Bank to start scaling back its bond purchases. The Japanese stock market was another strong performer. Investors responded positively to the landslide victory of Shinzo Abe's Liberal Democratic Party in October's general election, as he is expected to continue his 'Abenomics' reform programme. Asian equities rose strongly but also suffered a bout of volatility in early 2018, given concerns over a steeper trajectory for US interest-rate hikes and US-China trade tensions.

During the period, we realised some gains on the fund's equity exposure to the US, Europe and Japan. Within the UK, we significantly reduced the holding in the UK Equity Income Fund. As an investment style, equity income has struggled over the past year in comparison to more growth-oriented strategies. Conversely, we added new positions in the Asia Fund and Global Emerging Markets Equity Fund. Economic growth in Asia and emerging markets is accelerating on the back of the increase in domestic consumption and a recovery in world trade. We also established new holdings in the Global Select Fund and Threadneedle (Lux) Global Smaller Companies.

There were several adjustments to the fixed income holdings. Notably, the positions in the Global Opportunities Bond Fund and High Yield Bond Fund were reduced. In government bonds, we added significantly to the holding in the Sterling Bond Fund, which focuses on UK gilts. Conversely, the exposure to the UK Corporate Bond Fund was reduced and we sold out of the Sterling Short-Dated Corporate Bond Fund. However, we enhanced the position in the European Corporate Bond Fund. Elsewhere, the exposure to overseas government bonds and emerging market bonds was increased; for example, a new holding was established in Threadneedle (Lux) Global Emerging Market Short-Term Bonds. However, we trimmed the positions in Threadneedle (Lux) Flexible Asian Bond and Dollar Bond, which focuses on US Treasury bonds.

Key challenges facing equity markets include a rising interest rate environment, especially in the US; the risk of higher tariffs and reduced trade; and the scope for tighter regulation of fast-growing technology giants. While these risks are real, we are encouraged by the fact that equity fundamentals look robust. Economic growth is currently well-entrenched across developed and emerging markets, and this is driving double-digit corporate earnings growth.

Bond markets continue to be supported by accommodative monetary policy, including outright quantitative easing in the eurozone, and demand for income remains a positive force. However, the credit cycle is fairly mature and, although earnings have been strong, the benefits have been largely accruing to shareholders. With bond yields still low, returns are expected to be muted.

Directors' Statement

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
Director

25 July 2018

M Scrimgeour
Director

Threadneedle Managed Bond Fund

STATEMENT OF TOTAL RETURN

for the accounting period 16 May 2017 to 15 May 2018

	Notes	2018 £000	2017 £000
Income			
Net capital (losses)/gains	3	(470)	20,738
Revenue	4	6,237	6,487
Expenses	5	(2,281)	(2,334)
Net revenue before taxation		3,956	4,153
Taxation	6	(218)	(237)
Net revenue after taxation		3,738	3,916
Total return before distributions		3,268	24,654
Distributions	7	(3,956)	(4,153)
Change in net assets attributable to unitholders from investment activities		(688)	20,501

BALANCE SHEET

as at 15 May 2018

	Notes	2018 £000	2017 £000
Assets:			
Fixed assets:			
Investments		237,351	257,522
Current assets:			
Debtors	8	394	1,159
Cash and bank balances		1,100	615
Total assets		238,845	259,296
Liabilities:			
Investment liabilities		–	(189)
Creditors:			
Distribution payable		(327)	(329)
Other creditors	9	(909)	(731)
Total liabilities		(1,236)	(1,249)
Net assets attributable to unitholders		237,609	258,047

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the accounting period 16 May 2017 to 15 May 2018

	2018 £000	2017 £000
Opening net assets attributable to unitholders	258,047	232,123
Amounts receivable on the issue of units	10,668	37,913
Amounts payable on the cancellation of units	(33,411)	(35,801)
	(22,743)	2,112
Change in net assets attributable to unitholders from investment activities (see statement of total return above)	(688)	20,501
Retained distribution on accumulation units	2,993	3,311
Closing net assets attributable to unitholders	237,609	258,047

DISTRIBUTION TABLE

for the accounting period 16 May 2017 to 15 May 2018

Interest distribution in pence per unit

Class A – Accumulation units

Distribution Period	Gross Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1 16/05/17 to 15/05/18	1.2903	–	1.2903	1.3083
Group 2 16/05/17 to 15/05/18	0.7523	0.5380	1.2903	1.3083
Total distributions in the period			1.2903	1.3083

Class B – Accumulation units

Distribution Period	Gross Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1 16/05/17 to 15/05/18	1.5701	–	1.5701	1.5683
Group 2 16/05/17 to 15/05/18	0.8813	0.6888	1.5701	1.5683
Total distributions in the period			1.5701	1.5683

Class T – Income units[†]

Distribution Period	Gross Revenue	Equalisation	Distribution Paid/Payable 2017/2018	Distribution Paid 2016/2017
Group 1 16/05/17 to 15/11/17 16/11/17 to 15/05/18	1.0410 0.6972	– –	1.0410 0.6972	0.9054 0.6399
Group 2 16/05/17 to 15/11/17 16/11/17 to 15/05/18	0.7696 0.4472	0.2714 0.2500	1.0410 0.6972	0.9054 0.6399
Total distributions in the period			1.7382	1.5453

Class Z – Accumulation units

Distribution Period	Gross Revenue	Equalisation	Revenue Accumulated 2017/2018	Revenue Accumulated 2016/2017
Group 1 16/05/17 to 15/05/18	2.3001	–	2.3001	2.2654
Group 2 16/05/17 to 15/05/18	1.2178	1.0823	2.3001	2.2654
Total distributions in the period			2.3001	2.2654

Group 2: units purchased during a distribution period.

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

Threadneedle Managed Bond Fund

Comparative Table Disclosure

	Class A – Accumulation units			Class B – Accumulation units		
	15/05/2018	15/05/2017	15/05/2016	15/05/2018	15/05/2017	15/05/2016
Change in net assets per unit						
Opening net asset value per unit (p)	94.88	85.90	84.98	97.22	87.80	86.67
Return before operating charges (p)	2.24	10.17	2.27	2.28	10.40	2.34
Operating charges (p)	(1.27)	(1.19)	(1.12)	(1.05)	(0.98)	(0.93)
Return after operating charges (p)*	0.97	8.98	1.15	1.23	9.42	1.41
Distributions (p)	(1.29)	(1.31)	(1.16)	(1.57)	(1.57)	(1.40)
Retained distributions on accumulation units (p)**	1.29	1.31	0.93	1.57	1.57	1.12
Closing net asset value per unit (p)	95.85	94.88	85.90	98.45	97.22	87.80
*after direct transaction costs of (p)	–	–	–	–	–	–
Performance						
Return after charges (%)	1.02	10.45	1.35	1.27	10.73	1.63
Other information						
Closing net asset value (£000)	41,392	46,740	47,140	104,713	117,576	105,398
Closing number of units	43,185,168	49,261,428	54,877,124	106,360,502	120,942,143	120,040,839
Operating charges (%)***	1.32	1.29	1.33	1.07	1.04	1.08
Direct transaction costs (%)	–	–	–	–	–	–
Prices						
Highest unit price (p)	101.40	98.90	89.78	100.20	97.51	88.42
Lowest unit price (p)	93.61	85.20	81.95	96.12	87.08	83.72

	Class T – Income units			Class Z – Accumulation units		
	15/05/2018	15/05/2017	15/05/2016 ¹	15/05/2018	15/05/2017	15/05/2016
Change in net assets per unit						
Opening net asset value per unit (p)	111.55	102.43	100.00	116.56	104.90	103.27
Return before operating charges (p)	2.63	12.09	4.37	2.75	12.44	2.78
Operating charges (p)	(1.26)	(1.20)	(1.16)	(0.85)	(0.78)	(0.75)
Return after operating charges (p)*	1.37	10.89	3.21	1.90	11.66	2.03
Distributions (p)	(1.74)	(1.77)	(0.78)	(2.30)	(2.27)	(2.02)
Retained distributions on accumulation units (p)**	–	–	–	2.30	2.27	1.62
Closing net asset value per unit (p)	111.18	111.55	102.43	118.46	116.56	104.90
*after direct transaction costs of (p)	–	–	–	–	–	–
Performance						
Return after charges (%)	1.23	10.63	3.21	1.63	11.12	1.97
Other information						
Closing net asset value (£000)	52,082	54,134	52,528	39,422	39,597	27,057
Closing number of units	46,845,351	48,529,219	51,283,263	33,279,584	33,970,672	25,792,083
Operating charges (%)***	1.12	1.09	1.15 ¹	0.72	0.69	0.73
Direct transaction costs (%)	–	–	–	–	–	–
Prices						
Highest unit price (p)	114.90	113.50	103.80	120.20	116.90	105.70
Lowest unit price (p)	109.30	107.50	98.23	115.60	104.10	99.95

**Any difference between the distributions and the retained distributions on accumulation units 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 unit 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). The Key Investor Information Document (KIID) contains the current OCF. The calculation includes the fund's share of the expenses of the underlying fund less any fee rebates received. The share of the costs of the underlying funds may fluctuate due to changes in investment decisions, which may be required as a result of changes in market conditions. For a more detailed breakdown please visit columbiathreadneedle.com/fees.

¹Commenced 30 October 2015.

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

Threadneedle Managed Bond Fund

Notes to the financial statements

for the accounting period 16 May 2017 to 15 May 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 using the single price at 12 noon (UK time), being the valuation point on the last working day of the accounting period. The single price may include an adjustment to cover dealing costs in the underlying funds.

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

(c) Exchange rates

Assets and liabilities expressed in foreign currencies are translated into sterling at the exchange rates ruling at 12 noon (UK time), being the valuation point on the last working day of the accounting period.

Transactions denominated in foreign currency are translated into sterling at the exchange rates ruling at the date of the transaction.

(d) Recognition of revenue

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

Distributions from Collective Investment Schemes (CIS) are recognised when the security is quoted ex-dividend.

Any reported revenue from an offshore fund with UK fund reporting status in excess of any distributions is recognised as revenue after the end of the reporting period not later than the date when the reporting fund makes this information available.

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

(e) 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 accruals basis and include irrecoverable VAT where appropriate.

(f) Fee rebate

In addition to any direct charge for registration and management fees within the fund, there would occur, in the absence of a rebate mechanism, an indirect charge for registration and management fees in respect of investment in other Threadneedle funds. Any such target funds themselves bear registration and management fees, which reduce the value of those funds from what they otherwise would be. The rebate mechanism operates to ensure that investors in the fund bear only the registration and management fee validly applicable to them.

Depending upon the Manager's treatment of management fees within the underlying funds, where management fees are taken to capital, any rebate is classified as a capital item and will not form part of the amount available for distribution.

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

The allocation of revenue and expenses to each unit class is based upon the proportion of the fund's capital net assets attributable to each unit class on the day the revenue is earned or the expense is suffered. Annual management charges and registration fees are specific to each unit class.

(h) Deferred tax

Deferred taxation liabilities are provided for in full, and deferred tax assets are recognised to the extent that they are considered recoverable, in respect of all items for which recognition falls in different accounting periods for accounting and taxation purposes.

(i) Equalisation policy

The fund operates equalisation to ensure the level of distributable income for any unit class is not affected by the issue or cancellation of units.

2 DISTRIBUTION POLICIES

Where the revenue from investments exceeds the expenses and taxation a distribution will be made from that unit class. Should expenses and taxation exceed revenue for any unit class, there will be no distribution for that unit class and a transfer from capital will be made to cover the shortfall.

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

Where distributions are unclaimed for a period of six years these are brought back into the fund as capital.

When a transfer is made between the revenue and capital of the same unit 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 unit classes of the fund. Equalisation on distributions received is treated as a repayment of capital and therefore disregarded in determining the revenue available for distribution.

3 NET CAPITAL (LOSSES)/GAINS

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

	2018 £000	2017 £000
Non-derivative securities	(1,563)	20,921
Forward currency contracts	–	(1,321)
Management fee rebate on collective investment scheme holdings	1,087	1,185
Other gains/(losses)	6	(47)
Net capital (losses)/gains	(470)	20,738

4 REVENUE

	2018 £000	2017 £000
Franked dividend distributions	797	908
Interest distributions	4,260	4,482
Bank interest	3	5
Management fee rebate on collective investment scheme holdings	1,177	1,092
Total revenue	6,237	6,487

5 EXPENSES

	2018 £000	2017 £000
Payable to the Manager or associates of the Manager, and the agents of either of them:		
Annual management charge	(2,232)	(2,286)
Payable to the trustee or associates of the trustee, and the agents of either of them:		
Trustee fees	(29)	(29)
Safe custody fees	(9)	(9)
	(38)	(38)
Other expenses:		
Audit fees	(11)	(10)
	(11)	(10)
Total expenses*	(2,281)	(2,334)

*Including irrecoverable VAT where applicable.

6 TAXATION

	2018 £000	2017 £000
a) Analysis of charge in period		
Corporation tax	(218)	(237)
Total current tax (note 6b)	(218)	(237)
Total tax charge for the period	(218)	(237)
b) Factors affecting taxation charge for period		
Net revenue before taxation	3,956	4,153
Net revenue before taxation multiplied by the standard rate of corporation tax of 20%	(791)	(831)
Effects of:		
Revenue not subject to taxation	159	182
Distributions treated as tax deductible	632	649
Capitalised revenue subject to taxation	(218)	(237)
Current tax charge for period (note 6a)	(218)	(237)

These expenses will only be utilised if the treatment of interest distributions made by the fund or the nature of capital gains changes.

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

Threadneedle Managed Bond Fund

Notes to the financial statements

(continued)

7 DISTRIBUTIONS

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

	2018 £000	2017 £000
Interim	495	448
Final	3,319	3,734
	3,814	4,182
Add: Revenue deducted on the cancellation of units	226	286
Deduct: Revenue received on the creation of units	(84)	(315)
Net distribution for the period	3,956	4,153
Net revenue after taxation	3,738	3,916
Tax charge on capital management fee rebates	218	237
Total distributions	3,956	4,153

Details of the distribution per unit are set out in the table on page 44.

8 DEBTORS

	2018 £000	2017 £000
Amounts receivable for the issue of units	49	611
Accrued revenue	345	449
United Kingdom income tax recoverable	—	99
Total debtors	394	1,159

9 OTHER CREDITORS

	2018 £000	2017 £000
Amounts payable for the cancellation of units	(523)	(387)
Accrued expenses	(11)	(12)
Amounts payable to Manager	(262)	(95)
Corporation tax payable	(113)	(237)
Total other creditors	(909)	(731)

10 RELATED PARTY TRANSACTIONS

Threadneedle Investment Services Limited, a related party, acts as principal in respect of all transactions of units in the fund. The aggregated monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. The amount due to or from Threadneedle Investment Services Limited in respect of unit transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts payable to and receivable from Threadneedle Investment Services Limited in respect of fund administration services are disclosed in Note 8 and 9. A balance of £262,027 (2017: £95,318), in respect of annual management service charge and £300,016 (2017: £383,113) in respect of annual management rebates are respectively payable and receivable at the end of the accounting period.

Amounts payable to Citibank Europe plc, a related party, in respect of trustee services and safe custody charges are disclosed in Note 9. A balance of £3,506 (2017: £3,819), in respect of trustee services and £1,086 (2017: £1,034), in respect of safe custody is due at the end of the accounting period.

The fund receives and pays interest on deposits held with Citibank Europe plc as disclosed in Note 4. A balance of £195 (2017: £41), was receivable at the end of the accounting period. Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The fund invests in a number of funds managed by Columbia Threadneedle, all transactions in respect of which are transacted with Threadneedle Investment Services Limited. Details of the investments are shown in the Portfolio Statement and gains and losses in the period are disclosed in Note 3. Details of revenue received from the funds are shown in Note 4 and amounts receivable at the end of the accounting period in Note 8.

The Manager, or associate of the Manager acted as principal in all investment transactions.

11 UNITHOLDER FUNDS

Threadneedle Managed Bond Fund currently has four unit classes; Class A, Class B, Class T and Class Z units. The charges on each unit class are as follows:

Annual management charge	
Class A units	1.15%
Class B units	0.90%
Class T units	0.95%
Class Z units	0.55%

The net asset value of each unit class, the net asset value per unit, and the number of units in each class are given in the comparative tables on page 45. The distribution per unit class is given in the distribution table on page 44.

All classes have the same rights on winding up.

Reconciliation of units

	2018
Class A – Accumulation units	
Opening units	49,261,428
Units issued	430,605
Units redeemed	(6,506,865)
Net conversions	—
Closing units	43,185,168

Class B – Accumulation units	
Opening units	120,942,143
Units issued	4,561,695
Units redeemed	(19,143,336)
Net conversions	—
Closing units	106,360,502

Class T – Income units	
Opening units	48,529,219
Units issued	1,296,560
Units redeemed	(2,980,428)
Net conversions	—
Closing units	46,845,351

Class Z – Accumulation units	
Opening units	33,970,672
Units issued	3,710,223
Units redeemed	(4,401,311)
Net conversions	—
Closing units	33,279,584

12 RISK MANAGEMENT

In pursuing its investment objectives set out on page 43, the Threadneedle Managed Bond Fund may hold the following financial instruments:

- Funds of the Threadneedle Investment Funds ICVC, Threadneedle Specialist Investment Funds ICVC, Threadneedle Focus Investment Funds ICVC and Threadneedle (Lux) Funds of which a maximum of 20% of the value of the property of the fund may be invested in any one fund within this range of investment funds;
- Cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- Unitholders' funds which represent investors monies which are invested on their behalf;
- Borrowing used to finance investment activity;
- Derivative transactions to manage the currency and market risks arising from the fund's investment activities.

The Manager uses a risk management process (RMP)*, as reviewed by the Trustee.

Throughout the period under review, it has been the policy of the fund to buy and sell financial instruments for the purpose of investment rather than trading. The main risks arising from the fund's financial instruments are market price, liquidity, credit, interest rate and foreign currency risk. The policies for managing each of these risks are reviewed regularly and agreed with the Trustee of the fund and they are summarised below.

*The RMP available on request from the client services team contact details on page 57.

Threadneedle Managed Bond Fund

Notes to the financial statements

(continued)

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the fund might suffer through holding market positions in the face of price movements. The value of the investment can fall as well as rise and investors might not recover the amount invested, especially if investments are not held for the long term. The fund is exposed to market risk by virtue of their Investments in Collective Investment Schemes.

The Manager meets regularly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameters and seeks to ensure that individual stocks also meet the risk reward profile that is acceptable.

The investment guidelines and investment and borrowing powers are set out in the trust deed, the prospectus and in the Financial Conduct Authority's (FCA's) Collective Investment Schemes Sourcebook and describe the nature of the market price risk to which the fund will be exposed.

Market price risk sensitivity

A 5% market increase applied to the equity portion of the fund would result in an increase on net asset value of the fund by 1.15% and vice versa (2017: 0.79%). A 1.00% interest rate increase applied to the bond portion of the fund would result in a decrease on net asset value of the fund by 3.76% and vice versa (2017: 4.05%).

Liquidity risk

Liquidity risk is the risk that the fund cannot raise sufficient cash to meet its liabilities when due. The main liability of the fund is the cancellation of units that the investors wish to sell. The fund's assets comprise mainly realisable securities which can readily be sold.

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 units.

The Manager manages the fund's cash to ensure it can meet its liabilities. The Manager receives daily reports of issues and cancellations enabling the Manager to raise cash from the fund's portfolio in order to meet cancellation requests. In addition the Manager monitors market liquidity of the investment portfolio to ensure the fund maintains sufficient liquidity to meet known and potential cancellation activity. Fund cash balances are monitored daily by the Manager 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.

There are no new arrangements within the fund to manage liquidity and there is no significant liquidity risk at the period end.

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

Currency risk

Foreign currency risk is the risk that the value of the funds' investments will fluctuate as a result of changes in foreign currency exchange rates.

The capital values of the fund's underlying investments can be affected by currency translation movements where the assets are denominated in currencies other than sterling, which is the fund's principal currency.

Two principal areas where foreign currency risk could impact the fund are:

- Where movements in rates affect the value of the underlying investments, the fund may hedge the initial investment;
- Where movements in rates affect the revenue received from the underlying investments; the fund does not hedge or otherwise seek to avoid rate movement risk on revenue accrued but not received.

There is no direct foreign currency exposure within the fund at the balance sheet date. However, a portion of the fund's underlying investments have significant currency exposure since their assets are denominated in currencies other than sterling, with the effect that their balance sheets and total returns can be affected by currency movements. Investee funds' significant exposure to non sterling currencies, based on their most recent published financial statements are as follows:

- The principal exposures of Threadneedle (Lux) – Global Smaller Companies and Threadneedle Global Bond Fund are to Euro, Japanese Yen and US Dollar.
- The principal exposure of Threadneedle (Lux) – Global Corporate Bond Fund is to Euro, UK Sterling and US Dollar.
- The principal exposure of Threadneedle (Lux) – Flexible Asian Bond Fund, Threadneedle Emerging Market Bond Fund, Threadneedle Dollar Bond Fund, Threadneedle Global Select Fund, Threadneedle American Fund and Threadneedle (Lux) – Global Emerging Market Short-Term Bonds is to US Dollar.
- The principal exposure of Threadneedle Emerging Market Local Fund is to Indonesian Rupiah, Mexican Peso, Polish Zloty and US Dollar.
- The principal exposure of Threadneedle European Corporate Bond Fund and Threadneedle European Bond Fund is to Euro.
- The principal exposure of Threadneedle Global Opportunities Bond Fund is to Euro and Japanese Yen.
- The principal exposure of Threadneedle Asia Fund is to Australian Dollar, Hong Kong Dollar, South Korean Won and US Dollar.
- The principal exposure of Threadneedle Global Emerging Markets Equity Fund is to Hong Kong Dollar, Indian Rupee and US Dollar.
- The principal exposure of Threadneedle Japan Fund is to Japanese Yen.
- The principal exposure of Threadneedle European Fund is to Euro and Swedish Krona.

Currency sensitivity

As the fund has no material currency exposure, no sensitivity analysis has been shown (2017: same).

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 the underlying investments in the CIS's it holds.

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 Floating Rate Notes) 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 and underlying investments are 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 underlying funds only buy and sell investments through brokers which have been approved by the Manager 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.

Credit/Counterparty exposure

As at the balance sheet date there is no derivative exposure or collateral to disclose.

2017

Counterparty

HSBC

The fund did not hold any collateral received from the fund's counterparties in either the current or prior year.

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

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 may invest in floating rate securities.

Thus any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Manager being unable to secure similar returns on the expiry of contracts or the sale of securities.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general, if interest rates rise the revenue potential of the fund also rises but the value of fixed rate securities will decline.

A decline in interest rates will in general have the opposite effect.

Forward Foreign Exchange Contracts Exposure

£000

59

Threadneedle Managed Bond Fund

Notes to the financial statements

(continued)

Duration is a measure of the extent to which this is the case, with a longer duration suggesting higher sensitivity to interest rate moves.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

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 forward foreign exchange contracts 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 forward foreign exchange contracts 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 15 May 2018, the fund had outstanding forward foreign exchange contracts with an asset value of £Nil (2017: £248,000) and a liability value of £Nil (2017: £189,000).

13 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.

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 £000	Liabilities £000	Assets £000	Liabilities £000
Level 2	237,351	—	257,522	(189)
	237,351	—	257,522	(189)

14 CONTINGENT LIABILITIES AND COMMITMENTS

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

15 PORTFOLIO TRANSACTION COSTS

During the period under review the fund's purchases and sales of collective investment schemes purchases and sales amounted to £52,548,893 (2017: £51,362,545) and £73,830,517 (2017: £51,286,073) respectively.

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

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

Threadneedle Managed Bond Fund

Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme

The Collective Investment Schemes (COLL) Sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA) requires the Manager 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 Scheme and of its net revenue and the net capital gains/(losses) on the property of the Scheme for the period. In preparing the financial statements the Manager 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 Scheme will continue in operation for the foreseeable future.

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

Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of the Threadneedle Managed Bond Fund of the Threadneedle Managed Funds ("the Trust") for the Period ended 15 May 2018

The Trustee is responsible for the safekeeping of all property of the Trust 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 Trustee to take reasonable care to ensure that the Trust is managed and operated in accordance with the Financial Conduct Authority' Collective Investment Schemes Sourcebook ("the Sourcebook"), the Financial Services and Markets Act 2000, as amended, and the Trust Deed and the Prospectus of the Trust, concerning: the pricing of and dealing in Trust Units; the application of income of the scheme; and the Trust investment portfolio and borrowing activities.

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Trustee of the scheme, based on information and explanations provided to us, we believe that, in all material respects, the Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income in accordance with the Sourcebook, the Trust Deed and Prospectus;
- (ii) has observed the investment and borrowing powers and restrictions applicable to the scheme; and
- (iii) has, otherwise, ensured the proper operation of the Trust.

Citibank Europe plc,
UK Branch
London
25 July 2018

Threadneedle Managed Bond Fund

Independent auditors' report to the Unitholders of Managed Bond Fund

Report on the audit of the financial statements

Opinion

In our opinion, Threadneedle Managed Bond Fund's financial statements:

- give a true and fair view of the financial position of the Trust as at 15 May 2018 and of the net revenue and the net capital losses on its scheme property 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 Trust Deed.

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 15 May 2018; the statement of total return and the statement of change in net assets attributable to unitholders 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 Trust 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 Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust'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 Trust'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 Fund Manager 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 Fund Manager's Report

In our opinion, the information given in the Authorised Fund Manager'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 Fund Manager for the financial statements

As explained more fully in the Statement of Manager's Responsibilities in relation to the Financial Statements of the Scheme set out on page 50, the Authorised Fund Manager 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 Fund Manager 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 Fund Manager is responsible for assessing the Trust'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 Fund Manager either intend to wind up or terminate the Trust, or have 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 Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook 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 and returns.

We have no exceptions to report arising from this responsibility.

Edinburgh
25 July 2018

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors

Threadneedle Managed Bond Fund

Portfolio Statement

as at 15 May 2018

Holding	Investment	Value £000	% of Net Asset Value
COLLECTIVE INVESTMENT SCHEMES 99.89% (99.70%)			
UK equity 8.47% (10.09%)			
5,780,081	Threadneedle UK Equity Income Fund	5,735	2.41
909,862	Threadneedle UK Fund	1,207	0.51
7,732,173	Threadneedle UK Institutional Fund	13,187	5.55
	Total UK equity	20,129	8.47
UK bond 22.47% (24.48%)			
34,708,351	Threadneedle Sterling Bond Fund	19,534	8.22
28,482,252	Threadneedle UK Corporate Bond Fund	33,860	14.25
	Total UK bond	53,394	22.47
Overseas equity 12.84% (9.84%)			
30,781	Threadneedle (Lux) – Global Smaller Companies	766	0.32
2,930,948	Threadneedle American Fund	9,724	4.09
1,692,003	Threadneedle Asia Fund	3,924	1.65
3,031,725	Threadneedle European Fund	7,185	3.03
1,105,915	Threadneedle Global Emerging Markets Equity Fund	1,282	0.54
797,219	Threadneedle Global Select Fund	1,779	0.75
3,876,957	Threadneedle Japan Fund	5,840	2.46
	Total overseas equity	30,500	12.84
Overseas bond 56.11% (55.29%)			
667,536	Threadneedle (Lux) – Flexible Asian Bond	7,596	3.20
1,054,732	Threadneedle (Lux) – Global Corporate Bond	11,771	4.95
95,986	Threadneedle (Lux) – Global Emerging Market Short-Term Bonds	1,209	0.51
43,546,690	Threadneedle Dollar Bond Fund	25,065	10.55
1,133,260	Threadneedle Emerging Market Bond Fund	1,140	0.48
5,953,806	Threadneedle Emerging Market Local Fund	8,737	3.68
11,302,968	Threadneedle European Bond Fund	8,771	3.69
27,808,327	Threadneedle European Corporate Bond Fund	30,692	12.92
24,906,971	Threadneedle Global Bond Fund	20,830	8.76
6,766,844	Threadneedle Global Opportunities Bond Fund	6,189	2.60
26,535,330	Threadneedle High Yield Bond Fund	11,328	4.77
	Total overseas bond	133,328	56.11
	Total collective investment schemes	237,351	99.89
DERIVATIVES 0.00% (0.02%)			
Forward foreign exchange contracts 0.00% (0.02%)			
	Total derivatives	–	–
Total value of investments		237,351	99.89
Net other assets (0.28%)		258	0.11
Net assets		237,609	100.00

May 2017 comparatives in brackets.

Risk and Reward Profiles

Fund	Unit Class	SRRI*
Managed Equity Fund	Class A – Accumulation units	5
	Class B – Accumulation units	5
	Class T – Income units	5
	Class Z – Accumulation units	5
Managed Equity Focused Fund	Class A – Accumulation units	4
	Class B – Accumulation units	4
	Class Z – Accumulation units	4
Managed Equity & Bond Fund	Class A – Accumulation units	4
	Class B – Accumulation units	4
	Class T – Income units	4
	Class Z – Accumulation units	4
Managed Bond Focused Fund	Class A – Accumulation units	4
	Class A – Income units	4
	Class B – Accumulation units	4
	Class Z – Accumulation units	4
Managed Bond Fund	Class A – Accumulation units	3
	Class A – Income units	3
	Class B – Accumulation units	3
	Class T – Income units	3
	Class Z – Accumulation units	3

*As at 15 May 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 funds.

The SRRI category shown is not guaranteed to remain unchanged and that the categorisation of the funds 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 Managed Equity Fund changed from 5 to 4 on 19 October 2017 and from 4 to 5 on 25 May 2018.

The risk and reward profile of the Managed Bond Focused Fund Class A – Accumulation units changed from 3 to 4 on 18 May 2017.

The risk and reward profile of the Managed Bond Focused Fund Class B – Accumulation units changed from 3 to 4 on 18 May 2017.

The risk and reward profile of the Managed Bond Focused Fund Class Z – Accumulation units changed from 3 to 4 on 5 October 2017.

Important Information

General

Each fund is an authorised fund that has been set up in accordance with the rules contained in the Financial Conduct Authority's (FCA) Collective Investment Schemes sourcebook (COLL) and operates under Chapter 5 of the COLL Rules. The funds have been certified by the FCA as eligible to enjoy the rights conferred by the Undertakings for Collective Investment in Transferable Securities Directive (2009/65/EC).

The prospectus, which describes each of the funds in the Threadneedle Managed Funds range in detail, is available on request from Threadneedle Investment Services Limited, the Authorised Unit Trust Manager (Manager).

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.

Changes to the Prospectus

During the period from 16 May 2017 to 15 May 2018, the following changes were made to the prospectus of the funds:

- Updates to include changes to the COLL rules (including PRN, changes regarding short reports and implementation of Markets in Financial Instruments Directive (MiFID II))
- Inclusion of a definition of “near cash”
- Clarification on liquidity risk
- Clarification on privacy statement
- Inclusion of minimum holdings
- Update to list of directors of the manager and other funds managed by the manager
- Change of the name of the transfer agent
- Enhanced disclosures regarding the investment manager
- Enhanced disclosures regarding remuneration policy
- General updates including updates to tax, eligible markets, delegates of the depositary and performance

Changes to the Trust Deed

There were no changes to the Trust Deeds during the period from 16 May 2017 to 15 May 2018.

Changes to the directors of the Manager

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

- Appointment of Ms. Michelle Scrimgeour on 14 August 2017
- Resignation of Mr. Don Jordison on 1 May 2018

Characteristics of Units

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

Units	Minimum Investment	Eligibility
Class A	£2,000	Retail investors
Class B	£5,000,000	Non-retail investors
Class T	£2,000	Eligible investors only
Class Z	£1,000,000	Eligible investors only

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

The Manager may at its discretion accept subscriptions lower than the minimum amount. If a holding is below the minimum holding the Manager

has the discretion to require redemption of the entire holding. For further information please refer to the prospectus.

Charges and Prices

For the funds, two unit prices are quoted, the ‘offer’ price at which you buy units and the ‘bid’ price at which you sell them back to us. The difference between these two prices includes the initial charge and is called the bid/ offer spread.

The fees and expenses of the Manager, Trustee, Registrar, Auditor and the FCA authorisation fee are payable by the funds.

Income Equalisation

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

Individual Savings Accounts

Throughout the accounting period the funds have satisfied the requirements of the Individual Savings Account Regulations 1998 (as amended).

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

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.

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 Funds 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 Fund. The Manager is monitoring the situation and will keep unitholders 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

Important Information

(continued)

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 (the 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 Inc., 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.

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.

Important Information

(continued)

Key Risks of the Funds:

The following table below shows the key risks applying to each Fund. A definition of the key risks can be found overleaf.

Funds/Key Risks	Investment Risk	Investment in Funds Risk	Issuer Risk	Inflation Risk	Interest Rate Risk	Derivatives for EPM/ Hedging Risk	Volatility Risk	High Volatility Risk	Effect of Dual Pricing Risk
Threadneedle Managed Equity Fund	X	X				X		X	X
Threadneedle Managed Equity Focused Fund	X	X	X	X	X	X		X	X
Threadneedle Managed Equity & Bond Fund	X	X	X	X	X	X	X		X
Threadneedle Managed Bond Focused Fund	X	X	X	X	X	X	X		X
Threadneedle Managed Bond Fund	X	X	X	X	X	X			X

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.

Investment in Funds Risk: The Investment Policy allows the fund to invest principally in units of other collective investment schemes. Investors should consider the investment policy and asset composition in the underlying funds when assessing their portfolio exposure.

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

Inflation Risk: Most bond and cash funds offer limited capital growth potential and an income that is not linked to inflation. Inflation is likely to affect the value of capital and income over time.

Interest Rate Risk: Changes in interest rates are likely to affect the fund's value. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa.

Derivatives for EPM/Hedging Risk: The investment policy of the fund allows The investment policy of the fund allows it to invest in derivatives for the purposes of reducing risk or minimising the cost of transactions.

Volatility Risk: The fund may exhibit significant price volatility.

High Volatility Risk: The fund typically carries a risk of high volatility due to its portfolio composition or the portfolio management techniques used. This means that the fund's value is likely to fall and rise more frequently and this could be more pronounced than with other funds.

Effect of Dual Pricing Risk: The fund is dual priced and there is a difference between the buying price and the selling price of units.

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

Directory

Manager

Threadneedle Investment Services Limited
(Authorised and Regulated by the Financial Conduct Authority (FCA))

Registered Office

Cannon Place
78 Cannon Street
London EC4N 6AG

Client Services Details

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

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

Telephone non-UK Residents: (dealing & customer enquiries): +352 46 40 10 7020*

Fax UK Investors (dealing): 0845 113 0274

Fax non-UK Investors (dealing): +352 2452 9807

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

Registrar

Threadneedle Investment Services Limited

Delegated to:

DST Financial Services Europe Limited**

(Authorised and regulated by the FCA)

St Nicholas Lane

Basildon

Essex SS15 5FS

Directors of the Manager

K Cates (non-executive)

D Jordison (Resigned from the Board on 1 May 2018)

D Kremer

A Roughead (non-executive)

M Scrimgeour (Appointed to the Board on 14 August 2017)

L Weatherup

Investment Manager

Threadneedle Asset Management Limited

(Authorised and regulated by the FCA)

Registered Office

Cannon Place
78 Cannon Street
London EC4N 6AG

Trustee

Citibank Europe plc, UK Branch

(Authorised by the Prudential Regulatory Authority (PRA)

and regulated by the FCA and PRA)

Head Office and Registered Office

Citigroup Centre

Canada Square

Canary Wharf

London E14 5LB

Legal Advisers

Eversheds Sutherland (International) LLP

One Wood Street

London EC2V 7WS

Independent Auditor

PricewaterhouseCoopers LLP

Atria One

144 Morrison Street

Edinburgh EH3 8EX

*Calls will be recorded.

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

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 236454