THREADNEEDLE
Global Bond (OEIC)

OBSR Fund Rating
SUSPENDED A

Key Information

Launch Date	November 1997	
Fund Size	£306.9m	
Type of Shares Available	Income & Accumulation	
Distribution Dates	7 May, 7 November	
Distribution Yield	2.90%	
ISA	Yes	
ISA Transfer	Yes	
Standard Fund Management Charges	**Initial**	3.75%
	Annual	1.25%

Classification

Sector	Global Bonds
OBSR Category	Sovereign
Benchmark/Index	JPMorgan Global Bond Ex Japan

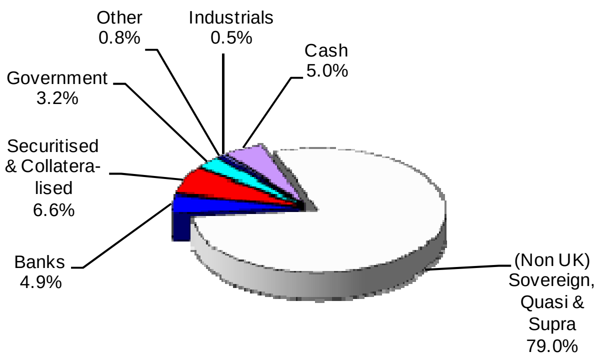
Management/Investment Style

Fund Managers	Dave Chappell (July 2010) Martin Harvey (July 2010)

This fund is an actively managed global bond offering that is largely invested in sovereign bonds and currencies. FX, duration, yield curve, cross market and credit strategies are the key sources of returns. The portfolio incorporates the team's best ideas and while the strategies can be high conviction in nature, risk is carefully controlled.

Asset Distribution

Source: Threadneedle



Top Ten Holdings

Top Ten Holdings	%
Bundesobligation 2.75% 8/4/2016	5.6
US Treasury 3.125% 15/5/2021	4.9
US Treasury 1.75% 15/11/2011	4.1
Italy Buoni Poliennali Del Tesoro 4.75% 1/9/2021	4.1
US Treasury 4.375% 15/5/2041	3.5
Italy Buoni Poliennali Del Tesoro 3% 1/4/2014	3.2
Canada Housing Trust 2.75% 15/6/2016	3.2
Bundesrepublik Deutschland 4.75% 4/7/2040	2.3
France Government 4.5% 25/4/2041	2.3
US Treasury 2.625% 15/11/2020	2.3
Concentration (Top 10)	35.5
Total Number of Holdings	69

Source: Threadneedle

Investment Objective & Methodology

The following describes the process under the former fund manager Peter Allwright.

The fund aims to achieve a total return comprising primarily income with some capital growth, by investing in a managed portfolio of fixed income securities quoted on markets world-wide. The fund seeks to provide a return (on a gross basis) that exceeds the JP Morgan Global Bond (ex Japan) index by 200 basis points a year.

The fund is managed by Peter Allwright who is a fixed income fund manager in the Government Bond team. He has a background of global bond fund management as well as market-making and trading and he joined Threadneedle in 2005. The team is headed by Quentin Fitzsimmons and it incorporates two other fund managers, a technical/investment analyst and a trainee fund manager.

Threadneedle's fixed income team believes that successful investment management requires a flexible and multi-disciplined approach, recognising that sources of investment opportunity are not constant over time. The approach is therefore designed to be flexible whilst being framed by a robust process and risk control oversight. The manager looks to a number of potential alpha sources to meet the fund's objectives – FX, duration, yield curve, cross market strategies and credit. In developing their views, the team bases its analysis around fundamental, structural and technical inputs. With regard to fundamentals, they consider economic data compared to expectations and identify developing macro trends; from a structural point of view they consider the actions of major market participants and evolving shifts in supply and demand; their technical analysis focuses on charts of securities and indices with a view to identifying trades and attractive entry and exit points. This information is prepared for a cross-section of major economies and is presented on a government scorecard through which they identify their preferences. This multi-faceted analysis results in portfolio level and trade level views which may be directional in nature, relative value opportunities, yield curve or currency related positions. When their analysis leads them to have a strong view, the manager is prepared to implement higher conviction positions but risk is reined in when they have less certainty in their views. There is also asset allocation input at the broader level from a monthly meeting at which the relative attractiveness of fixed income asset classes is considered. The manager is able to use credit in the fund and for this he relies upon internal credit analysts; however, he uses mostly short-dated bonds. In terms of the fund's risk budget, the key requirement is for the manager to run the fund with an ex ante tracking error of 5% versus the index. This broad control allows him to be flexible in how he chooses to structure the portfolio.

Risk is assessed from within and from outside the team. From a risk control perspective, daily reports provide analysis on portfolio exposures and risk such as tracking error, value-at-risk, interest rate and credit spread sensitivity. The investment risk team also monitors the portfolio and formal reviews are conducted by the Head of Fixed Income and the Head of Risk Management. The use of derivatives is permitted for the purposes of efficient portfolio management. Investors should note that while the benchmark excludes Japan, the manager is able include Japanese exposure in the fund providing the fund continues to be managed with the 5% tracking error limit.

www.obsrfundratings.co.uk

Data as at 30 June 2011
Last Updated July 2011