



**Threadneedle**  
**Focus Investment Funds ICVC**

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Threadneedle Focus Investment Funds ICVC market a variety of share classes, offering a selection of net accumulation or gross accumulation of distributable income. Different classes or combinations of classes are available on different funds. The range of share classes that exists is as follows; Class 1, Class 1 Hedged, Class 2 and Class 2 Hedged.	
All share types and classes are covered in this Interim Report.	
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## Company Information

### Company

Threadneedle Focus Investment Funds ICVC  
Registered Number IC000666

### Registered Office

60 St Mary Axe, London EC3A 8JQ

### Director

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

### Board of Directors of the ACD

#### Chairman and Chief Executive

C J Henderson

#### Other Directors

C D Fleming

T N Gillbanks

P J W Reed

N J Ring

## Director's Report

This is the interim report and accounts for Threadneedle Focus Investment Funds ICVC, which reviews the performance and portfolio activity of the Target Return Core Fund and the Credit Opportunities Fund over the six months to 21st July 2011.

Financial markets have had to contend with a number of adverse developments over the past six months. The period under review witnessed increasing concerns over the debt problems facing the eurozone periphery. Following the bailouts of Greece and Ireland in 2010, early April saw Portugal become the third member of the eurozone to request a rescue package from the IMF and EU. In May, the problems in Greece returned to centre stage as it became evident that the country was still at risk of defaulting on its debt and would require additional funds. The Greek government passed new austerity measures, winning a crucial parliamentary vote on 30th June, and secured the next tranche of its initial bailout package.

The unrest in parts of North Africa and the Middle East also had a destabilising effect on markets. The civil unrest in Libya triggered a sharp rise in the price of oil earlier this year. On 11th March the earthquake and tsunami in Japan devastated parts of the country and led to the interruption of component supply chains. Overall, expectations for global growth have been downgraded, and there are ongoing concerns over the fiscal burdens facing the US, UK and Japan.

We hope that you find the reports informative. If you would like further information regarding any aspect of your investment, or about other Threadneedle products, please either contact us directly or speak to your financial adviser. Alternatively, you may find it helpful to visit [threadneedle.com](http://threadneedle.com) for further information about Threadneedle.

Thank you for your continued support.



**Crispin Henderson**  
Director

## Aggregated Financial Statements for Threadneedle Focus Investment Funds ICVC

### STATEMENT OF TOTAL RETURN

for the accounting period 22nd January 2011 to 21st July 2011

	2011 £000	2010 £000
Income		
Net capital gains/(losses)	3,769	(2,173)
Revenue	12,010	1,153
Expenses	(2,102)	(360)
Finance costs:		
Derivative expenses	(67)	(9)
Foreign exchange gain/(loss) on revenue	(296)	8
Interest	(19)	(1)
Net revenue/(expenses) before taxation	9,526	791
Taxation	(232)	(74)
Net revenue/(expenses) after taxation	9,294	717
<b>Total return before distributions</b>	<b>13,063</b>	<b>(1,456)</b>
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>13,063</b>	<b>(1,456)</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the accounting period 22nd January 2011 to 21st July 2011

	2011 £000	2010 £000
<b>Opening net assets attributable to shareholders</b>	249,550	37,604
Movement due to sales and repurchases of shares:		
Amounts receivable on the issue of shares	414,554	60,216
Amounts payable on the cancellation of shares	(52,820)	(17,334)
	361,734	42,882
Dilution adjustment	959	281
Change in net assets attributable to shareholders from investment activities (see statement of total return above)	13,063	(1,456)
<b>Closing net assets attributable to shareholders</b>	<b>625,306</b>	<b>79,311</b>

The comparatives used within the Statement of Change in Net Assets Attributable to Shareholders are for the corresponding period of the previous year. Therefore the opening net assets attributable to shareholders for the current year are at 21st January 2011 whilst the figure disclosed in the comparatives' closing net assets attributable to shareholders is at 21st July 2010.

### BALANCE SHEET

as at 21st July 2011

	January	
	2011 £000	2011 £000
<b>Assets</b>		
<b>Investment assets</b>	566,487	191,623
Debtors	26,517	34,239
Cash and bank balances	49,709	79,497
Total other assets	76,226	113,736
<b>Total assets</b>	<b>642,713</b>	<b>305,359</b>
<b>Liabilities</b>		
<b>Derivative liabilities</b>	(3,271)	(1,897)
Creditors	(14,136)	(52,529)
Bank overdrafts	-	(1,383)
Total other liabilities	(14,136)	(53,912)
<b>Total liabilities</b>	<b>(17,407)</b>	<b>(55,809)</b>
<b>Net assets attributable to shareholders</b>	<b>625,306</b>	<b>249,550</b>

The aggregated financial statements represent the sum of the individual funds within the umbrella company. Further analysis of the distribution and the net asset position can be found within the financial statements of the individual funds.

We hereby certify the Interim Report and Accounts on behalf of the Directors of Threadneedle Investment Services Limited.

**C J Henderson**  
Director

**T N Gillbanks**  
Director

1st September 2011

# Notes to the Aggregated Financial Statements for Threadneedle Focus Investment Funds ICVC

## Notes to the financial statements

*for the accounting period 22nd January 2011 to 21st July 2011*

### 1 ACCOUNTING POLICIES

#### (1) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (the "SORP") for Financial Statements of Authorised Funds issued by the Investment Management Association (IMA) in October 2010.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 21st January 2011 and are described in those financial statements.

#### (2) Aggregation

The aggregated financial statements represent the sum of the individual funds within the umbrella company. Further analysis of the distribution and the net asset position can be found within the financial statements of the individual funds.

#### (3) Notes

In accordance with the guidelines of the SORP the funds have taken advantage of the facility not to provide further notes to the financial statements.

## Credit Opportunities Fund

### Investment Report

#### Investment Objective

The investment objective of the Credit Opportunities Fund is to achieve a total positive return in all market conditions.

#### Investment Policy

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

The ACD will invest primarily in corporate bonds, sovereign bonds and other debt securities including money market securities.

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

In addition, the ACD may use derivatives and forward transactions. The ACD may take long and short positions through derivatives.

#### Performance of Gross Accumulation Class 1 Shares

Over the six months to 21st July 2011, the published share price of the Threadneedle Credit Opportunities Fund has risen from 1.1550 to 1.1742 euros.

The total return on the Fund for the six months ending 31st July 2011, including gross reinvested income in euros, is +1.99%.

For information the Citigroup EUR 1 Month Eurodeposit Total Return Index returned +0.49% over the same period.

#### Portfolio Activity

The Threadneedle Credit Opportunities Fund performed well over the period under review, once again surpassing both the benchmark and performance target.

Credit markets proved volatile as investors were confronted with macroeconomic shocks in Japan and the Middle East, as well as slowing growth in the developed world and sovereign debt fears in the European periphery. In this environment, the fund's target markets of high yield and investment

grade corporate credit performed strongly in the first quarter of the review period but gave back some of these gains in the second quarter.

Over the reporting period, the largest contributor to the fund's performance was the 'event' strategy, where the manager has gradually increased exposure to take advantage of the record number of refinancings which have arisen in the low rate environment. The fund has also continued to add exposure to hybrid bank capital as new regulations incentivise banks to call their bonds at the first date.

The core "carry" book has continued to be a strong contributor, although it has diminished in overall importance compared to the previous year. The "directional" strategy has similarly been a positive contributor, and the fund continues to be selectively active in the new issue market, as well as running a small book of high conviction long ideas. Against this, the manager has added some short positions in investment grade.

### STATEMENT OF TOTAL RETURN

for the accounting period 22nd January 2011 to 21st July 2011

	2011 £000	2010 £000
Income		
Net capital gains/(losses)	3,622	(1,062)
Revenue	11,948	942
Expenses	(2,079)	(306)
Finance costs:		
Derivative expense	(67)	-
Foreign exchange gain/(loss) on net revenue	(286)	9
Interest	(18)	(1)
Net revenue/(expenses) before taxation	9,498	644
Taxation	(231)	(60)
Net revenue/(expenses) after taxation	9,267	584
<b>Total return before distributions</b>	<b>12,889</b>	<b>(478)</b>
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>12,889</b>	<b>(478)</b>

### BALANCE SHEET

as at 21st July 2011

	2011 £000	January 2011 £000
<b>Assets</b>		
<b>Investment assets</b>	563,468	183,033
Debtors	26,455	33,987
Cash and bank balances	49,170	79,262
Total other assets	75,625	113,249
Total assets	639,093	296,282
<b>Liabilities</b>		
<b>Derivative liabilities</b>	(3,227)	(1,837)
Creditors	(14,101)	(52,442)
Bank overdrafts	-	(1,375)
Total other liabilities	(14,101)	(53,817)
Total liabilities	(17,328)	(55,654)
<b>Net assets attributable to shareholders</b>	<b>621,765</b>	<b>240,628</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the accounting period 22nd January 2011 to 21st July 2011

	2011 £000	2010 £000
<b>Opening net assets attributable to shareholders</b>	<b>240,628</b>	<b>13,996</b>
Movement due to sales and repurchases of shares:		
Amounts receivable on the issue of shares	412,334	51,272
Amounts payable on the cancellation of shares	(45,041)	(3,479)
	367,293	47,793
Dilution adjustment	955	264
Change in net assets attributable to shareholders from investment activities (see statement of total return above)	12,889	(478)
<b>Closing net assets attributable to shareholders</b>	<b>621,765</b>	<b>61,575</b>

The comparatives used within the Statement of Change in Net Assets Attributable to Shareholders are for the corresponding period of the previous year. Therefore the opening net assets attributable to shareholders for the current year are at 21st January 2011 whilst the figure disclosed in the comparatives' closing net assets attributable to shareholders is at 21st July 2010.

Please refer to page 17 for comparative tables.

### Notes to the financial statements

for the accounting period 22nd January 2011 to 21st July 2011

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the aggregated financial statements on page 5.

## Target Return Core Fund

### Investment Report

#### Investment Objective

The investment objective of the Target Return Core Fund is to achieve a total positive return in Euro in all market conditions.

#### Investment Policy

The ACD's investment policy is to invest the assets of the Fund to gain exposure to global bond, money market and currency markets.

The ACD will invest in derivatives, cash and near cash, collective investment schemes, fixed interest securities, index linked securities, money market instruments and deposits. At times the portfolio may be concentrated in any one or a combination of such assets. The ACD may take long and short positions through derivatives in such issues. The ACD may invest in both Euro and non-Euro denominated instruments listed above and may choose to hedge non-Euro investments into Euro but is not required to do so.

#### Performance of Net Accumulation Class 1 Shares

Over the six months to 21st July 2011, the published share price of the Threadneedle

Target Return Core Fund has fallen from 1.0601 to 1.0464 euros.

The total return on the Fund for the six months ending 31st July 2011, including net reinvested income in euros, is -1.09%.

For information the Euro Overnight Index Average Total Return Index returned +0.46% over the same period, in euros.

#### Portfolio Activity

The Threadneedle Target Return Core Fund delivered a negative return over the period under review. The fund produced a positive return over the first quarter of the reporting period, slightly lagging the benchmark EONIA, but underperformed in the second quarter. The primary detractor from the fund's performance was the rates strategy, while the strongest contributor was the short dated high grade portfolio.

Within the rates strategy, we were positioned for yields to rise by holding short positions in US treasuries, UK gilts and Japanese government bonds over the period. This was in accordance with our view that core government bonds were overvalued in light of: rising commodity prices and the loss of central bank

credibility, increasing the threat of persistent inflation; low yields following quantitative easing; and serious concerns over the fiscal burdens of the US, UK and Japan. Within FX, the fund was broadly positioned long Asian currencies versus European currencies and was short the Swiss franc on an overvaluation basis.

The period under review was characterised by a "risk-off" tone as investors fled to quality assets. As a result, government bonds were bought by investors, lowering yields and hurting our short duration positions. The flight to quality was caused by: increasing concerns over the solvency of peripheral European sovereigns; the destabilising effect of the social unrest in the Middle East; and downgrades to global growth following the exogenous shocks to Japan and subsequent supply chain interruptions.

Going forward, we continue to hold our position for higher yields but have been hedged with opposite positions in German bunds as well as Australian dollar denominated paper. We will keep a close watch on the ongoing debt ceiling discussions in the US and the impact that any resolution will have on US credit quality.

### STATEMENT OF TOTAL RETURN

for the accounting period 22nd January 2011 to 21st July 2011

	2011 £000	2010 £000
Income		
Net capital gains/(losses)	147	(1,111)
Revenue	62	211
Expenses	(23)	(54)
Finance costs:		
Foreign exchange gain/(loss) on net revenue	(10)	(1)
Derivative expense	-	(9)
Interest	(1)	-
Net revenue/(expenses) before taxation	28	147
Taxation	(1)	(14)
Net revenue/(expenses) after taxation	27	133
<b>Total return before distributions</b>	<b>174</b>	<b>(978)</b>
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>174</b>	<b>(978)</b>

### BALANCE SHEET

as at 21st July 2011

	2011 £000	January 2011 £000
<b>Assets</b>		
<b>Investment assets</b>	3,019	8,590
Debtors	62	252
Cash and bank balances	539	235
Total other assets	601	487
Total assets	3,620	9,077
<b>Liabilities</b>		
<b>Derivative liabilities</b>	(44)	(60)
Creditors	(35)	(87)
Bank overdrafts	-	(8)
Total other liabilities	(35)	(95)
Total liabilities	(79)	(155)
<b>Net assets attributable to shareholders</b>	<b>3,541</b>	<b>8,922</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the accounting period 22nd January 2011 to 21st July 2011

	2011 £000	2010 £000
<b>Opening net assets attributable to shareholders</b>	8,922	23,608
Movement due to sales and repurchases of shares:		
Amounts receivable on the issue of shares	2,220	8,944
Amounts payable on the cancellation of shares	(7,779)	(13,855)
	(5,559)	(4,911)
Dilution adjustment	4	17
Change in net assets attributable to shareholders from investment activities (see statement of total return above)	174	(978)
<b>Closing net assets attributable to shareholders</b>	<b>3,541</b>	<b>17,736</b>

The comparatives used within the Statement of Change in Net Assets Attributable to Shareholders are for the corresponding period of the previous year. Therefore the opening net assets attributable to shareholders for the current year are at 21st January 2011 whilst the figure disclosed in the comparatives' closing net assets attributable to shareholders is at 21st July 2010.

Please refer to page 18 for comparative tables.

### Notes to the financial statements

for the accounting period 22nd January 2011 to 21st July 2011

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the aggregated financial statements on page 5.

## Credit Opportunities Fund

### Portfolio statement

as at 21st July 2011

	Holding	Investment	Value £000	% of Net Asset Value		Holding	Investment	Value £000	% of Net Asset Value
<b>AUSTRIA (2.75%, January 2011 – 3.47%)</b>									
		<b>A– (0.96%, January 2011 – 0.00%)</b>							
EUR	7,150,000	Erste Group Bank 1.732% 19/07/2017	5,949	0.96	EUR	1,148,000	Grohe Holdings 4.48% 15/01/2014	1,000	0.16
		<b>BB (1.79%, January 2011 – 0.00%)</b>			EUR	5,000,000	Grohe Holdings 8.625% 01/10/2014	4,383	0.71
EUR	11,400,000	PE Paper Escrow 11.75% 01/08/2014	11,160	1.79	<b>Total Germany</b>				
		<b>B+ (0.00%, January 2011 – 3.47%)</b>						<b>14,972</b>	<b>2.41</b>
		<b>Total Austria</b>	<b>17,109</b>	<b>2.75</b>	<b>LUXEMBOURG (13.64%, January 2011 – 4.32%)</b>				
<b>CANADA (2.18%, January 2011 – 0.00%)</b>									
		<b>BB+ (2.18%, January 2011 – 0.00%)</b>			USD	2,750,000	UniCredito Luxembourg Finance 5.584% 13/01/2017	1,688	0.27
EUR	14,878,000	Bombardier 7.25% 15/11/2016	13,537	2.18	<b>Ba1 (3.26%, January 2011 – 3.63%)</b>				
		<b>Total Canada</b>	<b>13,537</b>	<b>2.18</b>	EUR	22,250,000	Prologis International 7.625% 23/10/2014	20,297	3.26
<b>CAYMAN ISLANDS (1.33%, January 2011 – 0.89%)</b>									
		<b>Not Rated (1.33%, January 2011 – 0.89%)</b>			EUR	29,000,000	Fiat Finance & Trade 9% 30/07/2012	26,282	4.23
GBP	6,220,000	Countrywide Holdings 10% 08/05/2018	6,158	0.99					
USD	3,500,000	PSOS Finance 12% 06/10/2015	2,143	0.34	EUR	12,625,000	Calcipar 2.737% 01/07/2014	10,126	1.63
		<b>Total Cayman Islands</b>	<b>8,301</b>	<b>1.33</b>	EUR	5,000,000	Telenet Finance IV Luxembourg 5.344% 15/06/2021	4,326	0.69
<b>DENMARK (1.20%, January 2011 – 0.00%)</b>									
		<b>B (1.20%, January 2011 – 0.00%)</b>			EUR	5,000,000	Lecta 4.045% 15/02/2014	4,215	0.68
EUR	8,300,000	ISS Holdings 8.875% 15/05/2016	7,441	1.20					
		<b>Total Denmark</b>	<b>7,441</b>	<b>1.20</b>	EUR	4,390,000	Codere Finance Luxembourg 8.25% 15/06/2015 XS022158767	3,853	0.62
<b>FINLAND (1.45%, January 2011 – 0.00%)</b>									
		<b>B– (1.45%, January 2011 – 0.00%)</b>			EUR	3,030,000	Codere Finance Luxembourg 8.25% 15/06/2015 XS0528926354	2,655	0.43
EUR	9,835,000	M-real 8.75% 01/04/2013	9,010	1.45					
		<b>Total Finland</b>	<b>9,010</b>	<b>1.45</b>	EUR	13,650,000	Lecta 5.42% 15/02/2014	11,382	1.83
<b>FRANCE (6.25%, January 2011 – 5.26%)</b>									
		<b>A (2.49%, January 2011 – 0.00%)</b>			<b>Total Luxembourg</b>				
USD	9,900,000	Banque Fédérative du Crédit Mutuel 0.4465% 27/09/2016	6,057	0.97				<b>84,824</b>	<b>13.64</b>
EUR	3,900,000	Credit Logement 2.071% 29/11/2049	2,686	0.43	<b>NETHERLANDS (5.39%, January 2011 – 10.15%)</b>				
EUR	10,100,000	Credit Logement 2.627% 29/03/2049	6,803	1.09					
		<b>BB+ (2.88%, January 2011 – 0.00%)</b>			USD	15,000,000	ING Bank 0.44575% 03/07/2017	8,537	1.37
GBP	17,100,000	Lafarge 6.875% 06/11/2012	17,895	2.88	EUR	10,000,000	ABN Amro Bank 6.375% 27/04/2021	8,791	1.41
		<b>BB (0.88%, January 2011 – 2.19%)</b>			EUR	2,574,000	HeidelbergCement Finance 7.625% 25/01/2012	2,304	0.37
EUR	6,222,379	Rhodia 4.355% 15/10/2013	5,439	0.88	EUR	4,000,000	Refresco Group 5.42% 15/05/2018	3,521	0.57
		<b>B+e (0.00%, January 2011 – 0.36%)</b>							
		<b>Not Rated (0.00%, January 2011 – 2.71%)</b>							
		<b>Total France</b>	<b>38,880</b>	<b>6.25</b>	<b>Not Rated (1.67%, January 2011 – 5.82%)</b>				
<b>GERMANY (2.41%, January 2011 – 0.32%)</b>									
		<b>BBB (0.13%, January 2011 – 0.32%)</b>			EUR	6,256,009	Art Five 6.85341% 16/12/2014	5,648	0.91
EUR	1,000,000	Deutsche Pfandbriefbank 2.277% 18/09/2012	830	0.13	EUR	5,937,694	Boats Investment Netherlands 11% 13/03/2017	4,710	0.76
		<b>B+ (1.41%, January 2011 – 0.00%)</b>			<b>Total Netherlands</b>				
EUR	10,000,000	Kabel BW Erste Beteiligungs 5.721% 15/03/2018	8,759	1.41				<b>33,511</b>	<b>5.39</b>

## Credit Opportunities Fund

### Portfolio statement

(continued)

	Holding	Investment	Value £000	% of Net Asset Value		Holding	Investment	Value £000	% of Net Asset Value
<b>NORWAY (0.56%, January 2011 – 3.55%)</b>					<b>BBB+ (3.60%, January 2011 – 0.48%)</b>				
		<b>B- (0.13%, January 2011 – 0.34%)</b>			EUR	3,570,000	Aviva 5.75% 14/11/2021	3,121	0.50
USD	1,297,000	Norske Skogindustrier 7.625% 15/10/2011	794	0.13	EUR	7,000,000	Nationwide Building Society 1.73% 22/12/2016	5,868	0.94
		<b>Not Rated (0.43%, January 2011 – 3.21%)</b>			USD	5,500,000	Royal Bank of Scotland 0.454% 29/08/2017	2,850	0.46
USD	6,000,000	Sevan Marine 3.417% 14/05/2013	2,672	0.43	EUR	12,500,000	Royal Bank of Scotland 2.211% 28/01/2016	9,402	1.51
		<b>Total Norway</b>	<b>3,466</b>	<b>0.56</b>	GBP	1,000,000	RSA Insurance Group 9.375% 20/05/2039	1,194	0.19
<b>REPUBLIC OF IRELAND (2.10%, January 2011 – 1.05%)</b>					<b>BBB (4.83%, January 2011 – 2.47%)</b>				
		<b>A1 (0.00%, January 2011 – 0.55%)</b>			GBP	13,740,000	Anglian Water Services Financing 7.882% 30/07/2037	14,423	2.32
		<b>BBB+ (0.00%, January 2011 – 0.14%)</b>			EUR	18,000,000	HBOS 1.702% 21/03/2017	13,524	2.17
EUR	2,050,000	<b>Baa3 (0.58%, January 2011 – 0.00%)</b> Bank of Ireland Mortgage Bank 3.25% 22/06/2015	1,276	0.20	GBP	1,725,000	Perma 6 5C 1.62438% 10/06/2042	1,717	0.28
EUR	3,195,000	Bank of Ireland Mortgage Bank 4% 05/07/2013	2,341	0.38	GBP	386,000	Tate & Lyle International Finance 6.5% 28/06/2012	400	0.06
		<b>BB (0.82%, January 2011 – 0.00%)</b>			GBP	7,135,000	Co-operative 5.625% 08/07/2020	7,248	1.17
EUR	6,000,000	Allied Irish Banks 1.546% 15/09/2011	5,084	0.82	GBP	12,017,000	FirstGroup 6.875% 15/04/2013	12,793	2.06
		<b>B (0.34%, January 2011 – 0.00%)</b>			GBP	4,850,000	Marks & Spencer 6.875% 13/12/2037	5,097	0.82
EUR	2,425,000	Smurfit Kappa Acquisitions Unrestricted 7.75% 01/04/2015	2,153	0.34	<b>BB+ (0.00%, January 2011 – 0.78%)</b>				
		<b>B- (0.36%, January 2011 – 0.00%)</b>			GBP	1,000,000	BB (4.95%, January 2011 – 0.44%) Daily Mail & General Trust 7.5% 29/03/2013	1,060	0.17
EUR	2,500,000	ARD Finance 0% 01/06/2018	2,225	0.36	EUR	10,000,000	FCE Bank 7.125% 15/01/2013	9,006	1.45
		<b>CCC (0.00%, January 2011 – 0.36%)</b>			EUR	21,000,000	FCE Bank 7.125% 16/01/2012	18,626	3.00
		<b>Total Republic of Ireland</b>	<b>13,079</b>	<b>2.10</b>	GBP	2,000,000	Ladbrokes Group Finance 7.125% 11/07/2012	2,063	0.33
<b>SPAIN (0.29%, January 2011 – 0.00%)</b>					<b>BB- (0.00%, January 2011 – 4.12%)</b>				
		<b>Ba2 (0.29%, January 2011 – 0.00%)</b>			GBP	7,310,000	B+ (1.72%, January 2011 – 1.50%) Cable & Wireless 8.75% 06/08/2012	7,456	1.20
EUR	2,050,000	Obrascon Huarte Lain 6.25% 18/05/2012	1,809	0.29	EUR	1,875,000	Eco-Bat Finance 10.125% 31/01/2013	1,652	0.27
		<b>Total Spain</b>	<b>1,809</b>	<b>0.29</b>	GBP	1,450,000	Taylor Wimpey 10.375% 31/12/2015	1,561	0.25
<b>UNITED KINGDOM (31.04%, January 2011 – 26.25%)</b>					<b>B1 (0.68%, January 2011 – 0.00%)</b>				
		<b>AAA (1.82%, January 2011 – 4.33%)</b>			GBP	4,402,000	DSG International 6.125% 15/11/2012	4,238	0.68
USD	550,000	Nationwide Building Society 5.5% 18/07/2012	354	0.06	EUR	15,096,000	B (2.28%, January 2011 – 3.54%) ISS Financing 11% 15/06/2014	14,184	2.28
GBP	6,000,000	Perma 6 5A2 0.98438% 10/06/2042	5,985	0.96	GBP	5,000,000	B- (0.79%, January 2011 – 0.00%) Wtow 2006 – 3 D 1.25938% 23/10/2012	4,918	0.79
GBP	5,000,000	Perma 8 5A1 0.97438% 10/06/2042	4,972	0.80	<b>CCC (0.00%, January 2011 – 0.73%)</b>				
		<b>A+ (1.67%, January 2011 – 0.95%)</b>			EUR	21,965,000	Not Rated (3.06%, January 2011 – 0.00%) Avis Finance 4% 31/07/2013	19,019	3.06
GBP	10,208,000	HSBC Bank 5.75% 27/06/2017	10,395	1.67	<b>Total United Kingdom</b>				
		<b>A (0.00%, January 2011 – 1.35%)</b>						<b>193,022</b>	<b>31.04</b>
GBP	2,300,000	Clydesdale Bank 5.75% 30/03/2017	2,303	0.37					
GBP	500,000	MMO2 7.625% 25/01/2012	513	0.08					
EUR	4,000,000	Prudential 5.75% 19/12/2021	3,492	0.56					
EUR	4,100,000	Standard Chartered Bank 3.625% 03/02/2017	3,588	0.58					

## Credit Opportunities Fund

### Portfolio statement

(continued)

	Holding	Investment	Value £000	% of Net Asset Value		Holding	Investment	Value £000	% of Net Asset Value
<b>UNITED STATES OF AMERICA (18.80%, January 2011 – 18.88%)</b>					EUR	(2,000,000)	Credit Default Swaps EUR Arcelormittal 20/09/2011 Spread 100	2	–
EUR	5,550,000	<b>A (0.76%, January 2011 – 0.00%)</b> BNP Paribas Capital Trust 6.342% 29/01/2049	4,738	0.76	EUR	(1,000,000)	Credit Default Swaps EUR Banco Popolare 20/06/2016 Spread 500	(126)	(0.02)
EUR	7,500,000	<b>A– (2.34%, January 2011 – 1.96%)</b> Bank of America 4% 28/03/2018	6,008	0.97	EUR	7,000,000	Credit Default Swaps EUR Bank of America 20/03/2016 Spread 100	61	0.01
EUR	6,000,000	Citigroup 3.625% 30/11/2017	4,858	0.78	EUR	500,000	Credit Default Swaps EUR Bank of Scotland 20/12/2016 Spread 100	46	0.01
EUR	4,525,000	Citigroup 4.75% 31/05/2017	3,664	0.59	EUR	5,000,000	Credit Default Swaps EUR Bank of Scotland 20/03/2016 Spread 300	1	–
GBP	5,320,000	<b>BBB (0.94%, January 2011 – 0.00%)</b> Pemex Project Funding Master 7.5% 18/12/2013	5,812	0.94	EUR	1,250,000	Credit Default Swaps EUR Bank of Scotland 20/03/2016 Spread 300	6	–
EUR	10,000,000	<b>BBB– (2.97%, January 2011 – 2.28%)</b> International Lease Finance 1.795% 15/08/2011	8,731	1.40	EUR	5,000,000	Credit Default Swaps EUR Bank of Scotland 20/06/2016 Spread 300	5	–
EUR	9,050,000	SLM 3.125% 17/09/2012	7,833	1.26	EUR	1,000,000	Credit Default Swaps EUR Bank of Scotland 20/12/2016 Spread 300	15	–
USD	3,000,000	SLM 5.125% 27/08/2012	1,913	0.31	EUR	2,500,000	Credit Default Swaps EUR Bank of Scotland 20/12/2016 Spread 300	37	0.01
EUR	22,594,950	<b>BB+ (3.46%, January 2011 – 1.33%)</b> Lyondell Chemical 8% 01/11/2017	21,489	3.46	EUR	500,000	Credit Default Swaps EUR BAT International Finance 20/12/2014 Spread 100	(9)	–
EUR		<b>BB (0.00%, January 2011 – 1.94%)</b>			EUR	(1,000,000)	Credit Default Swaps EUR BP 20/09/2011 Spread 100	1	–
GBP	7,375,000	<b>B+ (1.18%, January 2011 – 0.00%)</b> Iron Mountain 7.25% 15/04/2014	7,355	1.18	EUR	(1,000,000)	Credit Default Swaps EUR BP 20/09/2011 Spread 100	1	–
EUR	15,841,600	<b>B (2.32%, January 2011 – 4.43%)</b> Kronos International 6.5% 15/04/2013	13,939	2.24	EUR	(2,000,000)	Credit Default Swaps EUR British Airways 20/09/2011 Spread 500	11	–
USD	800,000	Springleaf Finance 5.625% 17/08/2011	494	0.08	EUR	5,500,000	Credit Default Swaps EUR Citigroup 20/03/2014 Spread 100	42	0.01
EUR	14,000,000	<b>B– (4.83%, January 2011 – 4.20%)</b> Hertz 7.875% 01/01/2014	12,332	1.98	EUR	(2,000,000)	Credit Default Swaps EUR Codere Finance Luxembourg 20/09/2011 Spread 500	9	–
EUR	4,265,000	Huntsman International 6.875% 15/11/2013	3,813	0.61	EUR	1,500,000	Credit Default Swaps EUR Compass Group 20/09/2015 Spread 100	(27)	–
EUR	3,000,000	Huntsman LLC 7.5% 01/01/2015	2,656	0.43	EUR	4,000,000	Credit Default Swaps EUR Deutsche Telekom 20/03/2016 Spread 100	(26)	–
USD	4,775,000	WMG Acquisition 7.375% 15/04/2014	2,999	0.48	EUR	(2,500,000)	Credit Default Swaps EUR Fiat 20/09/2011 Spread 100	–	–
GBP	8,250,000	WMG Acquisition 8.125% 15/04/2014	8,250	1.33	EUR	(500,000)	Credit Default Swaps EUR Glencore International 20/09/2011 Spread 100	–	–
EUR		<b>B3 (0.00%, January 2011 – 2.74%)</b>			EUR	(2,500,000)	Credit Default Swaps EUR Grohe Holding 20/09/2011 Spread 500	12	–
		<b>Total United States of America</b>	<b>116,884</b>	<b>18.80</b>	EUR	(2,000,000)	Credit Default Swaps EUR Grohe Holding 20/12/2011 Spread 500	28	–
<b>DERIVATIVES (0.71%, January 2011 – 1.16%)</b>					EUR	(5,000,000)	Credit Default Swaps EUR Hellenic Telecommunications 20/03/2012 Spread 100	(353)	(0.06)
EUR	(2,000,000)	<b>Credit Default Swaps (0.65%, January 2011 – 0.91%)</b> Credit Default Swaps Continental Akt Spread 500 20/09/2011	13	–	EUR	(5,000,000)	Credit Default Swaps EUR Hellenic Telecommunications 20/03/2012 Spread 100	(382)	(0.06)
EUR	(4,000,000)	Credit Default Swaps Continental Gummi Finance 20/03/2014 Spread 500	281	0.05	EUR	(1,000,000)	Credit Default Swaps EUR Imperial Tobacco Group 20/06/2015 Spread 100	8	–
EUR	(1,000,000)	Credit Default Swaps Continental Gummi Finance 20/09/2012 Spread 500	41	0.01	EUR	4,000,000	Credit Default Swaps EUR Koninklijke KPN 20/03/2016 Spread 100	(31)	(0.01)
EUR	(5,000,000)	Credit Default Swaps Continental Gummi Finance 20/12/2013 Spread 500	344	0.06	EUR	(2,000,000)	Credit Default Swaps EUR Lafarge 20/09/2011 Spread 100	1	–
EUR	3,000,000	Credit Default Swaps Continental Gummi Finance 20/12/2015 Spread 500	(256)	(0.04)	EUR	3,000,000	Credit Default Swaps EUR Markit iTraxx Cross-over 20/06/2015 Spread 500	(83)	(0.01)
EUR	8,000,000	Credit Default Swaps EUR Accor 20/03/2016 Spread 100	10	–	EUR	5,000,000	Credit Default Swaps EUR Markit iTraxx Cross-over 20/12/2015 Spread 500	(73)	(0.01)



## Credit Opportunities Fund

### Portfolio statement

(continued)

Investment	Value £000	% of Net Asset Value	Investment	Value £000	% of Net Asset Value
<b>Forward Foreign Exchange Contracts (0.12%, January 2011 – 0.24%)</b>			Sell EUR 59,989		
Sell GBP 504,664			Buy GBP 53,887	1	–
Buy EUR 572,232	(3)	–	Sell EUR 62,909		
Sell EUR 1,313,115			Buy GBP 56,227	1	–
Buy USD 1,875,000	11	–	Sell EUR 63		
Sell EUR 1,945,729			Buy GBP 56	–	–
Buy GBP 1,730,000	25	0.01	Sell EUR 63,318		
Sell EUR 11,236			Buy GBP 56,592	1	–
Buy GBP 10,056	–	–	Sell EUR 66,017		
Sell EUR 12,273,372			Buy GBP 59,004	1	–
Buy USD 17,500,000	84	0.01	Sell EUR 67,839		
Sell EUR 120,080			Buy GBP 59,700	–	–
Buy USD 170,357	–	–	Sell EUR 69,390		
Sell EUR 14,229			Buy GBP 61,197	–	–
Buy GBP 12,825	–	–	Sell EUR 693,994		
Sell EUR 14,450			Buy GBP 623,408	15	–
Buy GBP 12,775	–	–	Sell EUR 7		
Sell EUR 144,017			Buy GBP 6	–	–
Buy GBP 129,799	4	–	Sell EUR 72,281		
Sell EUR 145,604			Buy GBP 65,347	2	–
Buy GBP 128,135	1	–	Sell EUR 86,661		
Sell EUR 16,760			Buy GBP 76,842	1	–
Buy GBP 14,861	–	–	Sell EUR 87,625		
Sell EUR 2,146			Buy GBP 78,284	1	–
Buy GBP 1,884	–	–	Sell EUR 9,035		
Sell EUR 205,329			Buy GBP 7,959	–	–
Buy GBP 180,886	1	–	Sell GBP 1,000,000		
Sell EUR 214,449			Buy EUR 1,116,298	(22)	–
Buy GBP 187,161	(1)	–	Sell GBP 1,000,000		
Sell EUR 216,369			Buy USD 1,610,678	(3)	–
Buy GBP 190,237	1	–	Sell GBP 1,600,000		
Sell EUR 25,200			Buy EUR 1,826,895	1	–
Buy GBP 22,692	1	–	Sell GBP 1,725,000		
Sell EUR 29,691			Buy EUR 1,932,667	(32)	–
Buy GBP 26,573	1	–	Sell GBP 14,000,000		
Sell EUR 31,591			Buy EUR 16,078,943	87	0.02
Buy USD 44,794	–	–	Sell GBP 15,000,000		
Sell EUR 31,847			Buy EUR 17,196,215	66	0.01
Buy GBP 28,792	1	–	Sell GBP 2,000,000		
Sell EUR 32,978			Buy EUR 2,207,995	(66)	(0.01)
Buy GBP 29,296	–	–	Sell GBP 2,970,000		
Sell EUR 35,187			Buy EUR 3,343,973	(40)	(0.01)
Buy GBP 31,807	1	–	Sell GBP 350,000		
Sell EUR 365,701			Buy EUR 398,371	(1)	–
Buy GBP 330,579	10	–	Sell GBP 4,300,000		
Sell EUR 39,082,688			Buy EUR 4,893,081	(13)	–
Buy GBP 34,701,519	450	0.07	Sell GBP 5,000,000		
Sell EUR 4,328			Buy EUR 5,580,021	(111)	(0.02)
Buy GBP 3,867	–	–	Sell GBP 55,855,597		
Sell EUR 42,852			Buy EUR 64,149,926	348	0.06
Buy GBP 38,300	1	–	Sell GBP 8,150,000		
Sell EUR 471,721			Buy EUR 9,288,406	(12)	–
Buy GBP 414,091	1	–	Sell GBP 8,200,000		
Sell EUR 49,998,430			Buy EUR 9,397,193	33	0.01
Buy GBP 44,393,606	576	0.09	Sell GBP 8,400,000		
Sell EUR 5,326,081			Buy EUR 9,540,565	(41)	(0.01)
Buy USD 7,550,253	3	–	Sell GBP 8,700,000		
Sell EUR 50,680			Buy EUR 9,853,712	(67)	(0.01)
Buy GBP 45,636	1	–	Sell GBP 900,000		
Sell EUR 56,443			Buy EUR 1,037,023	9	–
Buy GBP 49,747	–	–	Sell USD 1,600,656		
Sell EUR 567,465			Buy GBP 1,000,000	10	–
Buy GBP 504,106	7	–	Sell USD 1,700,000		
			Buy EUR 1,193,354	(7)	–

## Credit Opportunities Fund

### Portfolio statement

(continued)

Investment	Value £000	% of Net Asset Value
Sell USD 10,022		
Buy GBP 6,255	-	-
Sell USD 14,156		
Buy EUR 9,756	-	-
Sell USD 140,338		
Buy EUR 98,386	(1)	-
Sell USD 16,430		
Buy EUR 11,347	-	-
Sell USD 23,711		
Buy EUR 16,546	-	-
Sell USD 38,596		
Buy EUR 27,441	-	-
Sell USD 47,902		
Buy EUR 33,595	-	-
Sell USD 6,771		
Buy EUR 4,827	-	-
Sell USD 72,853,000		
Buy EUR 50,807,092	(602)	(0.10)
<b>Total Derivatives</b>	<b>4,396</b>	<b>0.71</b>
<b>Total Value of Investments</b>	<b>560,241</b>	<b>90.10</b>
<b>Net Other Assets (January 2011 – 24.70%)</b>	<b>61,524</b>	<b>9.90</b>
<b>Net Assets</b>	<b>621,765</b>	<b>100.00</b>

#### ANALYSIS OF INVESTMENTS BY ASSET CLASS

Fixed Interest	344,035	61.41
Floating Rate Notes	211,810	37.81
Derivatives	4,396	0.78
<b>Total Value of Investments</b>	<b>560,241</b>	<b>100.00</b>

#### ANALYSIS OF INVESTMENTS BY CREDIT RATINGS

AAA	11,311
A+	10,395
A	28,821
A-	40,854
BBB+	22,435
BBB	36,706
BBB-	43,615
Baa3	3,617
BB+	52,921
Ba1	20,297
BB	81,024
Ba2	1,809
BB-	13,647
Ba3	4,326
B+	30,998
B1	4,238
B	44,719
B-	59,379
CCC	4,383
Not Rated	40,350
<b>Total Bonds</b>	<b>555,845</b>
<b>Derivatives</b>	<b>4,396</b>
<b>Total Value of Investments</b>	<b>560,241</b>

At 21st July 2011, there were investments totalling £7,299,996 (1.17% of the NAV of the Fund) which were valued using a quote from a single broker. These investments trade in a limited market and may not be able to be immediately liquidated at these estimated fair values.

*The calculation of the % Net Asset Value may not sum to 100% due to rounding.*

## Target Return Core Fund

### Portfolio statement

as at 21st July 2011

Holding		Investment	Value £000	% of Net Asset Value	Holding		Investment	Value £000	% of Net Asset Value
<b>AUSTRALIA (0.00%, January 2011 – 1.43%)</b>					<b>NETHERLANDS (0.00%, January 2011 – 1.43%)</b>				
		AA (0.00%, January 2011 – 1.43%)			EUR	100,000	BBB+ (2.60%, January 2011 – 0.00%) Deutsche Telekom International Finance 4.5% 25/10/2013	92	2.60
		<b>Total Australia</b>	<b>–</b>	<b>–</b>			<b>Total Netherlands</b>	<b>498</b>	<b>14.07</b>
<b>AUSTRIA (0.00%, January 2011 – 10.97%)</b>					<b>SPAIN (4.92%, January 2011 – 0.00%)</b>				
		AAA (0.00%, January 2011 – 10.97%)			EUR	200,000	Aa2 (4.92%, January 2011 – 0.00%) Spain Letras del Tesoro 0% 21/10/2011	174	4.92
		<b>Total Austria</b>	<b>–</b>	<b>–</b>			<b>Total Spain</b>	<b>174</b>	<b>4.92</b>
<b>FRANCE (13.78%, January 2011 – 9.54%)</b>					<b>SWEDEN (4.60%, January 2011 – 10.94%)</b>				
		AAA (0.00%, January 2011 – 7.15%)			EUR	100,000	AAA (4.60%, January 2011 – 4.76%) Nordea Hypotek 3.75% 25/10/2011	88	2.48
EUR	250,000	Aaa (7.57%, January 2011 – 0.00%) Government of France 2.89608% 25/07/2013	268	7.57	SEK	700,000	Swedish Government Index Linked 1.11038% 01/04/2012	75	2.12
EUR	150,000	A+ (3.70%, January 2011 – 2.39%) Societe Generale 2.176% 18/08/2011	131	3.70			<b>A+ (0.00%, January 2011 – 6.18%)</b>		
EUR	100,000	A– (2.51%, January 2011 – 0.00%) France Telecom 4.375% 21/02/2012	89	2.51			<b>Total Sweden</b>	<b>163</b>	<b>4.60</b>
		<b>Total France</b>	<b>488</b>	<b>13.78</b>	<b>UNITED KINGDOM (10.11%, January 2011 – 11.11%)</b>				
<b>GERMANY (24.85%, January 2011 – 15.36%)</b>					<b>UNITED STATES OF AMERICA (10.17%, January 2011 – 0.00%)</b>				
		AAA (7.45%, January 2011 – 4.83%)			EUR	200,000	AAA (5.00%, January 2011 – 7.29%) Nationwide Building Society 4.125% 27/02/2012	177	5.00
EUR	100,000	Eurohypo 3.5% 30/09/2011	88	2.48	EUR	100,000	A (2.54%, January 2011 – 0.00%) BP Capital Markets 4.5% 08/11/2012	90	2.54
EUR	200,000	IKB Deutsche Industriebank 2.875% 27/01/2012	176	4.97	EUR	100,000	A– (2.57%, January 2011 – 3.82%) Tesco 5.625% 12/09/2012	91	2.57
EUR	350,000	Aaa (12.35%, January 2011 – 6.72%) Bundesobligation 2.47417% 15/04/2013	349	9.86			<b>Total United Kingdom</b>	<b>358</b>	<b>10.11</b>
EUR	100,000	HSH Nordbank 2.75% 20/01/2012	88	2.49	<b>UNITED STATES OF AMERICA (10.17%, January 2011 – 0.00%)</b>				
EUR	100,000	AA– (2.48%, January 2011 – 3.81%) NRW Bank 1.625% 16/11/2011	88	2.48	EUR	150,000	AA (3.81%, January 2011 – 0.00%) Pfizer 3.625% 03/06/2013	135	3.81
EUR	100,000	A– (2.57%, January 2011 – 0.00%) Volkswagen Leasing 4.875% 18/10/2012	91	2.57	EUR	100,000	AA– (2.57%, January 2011 – 0.00%) Roche Holdings 4.625% 04/03/2013	91	2.57
		<b>Total Germany</b>	<b>880</b>	<b>24.85</b>	EUR	150,000	A (3.79%, January 2011 – 0.00%) Philip Morris International 4.25% 23/03/2012	134	3.79
<b>ITALY (1.24%, January 2011 – 10.43%)</b>							<b>Total United States of America</b>	<b>360</b>	<b>10.17</b>
		Not Rated (1.24%, January 2011 – 10.43%)			<b>DERIVATIVES (0.28%, January 2011 – 0.44%)</b>				
EUR	50,000	Buoni Ordinari Del Tes 0% 14/10/2011	44	1.24			<b>Credit Default Swaps</b>		
		<b>Total Italy</b>	<b>44</b>	<b>1.24</b>	EUR	800,000	(0.56%, January 2011 – 0.16%) Credit Default Swaps EUR Markit iTraxx Senior Finance 20/12/2015 Spread 100	22	0.62
<b>NETHERLANDS (14.07%, January 2011 – 25.39%)</b>					USD	300,000	Credit Default Swaps USD Emirate of Abu Dhabi 20/03/2016 Spread 100	(1)	(0.03)
		AAA (6.18%, January 2011 – 24.44%)			USD	100,000	Credit Default Swaps USD Emirate of Abu Dhabi 20/03/2016 Spread 100	–	–
EUR	250,000	Neder Waterschapsbank 4.625% 25/07/2011	219	6.18					
EUR	100,000	A+ (2.49%, January 2011 – 0.95%) ING Bank 2.184% 22/08/2011	88	2.49					
EUR	100,000	A– (2.80%, January 2011 – 0.00%) BMW Finance 8.875% 19/09/2013	99	2.80					



## Target Return Core Fund

### Portfolio statement

(continued)

	Value £000	% of Net Asset Value
<b>ANALYSIS OF INVESTMENTS BY ASSET CLASS</b>		
Fixed Interest	2,054	69.04
Floating Rate Notes	911	30.62
Derivatives	10	0.34
<b>Total Value of Investments</b>	<b>2,975</b>	<b>100.00</b>

### ANALYSIS OF INVESTMENTS BY CREDIT RATINGS

AAA	823
Aaa	705
AA	135
Aa2	174
AA-	179
A+	219
A	224
A-	370
BBB+	92
Not Rated	44
<b>Total Bonds</b>	<b>2,965</b>
Derivatives	10
<b>Total Value of Investments</b>	<b>2,975</b>

The calculation of the % Net Asset Value may not sum to 100% due to rounding.

## Comparative Tables

	Net asset value of share class £000	Net asset value per share	Shares in issue	Calendar Year	Net income per share p	Net income per £1,000 invested at launch* £
<b>Credit Opportunities Fund</b>				<b>2009</b>		
<b>for the period ended 21st January 2010</b>				Class 1 – Gross accumulation shares	–	–
Class 1 – Gross accumulation shares§	3,812	93.77p	4,064,641	Class 1 – GBP Hedged net accumulation shares	–	–
Class 1 – GBP Hedged net accumulation shares	7,932	108.55p	7,307,192	Class 1 – USD Hedged gross accumulation shares	–	–
Class 1 – USD Hedged gross accumulation shares	677	67.51p	1,003,000	§Class 2 – Gross accumulation shares	–	–
Class 2 – Gross accumulation shares§	1,575	89.84p	1,752,772	<b>2010</b>		
<b>for the year ended 21st January 2011</b>				Class 1 – Gross accumulation shares	2.0436	22.79
Class 1 – Gross accumulation shares§	57,361	97.69p	58,717,725	Class 1 – GBP Hedged net accumulation shares	2.0098	20.10
Class 1 – GBP Hedged net accumulation shares	20,774	116.58p	17,818,936	Class 1 – USD Hedged gross accumulation shares	1.5895	23.55
Class 1 – USD Hedged gross accumulation shares	624	73.55p	848,024	§Class 2 – Gross accumulation shares	0.3308	3.78
Class 2 – Gross accumulation shares§	151,307	93.85p	161,213,296	**Class 2 – GBP Hedged net accumulation shares	–	–
Class 2 – GBP Hedged net accumulation shares	10,562	104.36p	10,120,679	<b>2011</b>		
<b>for the period ended 21st July 2011</b>				†Class 1 – Gross accumulation shares	1.3135	14.65
Class 1 – Gross accumulation shares§	165,067	102.47p	161,094,565	†Class 1 – GBP Hedged net accumulation shares	1.8459	18.46
Class 1 – GBP Hedged net accumulation shares	45,915	117.85p	38,962,363	†Class 1 – USD Hedged gross accumulation shares	4.4936	66.57
Class 1 – USD Hedged gross accumulation shares	4,584	73.68p	6,221,290	§†Class 2 – Gross accumulation shares	1.2666	14.49
Class 2 – Gross accumulation shares§	370,503	98.73p	375,260,030	**†Class 2 – GBP Hedged net accumulation shares	3.6027	36.03
Class 2 – GBP Hedged net accumulation shares	35,696	106.01p	33,670,905			

§Only available to eligible investors

\*Launch date – 29th April 2009

†To 21st July 2011

§Class 2 Gross accumulation shares commenced 7th September 2009

\*\*Class 2 GBP Hedged net accumulation shares commenced 30th April 2010

Accumulation shares only available

	Net asset value of share class £000	Net asset value per share	Shares in issue	Calendar Year	Net income per share cents	Net income per €1,000 invested at launch* €	Highest share price cents	Lowest share price cents
<b>Credit Opportunities Fund</b>				<b>2009</b>				
<b>for the period ended 21st January 2010</b>				Class 1 – Gross accumulation shares	–	–	107.93	99.76
Class 1 – Gross accumulation shares§	4,378	107.70c	4,064,641	Class 1 – GBP Hedged net accumulation shares	–	–	122.75	111.30
Class 1 – GBP Hedged net accumulation shares	9,110	124.67c	7,307,192	Class 1 – USD Hedged gross accumulation shares	–	–	76.18	70.60
Class 1 – USD Hedged gross accumulation shares	778	77.54c	1,003,000	§Class 2 – Gross accumulation shares	–	–	103.52	100.00
Class 2 – Gross accumulation shares§	1,809	103.19c	1,752,772	<b>2010</b>				
<b>for the year ended 21st January 2011</b>				Class 1 – Gross accumulation shares	2.3471	23.47	115.41	107.43
Class 1 – Gross accumulation shares§	67,603	115.13c	58,717,725	Class 1 – GBP Hedged net accumulation shares	2.3083	23.08	139.29	120.32
Class 1 – GBP Hedged net accumulation shares	24,483	137.40c	17,818,936	Class 1 – USD Hedged gross accumulation shares	1.8255	18.26	94.19	75.16
Class 1 – USD Hedged gross accumulation shares	735	86.69c	848,024	§Class 2 – Gross accumulation shares	0.3799	3.80	110.83	102.91
Class 2 – Gross accumulation shares§	178,322	110.61c	161,213,296	**Class 2 – GBP Hedged net accumulation shares	–	–	124.86	114.25
Class 2 – GBP Hedged net accumulation shares	12,448	122.99c	10,120,679	<b>2011</b>				
<b>for the period ended 21st July 2011</b>				†Class 1 – Gross accumulation shares	1.5481	15.48	118.27	114.81
Class 1 – Gross accumulation shares§	188,325	116.90c	161,094,565	†Class 1 – GBP Hedged net accumulation shares	2.1755	21.76	141.75	131.31
Class 1 – GBP Hedged net accumulation shares	52,385	134.45c	38,962,363	†Class 1 – USD Hedged gross accumulation shares	5.2960	52.96	91.43	81.01
Class 1 – USD Hedged gross accumulation shares	5,230	84.07c	6,221,290	§†Class 2 – Gross accumulation shares	1.4927	14.93	113.93	110.29
Class 2 – Gross accumulation shares§	422,707	112.64c	375,260,030	**†Class 2 – GBP Hedged net accumulation shares	4.2459	42.46	127.24	118.10
Class 2 – GBP Hedged net accumulation shares	40,725	120.95c	33,670,905					

§Only available to eligible investors

\*Launch date – 29th April 2009

†To 21st July 2011

§Class 2 Gross accumulation shares commenced 7th September 2009

\*\*Class 2 GBP Hedged net accumulation shares commenced 30th April 2010

Accumulation shares only available

## Comparative Tables

	Net asset value of share class £000	Net asset value per share	Shares in issue	Calendar Year	Net income per share p	Net income per £1,000 invested at launch* £
<b>Target Return Core Fund</b>						
<b>for the period ended 21st January 2009</b>						
Class 1 – Net accumulation shares	4,868	96.90p	5,023,347	2008	–	–
Class 2 – Net accumulation shares	10,277	96.96p	10,599,375	Class 1 – Net accumulation shares	–	–
<b>for the year ended 21st January 2010</b>						
Class 1 – Net accumulation shares	7,685	91.87p	8,364,841	Class 2 – Net accumulation shares	–	–
Class 1 – Gross accumulation shares§	3,224	89.21p	3,614,631	2009	1.6454	20.59
Class 2 – Net accumulation shares	4,965	92.11p	5,390,040	Class 1 – Net accumulation shares	–	–
Class 2 – Gross accumulation shares§	7,734	89.40p	8,651,019	Class 1 – Gross accumulation shares	–	–
<b>for the year ended 21st January 2011</b>						
Class 1 – Net accumulation shares	491	89.88p	546,508	Class 2 – Net accumulation shares	1.0146	12.70
Class 1 – Gross accumulation shares§	1,921	87.41p	2,197,298	Class 2 – Gross accumulation shares	–	–
Class 2 – Net accumulation shares	2,080	90.26p	2,304,223	2010	1.1136	13.94
Class 2 – Gross accumulation shares§	4,430	87.82p	5,044,207	Class 1 – Net accumulation shares	1.1136	13.94
<b>for the period ended 21st July 2011</b>						
Class 1 – Net accumulation shares	235	91.67p	256,451	Class 1 – Gross accumulation shares	1.6222	17.36
Class 1 – Gross accumulation shares§	329	89.21p	368,244	Class 2 – Net accumulation shares	1.6266	20.36
Class 2 – Net accumulation shares	557	92.16p	604,538	Class 2 – Gross accumulation shares	2.5799	27.61
Class 2 – Gross accumulation shares§	2,420	89.72p	2,696,977	2011	–	–
				†Class 1 – Net accumulation shares	7.0479	88.21
				†Class 1 – Gross accumulation shares	1.5323	16.40
				†Class 2 – Net accumulation shares	1.6767	20.98
				†Class 2 – Gross accumulation shares	1.7218	18.43

§Only available to eligible investors

\*Launch date – 9th June 2008

†To 21st July 2011

§Gross accumulation shares commenced 26th January 2009

Accumulation shares only available

	Net asset value of share class €000	Net asset value per share	Shares in issue	Calendar Year	Net income per share cents	Net income per €1,000 invested at launch* €	Highest share price cents	Lowest share price cents
<b>Target Return Core Fund</b>								
<b>for the period ended 21st January 2009</b>								
Class 1 – Net accumulation shares	5,183	103.17c	5,023,347	2008	–	–	103.27	99.92
Class 2 – Net accumulation shares	10,942	103.23c	10,599,375	Class 1 – Net accumulation shares	–	–	103.32	99.91
<b>for the year ended 21st January 2010</b>								
Class 1 – Net accumulation shares	8,826	105.51c	8,364,841	Class 2 – Net accumulation shares	–	–	105.71	102.94
Class 1 – Gross accumulation shares§	3,704	102.45c	3,614,631	2009	1.7519	17.52	102.56	100.00
Class 2 – Net accumulation shares	5,702	105.79c	5,390,040	Class 1 – Net accumulation shares	–	–	105.96	102.99
Class 2 – Gross accumulation shares§	8,883	102.68c	8,651,019	Class 1 – Gross accumulation shares	–	–	102.74	100.00
<b>for the year ended 21st January 2011</b>								
Class 1 – Net accumulation shares	579	105.92c	546,508	Class 2 – Net accumulation shares	1.0803	10.80	106.30	105.36
Class 1 – Gross accumulation shares§	2,264	103.02c	2,197,298	Class 2 – Gross accumulation shares	–	–	103.35	102.30
Class 2 – Net accumulation shares	2,451	106.38c	2,304,223	2010	1.8631	18.63	106.69	105.63
Class 2 – Gross accumulation shares§	5,221	103.50c	5,044,207	Class 1 – Net accumulation shares	2.9630	29.63	103.72	102.51
<b>for the period ended 21st July 2011</b>								
Class 1 – Net accumulation shares	268	104.59c	256,451	Class 1 – Net accumulation shares	8.3065	83.07	106.17	104.50
Class 1 – Gross accumulation shares§	375	101.78c	368,244	Class 1 – Gross accumulation shares	1.8060	18.06	103.28	101.70
Class 2 – Net accumulation shares	635	105.14c	604,538	Class 2 – Net accumulation shares	1.9762	19.76	106.65	105.05
Class 2 – Gross accumulation shares§	2,761	102.37c	2,696,977	Class 2 – Gross accumulation shares	2.0291	20.29	103.77	102.28

§Only available to eligible investors

\*Launch date – 9th June 2008

†To 21st July 2011

§Gross accumulation shares commenced 26th January 2009

Accumulation shares only available

## Performance Summary for the six months ending 31st July 2011 – UK Universe

Funds	Fund Sector	Net Tax Return Class 1 %	Net Tax Return Class 2 %	Index** Total Return %
Credit Opportunities Fund‡	Absolute Return	+1.45	+1.72	+0.26
Target Return Core Fund*	N/A	+1.16	+1.25	+2.74

All fund and peer group data sourced from Morningstar.

The Fund Sector is taken from the UK UnitTrusts/OEICs universe. Comparing the fund's performance to this Fund Sector is only relevant for UK Investors.

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

\*These funds do not currently display a sector median return because the Fund Sector (as defined by the Investment Management Association) is not felt to be representative.

\*\*Index for the Credit Opportunities (GBP Hedged) Fund is the Citigroup WMMI Euro Deposit EMU GBP (1 month). Index for the Target Return Core Fund is the Euro Overnight Index Average.

‡GBP Hedged Shareclass shown. Class 2 Shareclass launch date – 30th April 2010.

## Performance Summary for the six months ending 31st July 2011 – Offshore Universe

Funds	Fund Sector	Performance Share Class 1 %	Index* Total Return %	Performance Share Class 2 %	Currency
Credit Opportunities Fund	Absolute Return	+1.99	+0.49	+2.28	EUR
Target Return Core Fund	Absolute Return	-1.09	+0.46	-0.95	EUR

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

\*Index for the Credit Opportunities Fund is the Citigroup Euro Deposit (1 month). Index for the Target Return Core Fund is the Euro Overnight Index Average.

## Total Expense Ratio Summary

for the accounting period 22nd January 2011 to 21st July 2011

Fund	Share Class	Excluding Performance Fees		Including Performance Fees	
		July 2011**	January 2011	July 2011	January 2011
<b>*Credit Opportunities Fund</b>	Class 1 – Gross accumulation shares	1.12%	1.14%	1.18%	2.70%
	Class 1 – GBP Hedged net accumulation shares	1.37%	1.41%	1.37%	1.41%
	Class 1 – USD Hedged gross accumulation shares	1.37%	1.41%	1.37%	1.41%
	Class 2 – Gross accumulation shares	0.55%	0.56%	0.61%	2.18%
	Class 2 – GBP Hedged net accumulation shares	0.70%	0.72%	0.70%	0.72%
<b>*Target Return Core Fund</b>	Class 1 – Net accumulation shares	0.84%	0.61%	0.81%	0.60%
	Class 1 – Gross accumulation shares	0.81%	0.63%	0.74%	0.64%
	Class 2 – Net accumulation shares	0.61%	0.40%	0.56%	0.40%
	Class 2 – Gross accumulation shares	0.60%	0.40%	0.58%	0.41%

A Total Expense Ratio is a figure representing all operating charges and expenses as a percentage of a fund's value. It includes the annual management fee as well as all the administrative costs incurred by the fund.

\*The IMA have provided guidelines for the calculation of the "Total Expense Ratio" (TER). Under these guidelines we are required to disclose the TER including and excluding the performance fees. Performance fees are calculated on a calendar basis and may vary substantially from year to year depending on how a fund has performed against its benchmark. As the accounting period falls during the calculation period of the performance fee, the performance fees are accrued at that point in time, but may not represent the actual amount that will be paid. Therefore, previously accrued amounts may be required to be reversed.

\*\* Annualised ratio

## Shares Issued and Redeemed Summary

for the accounting period 22nd January 2011 to 21st July 2011

Fund	Number Issued	Number Redeemed
<b>Credit Opportunities Fund</b>	411,666,127	(45,175,634)
<b>Target Return Core Fund</b>	2,470,825	(8,636,851)

## Total Purchases and Sales

for the accounting period 22nd January 2011 to 21st July 2011

Fund	July 2011 £000	January 2011 £000
<b>Credit Opportunities Fund</b>		
Total purchases for the period	554,338	313,413
Total sales for the period	175,912	146,174
<b>Target Return Core Fund</b>		
Total purchases for the period	4,618	13,538
Total sales for the period	10,289	26,699

## Further Information

Threadneedle Focus Investment Funds ICVC (the "Company") is an open-ended investment company with variable capital incorporated in England and Wales under registered number IC000666 and authorised by the FSA with effect from 2nd June 2008. The Company is an umbrella company for the purposes of the Open-Ended Investment Companies Regulations 2001 (as amended) and has no fixed duration.

The Company has been certified by the FSA as eligible to enjoy the rights conferred by the Undertakings for Collective Investment in Transferable Securities Directive (85/611/EEC), as amended by directives 2001/107/EC and 2001/108/EC (the "UCITS Directive"). Accordingly, the Company is a UCITS scheme for the purposes of the FSA Rules.

Shareholders of the Company are not liable for the debts of the Company.

The Company is structured as an umbrella company in that different funds may be established from time to time by the ACD with the approval of the FSA and the agreement of the Depositary. The Company currently consists of two sub-funds (the "Funds"). Each Fund is charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund.

### Prospectus

A Prospectus, which describes each Fund in detail, is available from Threadneedle Investment Services Limited, Client Services, P.O. Box 1457, Swindon, SN1 1FP.

As a Fund is not a legal entity, if the assets attributable to any Fund were insufficient to meet the liabilities attributable to it, the shortfall would have to be met out of the assets attributable to one or more other Funds of the Company.

Other funds may be launched in the future.

### Changes to the Prospectus

During the period 22nd January 2011 to 21st July 2011 there were no changes to the Prospectus of the Company.

### Types of share available

Several classes of share may be issued in respect of each Fund, distinguished by their criteria for subscription and fee structure.

Details of the investment criteria for Class 1 Shares and Class 2 Shares are set out in the Prospectus. Typically, Class 1 Shares are available to retail investors and Class 2 Shares are available to non-retail investors only and will accommodate an alternative charging structure. The level of net income attributable to each share class will differ.

### Hedged Share Classes ("HSCs")

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

- "Reference Currency" or "Reference Currencies" means the currency or currencies against which the currency hedging transaction will be applied; and
- "Hedged Currency" is the currency in which the Hedged Share Class is denominated.

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

### SDRT Provision

SDRT is chargeable on the surrender, and certain transfers of shares in the Funds. The current rate of SDRT is 0.5%.

The liability for SDRT is calculated weekly by reference to share sales and repurchases in that and the following week but is reduced proportionately to the extent that the investments held by the Fund are exempt investments, which essentially are any assets other than United Kingdom equities, UK-equity-linked-bonds together with holdings in offshore funds. Legislation has been introduced in the Finance Act 2011 to treat an investment by a collective investment scheme in an underlying fund as an exempt asset for the purposes of Schedule 19 SDRT, where that underlying fund is no more than 20% invested in non-exempt assets. Any fund which only invests in exempt investments, i.e. holds no United Kingdom equities or UK-equity-linked-bonds, will therefore be wholly exempt from SDRT.

How it affects shareholders and potential shareholders:

The ACD meets the SDRT liability from the property of the Company. It is not the ACD's intention to require the payment of a further provision for SDRT, however, it reserves the right to do so in respect of large deals (as set out in the Prospectus).

Neither Fund has suffered any SDRT in the current reporting period.

### Income Equalisation

When the first income distribution is received it may include an amount known as equalisation. The amount representing the income equalisation in the Share's price is a return of capital and is not taxable in the hands of Shareholders. This amount should be deducted from the cost of income Shares in computing capital gains realised on their disposal.

## **Further Information**

*(continued)*

### **Performance**

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

### **Report and Accounts**

Investors will receive a report on Threadneedle Focus Investment Funds ICVC twice a year. This will be a short form version and a report containing the full accounts will be available from Threadneedle Investment Services Limited, Client Services, P.O. Box 1457, Swindon SN1 1FP. The report will provide information on the performance of the Funds, the market background, and details of each of the portfolios. The annual accounting period for the Funds shall end on 21st January and the interim reporting period shall end on 21st July.

## Directory

### Registered Office

60 St Mary Axe  
London EC3A 8JQ

### Authorised Corporate Director (ACD)

Threadneedle Investment Services Limited  
60 St Mary Axe  
London EC3A 8JQ

### Registrar

Threadneedle Investment Services Limited  
60 St Mary Axe  
London EC3A 8JQ

### Investment Adviser

Threadneedle Asset Management Limited  
60 St Mary Axe  
London EC3A 8JQ

### Depository

J.P. Morgan Trustee and Depository Company Limited  
(Regulated by the FSA)  
Chaseside  
Bournemouth  
Dorset BH7 7DA

### Legal Advisers

Eversheds LLP  
Senator House  
85 Queen Victoria Street  
London EC4V 4JL

Baum Financial Services LawTeam  
Alte Rabenstrasse 2  
20148 Hamburg  
Germany

### Independent Auditors

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

### Client Services

UK Investors  
Tel: 0800 068 3000\*

Non-UK Investors  
Tel: 0044 1793 363 900\*

### Website:

threadneedle.com

### Paying and Information Agent in Austria

Erste Bank der oesterreichischen Sparkassen AG  
Petersplatz 7  
A-1010 Wien  
Austria

### Paying and Information Agent in Belgium

J.P. Morgan Chase  
1, Boulevard du Roi Albert II  
1210 Brussels  
Belgium

### Paying and Information Agent in France

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

### Paying and Information Agent in Germany

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

### Paying and Information Agent in Italy

State Street Bank S.p.A.,  
Con sede legale in Milano.  
Via Col Moschin, 16  
20136 Milano  
Italy  
  
Allfunds Bank S.A. (filiale di Milano)  
Via Santa Margherita, 7  
20121 Milano  
Italy

SGSS S.p.A.  
via Benigno Crespi 19/A – MAC2  
20159 Milano  
Italy

BNP Paribas Securities Services  
Succursale di Milano  
Via Ansperto 5  
20123 Milano  
Italy

### Paying and Information Agent in Luxembourg

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

### Paying and Information Agent in the Netherlands

Fortis Intertrust  
Rokin 55  
1012 KK Amsterdam  
The Netherlands

\*Calls may be recorded

## Important Information

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

Past performance is not a guide to future performance. The value of investments and any income from them may go down as well as up, and an investor may not get back the amount invested. Changes in exchange rates may also affect the value of investments. The dealing price may include a dilution adjustment where the Fund experiences large inflows and outflows of investment. Further details are available in the Prospectus.

The mention of any specific shares or bonds should not be taken as a recommendation to deal and anyone considering dealing in these financial instruments should consult a stockbroker or financial adviser. The research and analysis included in this document has been produced by Threadneedle Investments for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions expressed are made as at the date of publication but are subject to change without notice.

The Target Return Core Fund and the Credit Opportunities Fund do not offer any form of guarantee with respect to investment performance, and no form of capital protection will apply. In addition, the Funds may use derivatives for short selling and leverage, which will increase the risk profile of the Funds and may carry a higher degree of volatility than a fund that does not gain short exposure. Leverage has the overall effect of increasing positive returns, but causes a faster decrease in the value of assets if prices fall. The Funds may hold up to 100% in cash or money securities which means that the Funds may not participate fully in a rise in the market values of asset classes the Funds would otherwise invest in. The interest rate on corporate bonds and most government bonds will not increase in line with inflation. Thus, over time, the real value of an investor's income could fall.

The Credit Opportunities Fund invests in high yield and emerging market bonds which may carry increased risk to capital through default (where bond issuers either fail to pay the interest or capital repayment due at maturity).

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