



QUESTIONS & ANSWERS

THREADNEEDLE MANAGED FUNDS – PROPOSED MERGERS

February 2021

Q&A – Threadneedle Managed Funds – Proposed Mergers

1. What changes are being proposed?

Columbia Threadneedle Investments is proposing to merge the Threadneedle Managed Funds range (the ‘Existing Funds’) into New Funds within the Threadneedle Opportunity Investment Funds ICVC, an open-ended investment company (OEIC), managed by us.

These funds are:

Existing Funds		New Funds
Threadneedle Managed Bond Fund	into	Threadneedle Managed Bond Fund II
Threadneedle Managed Bond Focused Fund	into	Threadneedle Managed Bond Focused Fund II
Threadneedle Managed Equity & Bond Fund	into	Threadneedle Managed Equity & Bond Fund II
Threadneedle Managed Equity Focused Fund	into	Threadneedle Managed Equity Focused Fund II
Threadneedle Managed Equity Fund	into	Threadneedle Managed Equity Fund II
Threadneedle Managed Equity Income Fund	into	Threadneedle Managed Equity Income Fund II

NB. The designation “II” included in the names of the New Funds is temporary, and will be removed from the effective date of the merger.

As a unitholder in one of more of these funds you have the opportunity to vote on these proposed mergers, which we believe to be in your best interests.

Full details of the proposed mergers can be found in the Unitholder Circular which has been sent to you.

2. Why are you proposing these changes?

We are proposing these mergers to mitigate the potential impact of US Federal Banking laws which Columbia Threadneedle Investments will be subject to from the end of May 2021. This is because Columbia Threadneedle is owned by Ameriprise Financial, Inc., a diversified financial services firm that has recently expanded its activities to include banking services in the US. Some of these US banking laws will apply to Columbia Threadneedle products, including the Managed Funds range (the ‘Existing Funds’).

The Existing Funds are unit trusts, that are managed as ‘fund of funds’, that is, they invest in a number of other underlying Threadneedle funds to gain exposure to the relevant asset classes (eg UK equities), and the portfolio manager elects how much to invest in each one. Unless these mergers are approved, Columbia Threadneedle may have to restrict how much of an underlying fund they can hold. This would impact the flexibility that the portfolio managers currently have to make investment decisions.

The New Funds will be structured as sub-funds of an open-ended investment company (OEIC), with the intention of using this structure to limit the impact of US banking laws. We anticipate that, as a result, the New Funds would be able to be managed as they are today.

We firmly believe the mergers are in the best interests of unitholders and are a sensible way to allow the Existing Funds to continue to be managed in the same way, whilst retaining the greatest possible investment flexibility for the portfolio managers to pursue each fund's investment objectives. We encourage you to vote in favour of a merger.

3. How will my investment be affected by the mergers?

If the mergers are approved, each New Fund will be managed in the same way as its Existing Fund, keeping the same portfolio manager, investment strategy, and following the same investment process.

If you are invested in the Threadneedle Managed Equity Income Fund, we have taken the opportunity to better describe how the fund is managed and introduced a performance target to provide a way to more readily measure its investment objective in the future.

The Existing Funds will be wound-up once the mergers have taken place and the New Funds are launched.

4. What do I need to do?

You are able to vote on the proposed merger with respect to each Fund in which you are a Unitholder.

It is important that you read the letter and the Unitholder Circular which were sent to you. Together, they form formal notification of the proposed changes and provide full details of the voting and merger process and implications for you as an investor.

Appendix 1 of the Unitholder Circular sets out a comparison of the Existing Funds and the proposed New Funds. We would also encourage you to read the NURS Key Investor Information document (NURS-KII) (enclosed with the Unitholder Circular) for the New Fund(s) that correspond to the Existing Fund(s) you are invested in.

Appendix 2 of the Unitholder Circular sets out in detail our proposal, and how the mergers would work.

The proposed mergers each require the passing of an extraordinary resolution at an extraordinary general meeting of unitholders of the relevant Existing Fund. To be passed, each Extraordinary Resolution requires a majority in favour of not less than 75% of the votes cast.

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5. How do I vote?

You can vote for or against the proposals for the Existing Fund(s) you are invested in, by completing the Form of Proxy which was sent to you with your letter and Unitholder Circular.

However, please note that due to the exceptional circumstances resulting from the ongoing Covid-19 public health crisis, voting cannot take place in person. Instead the Chair of the Meeting can vote on your behalf as instructed by you on the Form of Proxy. Unitholders may join the meeting virtually if they wish to do so, as set out on the cover to the Circular, and the Chair will take questions.

If you wish to vote, please return the completed Form of Proxy in the pre-paid return envelope provided to Civica Election Services Ltd, The Election Centre, 33 Clarendon Road, London N8 0NW, United Kingdom to reach us no less than 48 hours before the time of the relevant Meeting, set out below.

Fund	Date and time of Meeting	If voting by form of proxy, please return by:
Threadneedle Managed Bond Fund	10:00am UK time on 10 March 2021	10:00am UK time on 8 March 2021
Threadneedle Managed Bond Focused Fund	10:20am UK time on 10 March 2021	10:20am UK time on 8 March 2021
Threadneedle Managed Equity & Bond Fund	10:40am UK time on 10 March 2021	10:40am UK time on 8 March 2021
Threadneedle Managed Equity Focused Fund	11:00am UK time on 10 March 2021	11:00am UK time on 8 March 2021
Threadneedle Managed Equity Fund	11:20am UK time on 10 March 2021	11:20am UK time on 8 March 2021
Threadneedle Managed Equity Income Fund	11:40am UK time on 10 March 2021	11:40am UK time on 8 March 2021

Failure to return the Form of Proxy by the required time will result in it being void which means the Chair will not be entitled to vote on your behalf as directed.

The results of the votes will be published on our website:
columbiathreadneedle.com/changes.

6. What happens if I don't vote?

If you do not vote the outcome will be based on the votes cast.

For an Extraordinary Resolution to be passed, the vote needs a majority in favour of not less than 75% of the votes cast.

7. I can't find my Proxy Form. Where do I get a copy?

The Proxy Form has been sent to you with the Unitholder Circular. You can also obtain a copy by calling us on 0800 953 0134* for unitholders based in the UK or on 0044 1268 444 321 if you are based outside of the UK.

8. What are the differences between a unit trust (Existing Fund) and OEIC (New Fund)?

We set out a comparison of the main features of unit trusts and OEICs in the table below:

LEGAL STRUCTURE AND REGULATION		
Feature	Unit Trust	OEIC
Legal Structure	Trust	Company
Fund Structure	Single trust or umbrella unit trust	Single fund company or umbrella company
Regulator	Financial Conduct Authority	Financial Conduct Authority
Regulations	Financial Services and Market Act 2000 and COLL	The OEIC Regulations and COLL
Investor's Interest	Units	Shares
Management and Administration	Manager	Authorised Corporate Director (plus additional director(s) if desired)
Investments held by	Trustee	Depositary
Switching facility	Unitholders in a single unit trust are generally permitted to switch their units for units in any other trust managed by the same manager.	Shares can be switched between sub-funds of an umbrella OEIC, and into shares of a sub-fund of a different umbrella OEIC managed by the same authorised corporate director.
Pricing	Dual pricing (most commonly)	Single pricing (most commonly)
Taxation	Exempt from capital gains tax within the unit trust. Investors personally liable to income tax and capital gains tax unless units are held within an ISA.	Broadly, the same as for a unit trust.

The Existing Funds are 'unit trusts', a structure where investors buy units in a portfolio. The New Funds will be structured as sub-funds of an open-ended investment company ('OEIC'), this is a more modern structure where investors hold shares in the portfolio. Both structures are daily dealt investment funds, regulated by the Financial Conduct Authority.

In addition, the Existing Funds will move from a UK UCITS structure to a Non-UCITS Retail Scheme (NURS) which may provide some additional portfolio management benefits in the future.

The New Funds are very similar to the Existing Funds and will be managed by the same portfolio manager who will use the same investment process that is used currently to manage your investment. This means the New Funds will have the same investment strategy and associated risks as the Existing Funds. The fees and charges payable by you in the New Fund will remain at the same level as your Existing Fund.

However, the investment objective and policy of the Threadneedle Managed Equity Income Fund's corresponding New Fund has been rewritten. The New Fund's investment objective

includes a target benchmark to provide a more readily measurable investment objective for Shareholders. See Unitholder Circular for further details.

Further information on the differences between unit trusts and OEICs is available in Appendix 1, Part A of the Unitholder Circular (page 13). For a comparison of the main features of the Existing Funds and New Funds, including their investment objectives, please see Appendix 1, Part B of the Unitholder Circular (page 16).

9. Can I still invest in the Funds?

Yes, if the merger is approved, dealing in an Existing Fund will remain possible until 12 noon on 8 April 2021. You will be able to deal in the New Fund from 12 April 2021.

10. Are there any tax implications?

There are no tax implications associated with the merger. There may be tax implications depending on your individual circumstances should you decide to switch or sell units in the Existing Fund(s). We are unable to provide tax advice and we therefore suggest that you seek advice from your tax adviser about any potential tax implications before you take any action.

11. Will there be any cost to me as an investor?

No, there will be no changes to the fees and charges you currently pay, and the costs of the mergers will be met by Columbia Threadneedle Investments.

12. How will I be able to find out the result of the vote?

The results of the votes will be published on our website on 11 March 2021 at **columbiathreadneedle.com/changes**.

13. When will the mergers take place if they are approved?

If approved, each merger will take place on 9 April 2021.

14. What happens if the mergers are approved and I don't want my investment to be transferred?

If the mergers are approved and you do not wish for your investment to be transferred to the New Fund(s), you have the following options:

- You can switch your investment free of charge into another Threadneedle fund(s) in our UK range, over the telephone or in writing.
- You can sell your units in the Existing Fund(s) over the telephone or in writing and receive the proceeds in cash

You must inform us of these requests by 12 noon (UK time) on 8 April 2021, otherwise your investment will be transferred to the New Fund(s). For UK investors please call us on 0800 953 0134*. For investors outside the UK, please call +44 1268 444 321*.

15. What happens if a merger is not approved?

If the merger of an Existing Fund is not approved by its unitholders, Columbia Threadneedle may have to restrict how much of an underlying fund they can hold. This would impact the flexibility that the portfolio managers currently have to make investment decisions.

In this event, we will write to you once again to explain any further changes required.

16. Can I transfer into the New Fund if the merger is not approved?

No, this is not possible since the New Fund won't be launched unless the Existing Fund can be closed.

17. Where do I find further information?

If you are unclear about proposed fund mergers, or have any further questions, please contact us. For UK investors please call us on 0800 953 0134*. For investors outside the UK, please call +44 1268 444 321*. Our team is available from 8:00am to 6:00pm, Monday to Friday (UK time). Please note that we are unable to provide financial or tax advice.

If you are unsure about your investment you should speak to a financial adviser. If you are based in the UK, you can find one in your area by visiting www.unbiased.co.uk – please note we do not endorse the advisers on the site.

Key Investor Information documents (NURS-KIIs) for the New Funds have been sent to you with the Unitholder Circular. They are also available on our website at columbiathreadneedle.com/changes or by calling us on 0800 953 0134* for Unitholders located within the UK or on 0044 1268 444 321* for Unitholders located outside of the UK.

*Calls may be recorded