



Opportunities in High Yield

Threadneedle (Lux) US\$ High Income Bonds

Information for investment professionals

Overview

Market Overview & Outlook

Columbia Management investment approach

Threadneedle (Lux) US\$ High Income Bonds Fund

- Performance & characteristics

Appendix

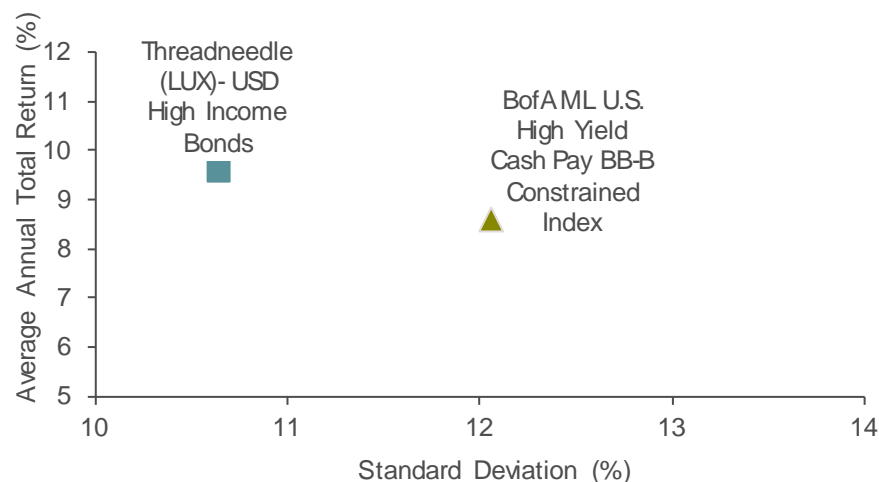
- Portfolio manager biography

Why Columbia High Yield Bond Fund?

A deep and stable team of experienced sector managers and analysts responsible for nearly \$15 billion in actively managed institutional and retail high yield assets as of 8/31/2012.

- > Experienced team of high yield specialists executing a disciplined and repeatable process.
- > Credit selection that seeks to maximize return per unit of risk, resulting in reduced volatility of returns.
- > Combined bottom-up and top-down approach to achieve strong risk-adjusted returns through varying market environments.
- > Excellent long-term, historical track record.

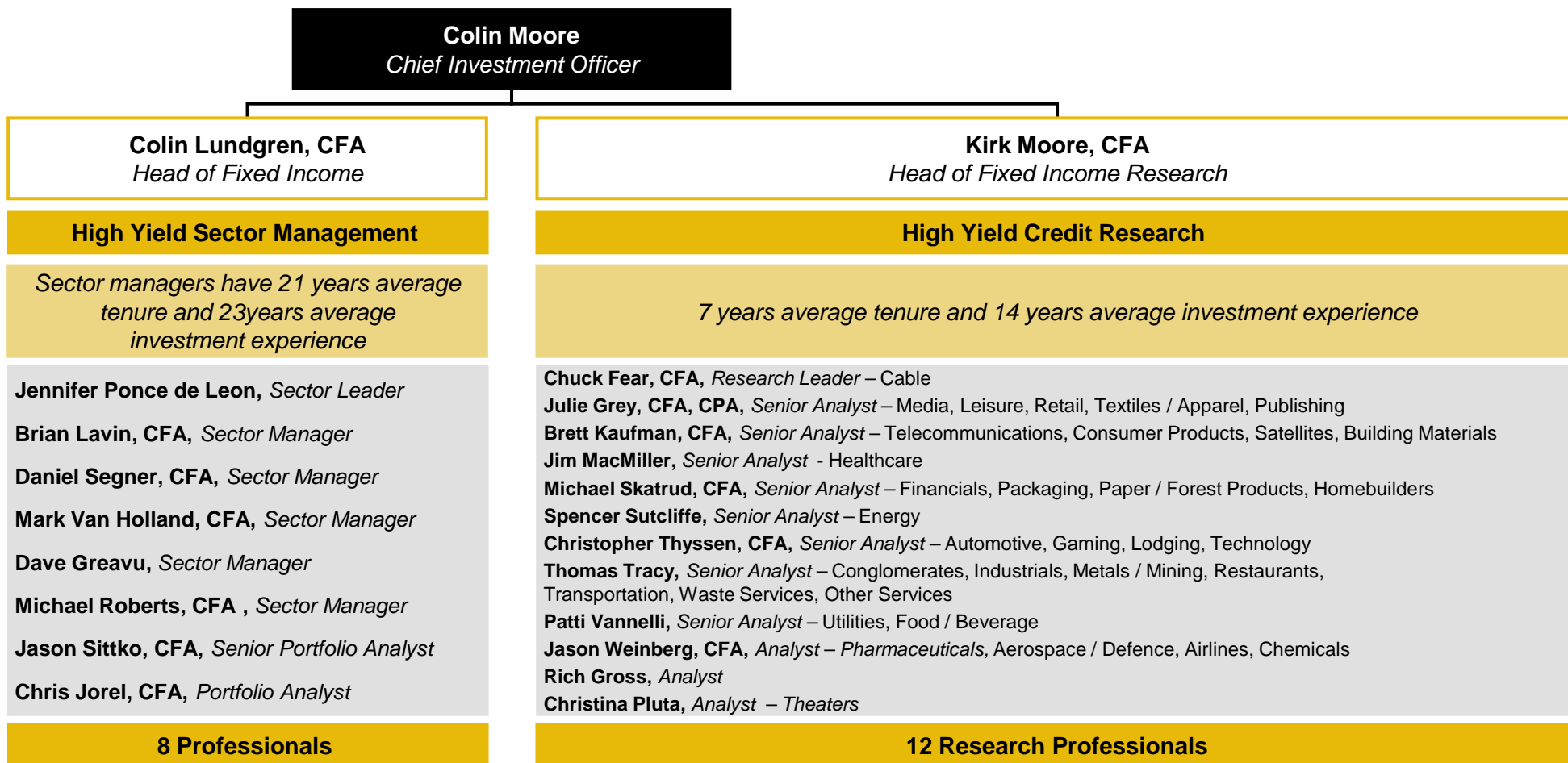
Higher Returns, Less Risk: Five Years Through 8/31/2012



Source: Columbia Management Investment Advisers, LLC as at 31 August 2012. Assets under management listed above are offered through Columbia Management Investments and other parts of Columbia Management Investment Advisers, LLC. There is no guarantee that an investment objective will be achieved or that return expectations will be met. Past performance does not guarantee future results. This information is based on gross performance of the Columbia High Quality High Yield Fixed Income Composite.

Threadneedle (Lux) US\$ High Income Bonds Fund team

Draws on Columbia Management firm-wide including independent research and quantitative analysis



Source: Columbia Management as at 16 July 2012

High yield investment philosophy

Given the higher risk nature of the high yield asset class, Columbia Management believe the management of risk and return is inseparable. They seek strong and consistent risk-adjusted returns focusing on generating alpha while actively managing downside risk.

Key tenets

Strong proprietary credit research

- Credit selection is paramount in high yield investing. Columbia Management devote substantial resources to developing bottom-up fundamental research which typically contributes two-thirds of the alpha generated

Tactical portfolio management

- A key to performing in varying market environments is to effectively assess the outlook for financial and economic conditions. By adding a top down overlay approach to their process, they find that tactical management can typically contribute one-third of the alpha generated and even higher levels during extreme market conditions or 'turns' in the credit cycle

Downside risk management

- A constant focus on downside risk is required due to the asymmetrical risk profile of high yield. Their approach to portfolio diversification, position size management, and strong sell discipline are distinguishing features of their downside risk management capability

Source: Columbia Management Investment Advisers, LLC. There is no guarantee that the investment objectives will be achieved or that return expectations will be met

Investment process

Combined bottom-up and top-down focus

Independent proprietary credit research and security selection

Bottom-up analysis of individual credits

- Industry fundamentals
- Company fundamentals
- Management assessment
- Proprietary modelling and forecasting
- Catalysts

Relative value analysis and risk rating

- Upside / downside parameters

Tactical portfolio management

Economic and broad market assessment

- Economic activity and interest rates
- Outlook for defaults
- Market technicals and credit spreads
- Cross-sector strategy input

Develop industry and sector outlooks

- Quarterly industry reviews and opinions

Portfolio construction

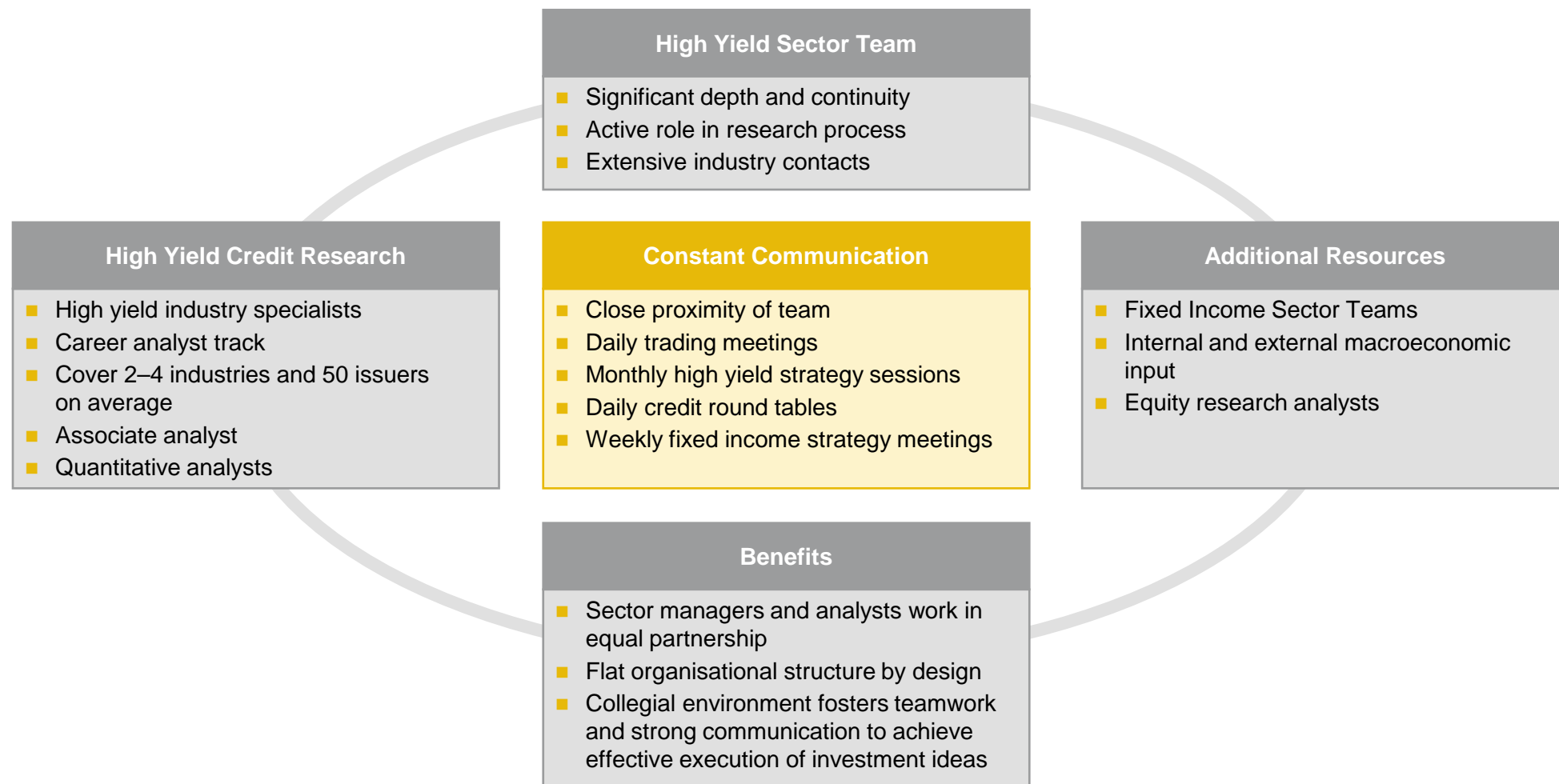
- Client objectives / constraints
- Industry diversification
- Appropriate position sizes

Risk management

- Risk rating system
- Diversification
- Compliance checks

Source: Columbia Management Investment Advisers, LLC

Columbia Management idea generation



Source: Columbia Management Investment Advisers, LLC

Research philosophy

Columbia Management believe performance in high yield is driven primarily by superior credit selection. Their approach to research is anchored by several key principles resulting in a consistent and repeatable process

Independent

- Create internal financial projections
- Assign proprietary risk and return ratings
- Develop alternative sources of information
- Build industry expertise by minimising turnover of industry coverage

Forward looking

- Establish a forward looking view on industry and credit fundamentals
- Limit the number of credits covered to a manageable level
- Leverage associate analysts for data gathering

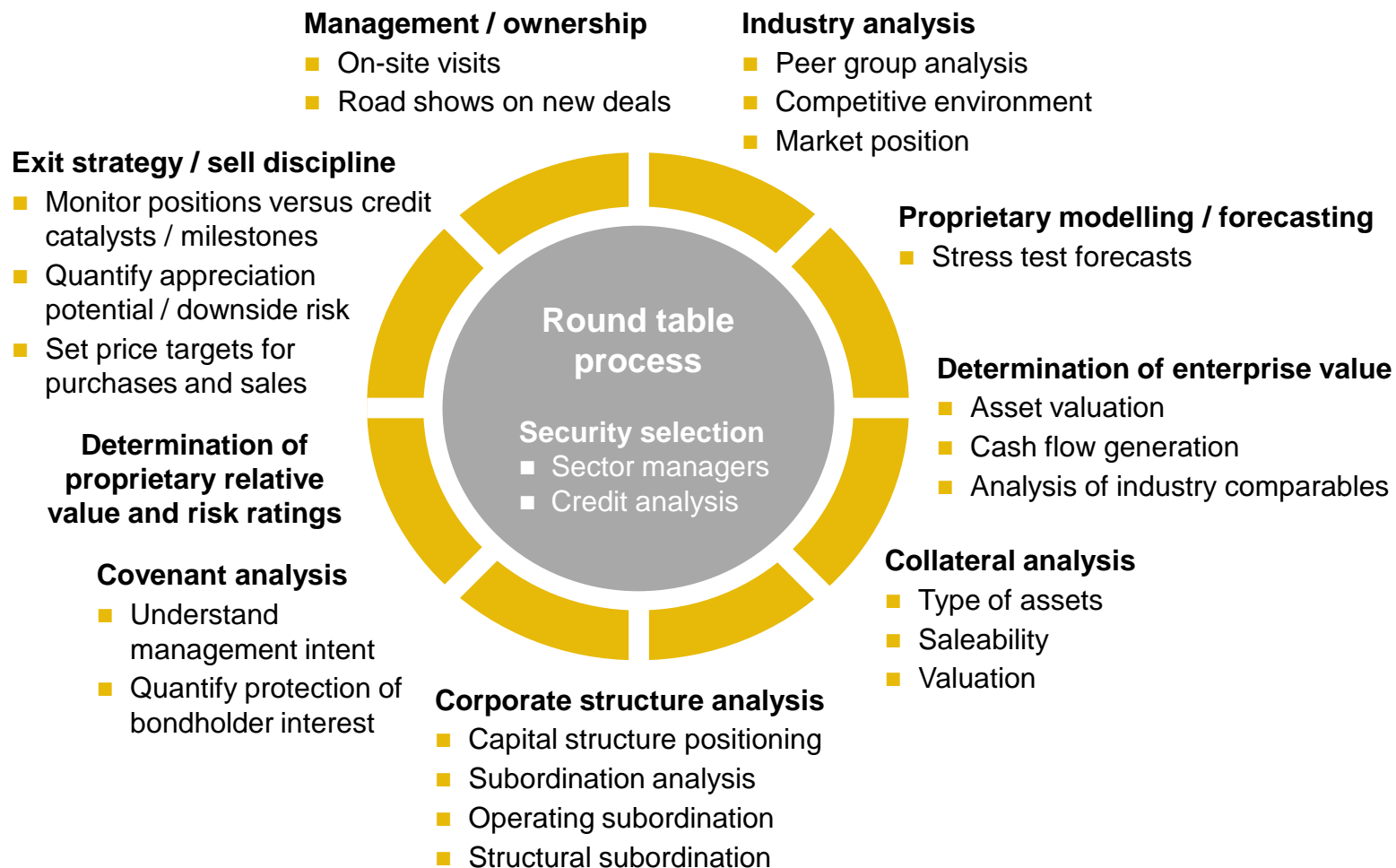
Dynamic / opportunistic

- Actively assess and price risk
- Seek to monitor valuation targets and industry/credit fundamental milestones
- Exploit market inefficiencies

Source: Columbia Management Investment Advisers, LLC

Research process

Rigorous fundamental due diligence



Independent proprietary credit research

Risk rating system

	Risk Rating	Characteristics Columbia evaluate
At least two thirds of portfolio in Risk 1 and Risk 2	Risk 1	<ul style="list-style-type: none"> ■ Solid credit fundamentals: stable or improving ■ Major risks have been mitigated ■ Significant credit deterioration unlikely ■ Free cash flow positive through normal industry economic cycle ■ Asset coverage to mitigate downside risk
	Risk 2	<ul style="list-style-type: none"> ■ Adequate financial condition ■ Some modest deterioration in quality possible
No more than one third in Risk 3 – Improving situations offering strong relative performance	Risk 3	<ul style="list-style-type: none"> ■ Credit quality could deteriorate or be volatile ■ Category examples <ul style="list-style-type: none"> ■ Project finance and build-outs with insufficient cash flow ■ Credits with significant event risk / volatile cash flows ■ Credits with inadequate asset or downside protection
	Risk 4	<ul style="list-style-type: none"> ■ Financial condition is weak or deteriorating ■ Expect debt service to be interrupted in next 12 months ■ Companies negotiating debt restructuring – bankruptcy

Source: Columbia Management Investment Advisers, LLC

The manager uses risk ratings to help manage position sizes

Independent proprietary credit research

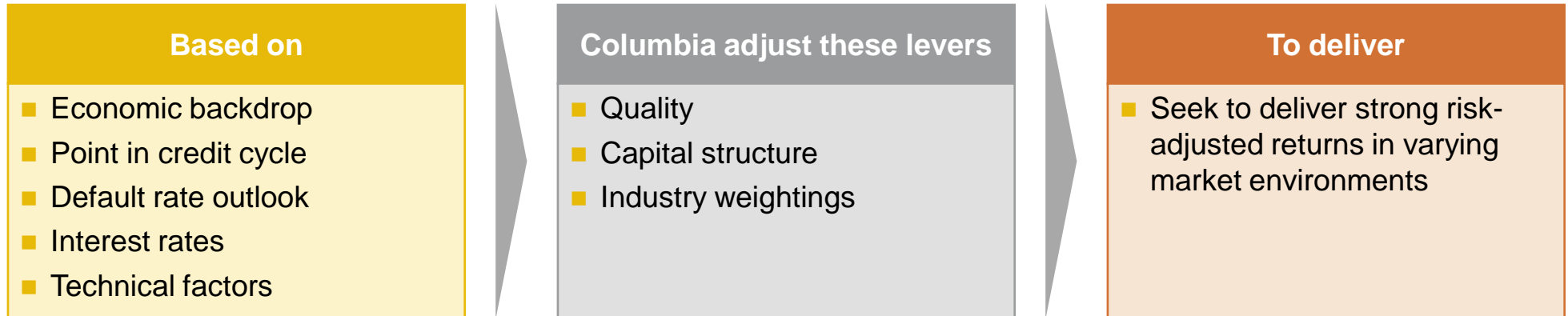
Relative value rating system

Rating	Definition	Performance expectation (12 months vs. index)
1	Buy	≥150%
2	Outperform	110%–150%
3	Hold	90%–110%
4	Underperform	50%–90%
5	Sell	<50%

Source: Columbia Management Investment Advisers, LLC

Tactical portfolio management

The Columbia Management sector management team adjusts portfolio positioning to take advantage of varying market environments



Source: Columbia Management Investment Advisers, LLC.

Disciplined portfolio construction

- Credits are selected in an effort to achieve the maximum return per unit of risk, enabling Columbia Management to balance issuers across the portfolio using a disciplined and repeatable process

Buy candidate

- Stable and improving cash flows
- Ability to de-leverage through free cash flow
- Asset valuation supports debt
- Strong management
- Strong and sustainable market position
- Attractive risk-adjusted relative value

Diversified portfolio

- 150–200 issuers
- Well-diversified by credit tier, industry and issuer
- Moderate position sizes:
 - Maximum: 3%
 - Core holdings: 1%–1.5%
- Industry maximum: 25%
 - Typically limited to 150% of benchmark weight
- Average cash position: 2%–4%

Source: Columbia Management Investment Advisers, LLC

Risk management

Disciplined portfolio construction is critical for risk management in the high yield portfolio due to:

- Inefficiencies of the market
- Less liquidity
- Asymmetric risk profiles

Downside Risk Management

- Proprietary risk ratings drive position size
- Columbia Management dynamically manage positions according to proprietary risk and relative value ratings
 - At least 2/3 of portfolio in Risk 1 and 2 issuers
 - No more than 1/3 of portfolio in Risk 3 issuers
- Strong sell discipline driven by fundamental analysis
- Rigorous oversight through comprehensive monthly portfolio review meetings
- Sophisticated trading and portfolio management systems limit deviations from portfolio guidelines

High Yield Trading Operations

Columbia Management strive to maintain a fully integrated process of decision making and implementation for effectiveness and efficiency

Experience:

- Two sector managers serve as dedicated traders, with four additional sector managers that are available to trade when needed
- Sector managers and traders sit at the trading desk, allowing for seamless interaction
- Effective and on-going communication between analysts, traders and sector managers enables disciplined and timely execution of ideas
- Experienced managers and strong relationships with brokers are key to efficient trade execution

Technology platform:

- Leading portfolio management, trading and risk management tool
- Order entry, pre-and post-trade compliance, risk analysis, report management, scenario analysis, and performance attribution

Trade Execution:

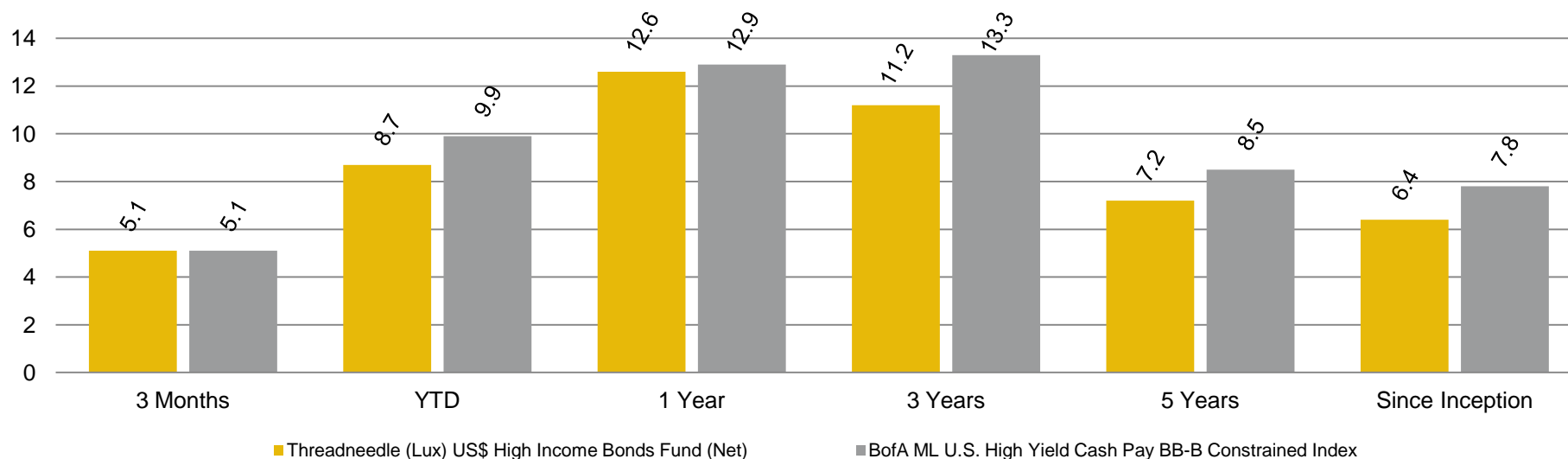
- Required to seek best execution on each trade
- Their trading procedures are designed to address conflicts of interest that arise from managing multiple types of accounts
- Trades are allocated pro-rata based on account size

Fund Performance

as of August 31, 2012

Inception Date: December 12, 2003

	3 Months	YTD	1 Year	3 Years	5 Years	Since Inception
Threadneedle Lux US\$ High Income Bonds Fund (Net)	5.1	8.7	12.6	11.2	7.2	6.4
BofA ML U.S. High Yield Cash Pay BB-B Constrained Index	5.1	9.9	12.9	13.3	8.5	7.8



Note: All performance figures relate to the Acc Class A (Retail) USD share class. Source: Copyright © 2012 Morningstar UK Limited. Fund performance (Net) is net of assumed fees and expenses (but this does not reflect the sales charge maximum of 2%).

Threadneedle (Lux) US\$ High Income Bonds Fund

Risk/Return Characteristics

Risk/Return Characteristics (Since Inception Ending 8/31/2012)

	Threadneedle (Lux) US\$ High Income Bonds Fund	BofA ML U.S. High Yield Cash Pay BB- B Constrained Index
Relative Return	0.96%	--
Tracking Error	2.07%	--
Information Ratio	0.46	--
Alpha	1.55%	--
Beta	0.87%	--
R-Squared	0.96%	1.00%
Standard Deviation	8.45%	9.51%
Sharpe Ratio	0.79	0.60

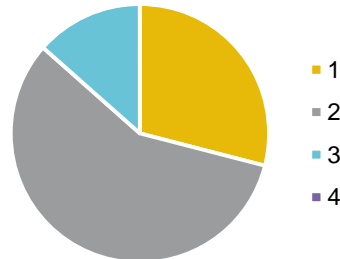
Source: Columbia Management Investments Adviser, LLC. Please refer to the Client Performance and Holdings disclosures at the end of this presentation for more information.

Threadneedle (Lux) US\$ High Income Bonds Fund

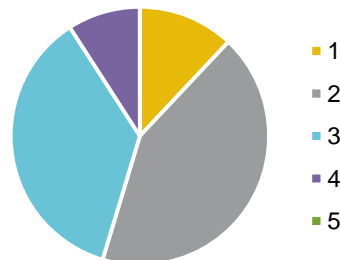
Portfolio Characteristics

Internal Ratings Exposure as of 8/31/2012

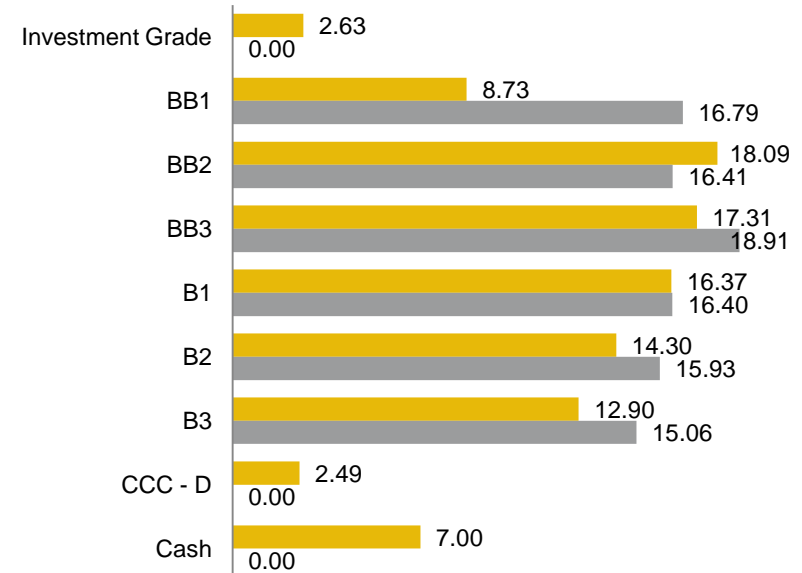
Risk Ratings	% Market Value
1	27.96%
2	55.37%
3	12.97%
4	0.00%
Total	100.00%



Relative Value Ratings	% Market Value
1	11.60%
2	41.20%
3	35.00%
4	8.80%
5	0.00%
Total	100.00%



Comparative Ratings as of 8/31/2012



■ Threadneedle (Lux) US\$ High Income Bonds Fund

■ BofA ML U.S. High Yield Cash Pay BB-B Constrained Index

Risk and relative value ratings are based on the Team's internal, proprietary ratings system. Please refer to that page for additional information. Bond ratings are divided into categories ranging from AAA (highest) to D (lowest), and are subject to change. The ratings shown are determined by using the middle rating of Moody's, S&P, and Fitch after dropping the highest and lowest available ratings. When a rating from only two agencies is available, the lower rating is used. When a rating from only one agency is available, that rating is used. When a bond is not rated by one of these agencies, it is designated as Not Rated. Holdings of the portfolio other than bonds are categorized under Other. Credit ratings are subjective opinions and not statements of fact. Values may not add up due to rounding.

Source: Columbia Management Investments Adviser, LLC. Please refer to the Client Performance and Holdings disclosures at the end of this presentation for more information.

Threadneedle (Lux) US\$ High Income Bonds Fund

Risk/Return Characteristics

Risk/Return Characteristics (Since Inception Ending 8/31/2012)

Portfolio Characteristics as of 5/31/2012	Threadneedle (Lux) US\$ High Income Bonds Fund	BofA ML U.S. High Yield Cash Pay BB- B Constrained Index
Number of Issuers	183	782
Number of Issues	306	1,645
Yield to Worst (YTW)	5.15%	5.69%
Average Effective Duration	4.38 yrs	4.06 yrs
Option Adjusted Spread (OAS)	424 bps	485 bps
Years to Maturity	7.02 yrs	7.39 yrs
Average Credit Quality	Ba3	Ba3
Average Price	108	105

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Threadneedle (Lux) US\$ High Income Bonds Fund

Portfolio Characteristics

Top 10 Issuers* as of 8/31/2012

Issuer	% Portfolio	% Index
SPRINT NEXTEL CORP	2.98%	1.99%
CENTURYLINK INC	2.85%	1.38%
ALLY FINANCIAL INC	2.40%	1.81%
CIT GROUP INC	2.17%	1.39%
LYONDELLBASELL INDUSTRIES NV	2.03%	0.50%
EL PASO CORPORATION	1.86%	0.67%
HCA INC	1.81%	2.00%
UNITED RENTALS NA INC	1.55%	0.59%
CONTINENTAL RESOURCES INC	1.46%	0.22%
INTERNATIONAL LEASE FINANCE CORP	1.42%	1.95%

Industry Over/Underweights as of 8/31/2012

Overweights	Underweights	Market Weights
Energy	Consumer Cyclical	Financial Services
Telecommunications	Basic Industry	Consumer Non-Cyclical
Capital Goods	Services	Technology & Electronics
Automotive	Utility	Insurance
Media	Banking	Healthcare
		Real Estate

*Excludes cash

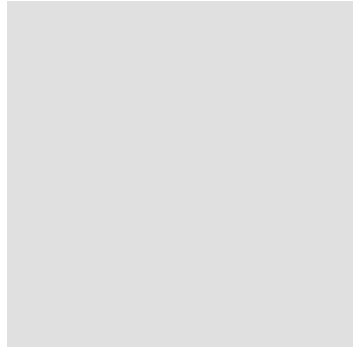
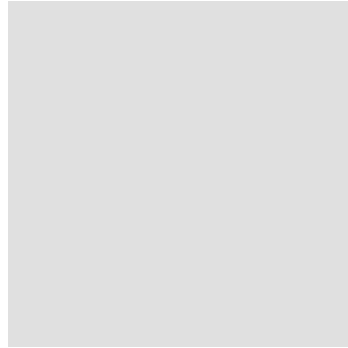
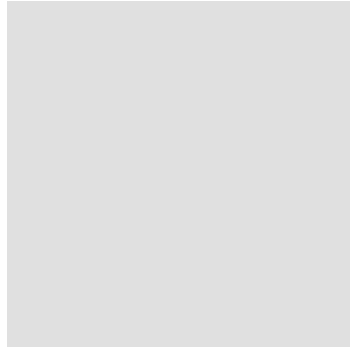
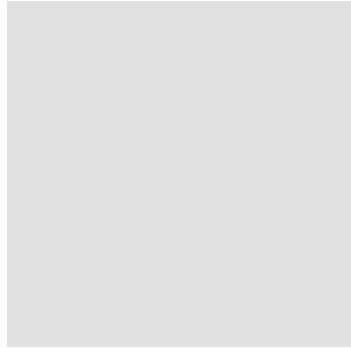
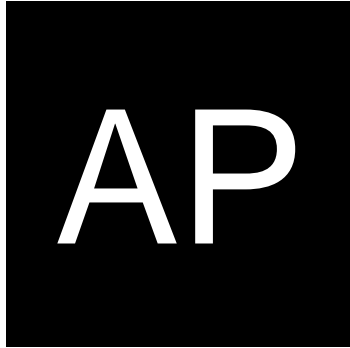
Source: Columbia Management Investments Adviser, LLC. Please refer to the Client Performance and Holdings disclosures at the end of this presentation for more information.

Threadneedle (Lux) US\$ High Income Bonds - Summary

- Based on an established and successful strategy run by Columbia Management, a US-based asset management company also owned by Threadneedle Investment's parent company, Ameriprise Financial
- A deep and stable team of high yield specialists striving to deliver consistent and repeatable investment results through
 - A disciplined and well-defined credit selection process that seeks to maximise the return per unit of risk
 - Rigorous, independent, in-house credit research and a proprietary rating system
 - Tactical portfolio management to exploit varying market conditions
 - A constant focus on downside risk management

Columbia Management High Yield Fixed Income Advantage

- A deep and stable team of high yield specialists striving to deliver consistent and repeatable investment results through:
 - A disciplined and well-defined credit selection process that seeks to maximize the return per unit of risk
 - Rigorous, independent, in-house credit research and a proprietary rating system
 - Tactical portfolio management to exploit varying market conditions
 - A constant focus on downside risk management
- A commitment to client-driven, customized investment solutions and service



Appendix

Biography



BRIAN J. LAVIN, CFA

Fund Manager, Columbia Management Investment Advisers, LLC

Brian Lavin is a Vice President and Sector Manager for High Yield Fixed Income at Columbia Management Investment Advisers, LLC. He joined the firm in April 1994 as a Credit Analyst covering high yield bonds, was promoted to Associate Portfolio Manager in 1999 and to Portfolio Manager in 2000.

He has been in the investment industry since 1986. Before joining the firm, Mr. Lavin was a high yield analyst at Van Kampen Merrit. He has experience in both non-investment grade and investment grade issuers and has covered a variety of industries.

Mr. Lavin earned a B.A. in Business Administration from the University of St. Thomas and an M.B.A. from the University of Wisconsin - Milwaukee. He earned the Chartered Financial Analyst designation in 1991.

Columbia start date: 1994
Industry start date: 1986

Biography



COLIN MOORE, ASIP Chief Investment Officer

Colin Moore is the Chief Investment Officer for Columbia Management Investment Advisers, LLC. His responsibilities include ensuring that a disciplined investment process is in place across all asset classes, including equity, fixed income and cash. He joined Columbia Management Group (“CMG”) in 2002 and was appointed Chief Investment Officer in October 2007. Mr. Moore transitioned to Columbia Management Investment Advisers, LLC as part of its acquisition of the long-term asset management business of CMG from Bank of America. He was Head of Fundamental and Quantitative Equity Investments from 2002 to January 2008. He was Head of Fixed Income and Liquidity Strategies from 2009 to 2010.

He has been a member of the investment community since 1983. Prior to joining the firm, Mr. Moore was chief investment officer of global and international value equities and associate director of research at Putnam Investments. Previously, Mr. Moore was director of research and chief investment officer for Rockefeller & Co. in New York and London. Throughout his career in the investment industry, he has held portfolio management positions with three London-based asset management firms, as well as a role in product development.

Mr. Moore attended the London Business School where he completed its Investment Management Program and he is an associate by examination of the Institute of Investment Management and Research (IIMR).

Columbia start date: 2002

Industry start date: 1983

Important disclosures (Asia)

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