

How to access and find value in European Equities



Threadneedle's European equity credentials

A leader in European equity

- €34.4 billion AuM across all portfolios¹
- Excellent long-term performance

Deep resource

- 24-strong European equity team²
- Close interaction across asset classes
- Dedicated risk management

Clear investment philosophy, consistently applied

- Stock selection key source of return
- Culture of collaboration and debate

Source: Threadneedle as at 31 December 2012.

¹ AuM includes externally managed portfolios, and includes UK-specific assets of €19.0 billion.

² Includes 12 UK-specific investment professionals as at 31 October 2012.

European equities team



Philip Dicken **Dan Ison** **Ann Steele** **Nick Davis** **Mark Heslop** **David Dudding** **Paul Doyle** **Fred Jeanmaire** **Ben Needham** **Caroline Duong**

Industry start	1997	1994	1982	2004	1999	1999	1990	2007	2010	2012
Threadneedle start	2004	2007	2009	2010	2008	1999	1995	2011	2012	2012
Research	Small Cap Forestry & Paper	Automotive Consumer Disc. Industrials Technology	Consumer Disc. Food Retail	Insurance Healthcare Consumer Staples Utilities	Small Cap	Basic Materials Consumer Staples	Med. Tech Metals	Telecoms Banks Media Support Services	Electrical Engineers Beverages	Small Cap
Funds managed	Institutional Funds Pan European Smaller Companies Fund	Institutional Funds Pan European Accelerando Fund T-Lux Pan European Fund	Institutional Funds Pan European Fund	European Fund Pan European Equity Dividend Fund	Institutional Funds T-Lux Pan European Smaller Companies Fund	European Select Fund European Smaller Companies Fund	Institutional Funds European Apex Fund	Institutional Funds		

Source: Threadneedle, 31 January 2013.

European equity

Distinguishing features

Philosophy

- The market underestimates how some companies create value
- Targeted research can enable us to identify these

People

- Large and small cap expertise in 24-strong team¹
- Portfolio managers are also analysts

Process

- Investment themes identify areas for intensive analysis
- Research is fundamentally based and focuses on these areas

Performance²

- Top decile information ratio³
- Consistent track-record of long-term outperformance

1 Source: Threadneedle Investments as at 31 December 2012.

2 Source: Performance since composite inception as at 31 December 1999.

3 Source: Mercer Investment Consulting as at 30 September 2012. This represents the Europe inc. UK Core Plus. composite strategy

Accessing European Equities

Threadneedle Fund range

	Threadneedle Pan European	Threadneedle (Lux) Pan European	Threadneedle Pan European Smaller Companies	Threadneedle (Lux) Pan European Smaller Companies ¹	Threadneedle European Select
Structure	OEIC	SICAV	OEIC	SICAV	OEIC
Aim	A core Pan European equity offering that provides a broad and diversified exposure.		A well-diversified portfolio of smaller company Pan European stocks.		A relatively concentrated portfolio of Continental European equities.
Geography	Pan Europe		Pan Europe		Europe
Portfolio size	€253.2m	€144.8m	€1.2bn	€59.0m	€2.0bn
No. of stocks	Typically 50-70		Typically 80–100		Typically 45-65
Relevant index	MSCI Europe (Inc. UK)		HSBC Smaller European Companies		FTSE World Europe (Exc UK)
Fund Manager	Ann Steele	Dan Ison	Philip Dicken / Mark Heslop	Mark Heslop / Philip Dicken	David Dudding

Source: Threadneedle as at 31 January 2013.

¹ Threadneedle assumed management of the Threadneedle (Lux) Pan European Smaller Companies Fund in September 2009.



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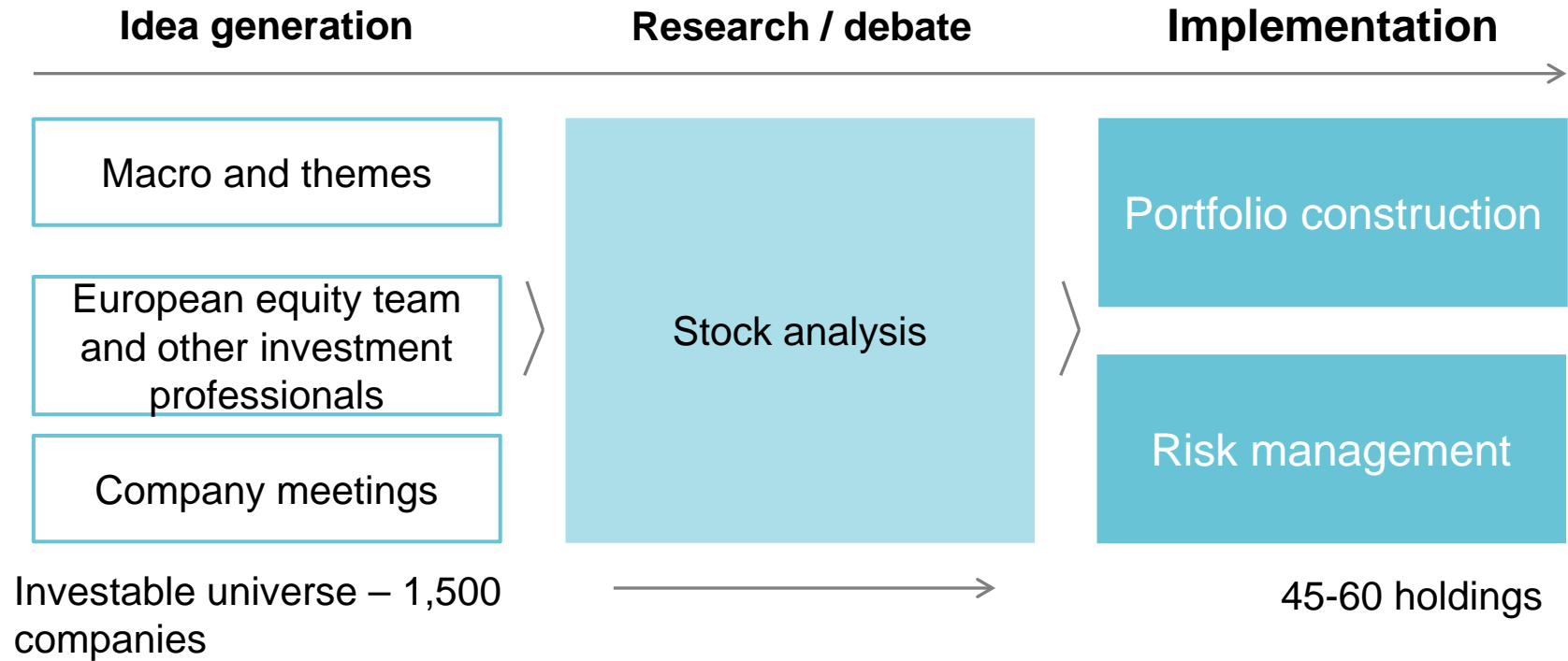
Threadneedle European Select Fund - Investment process

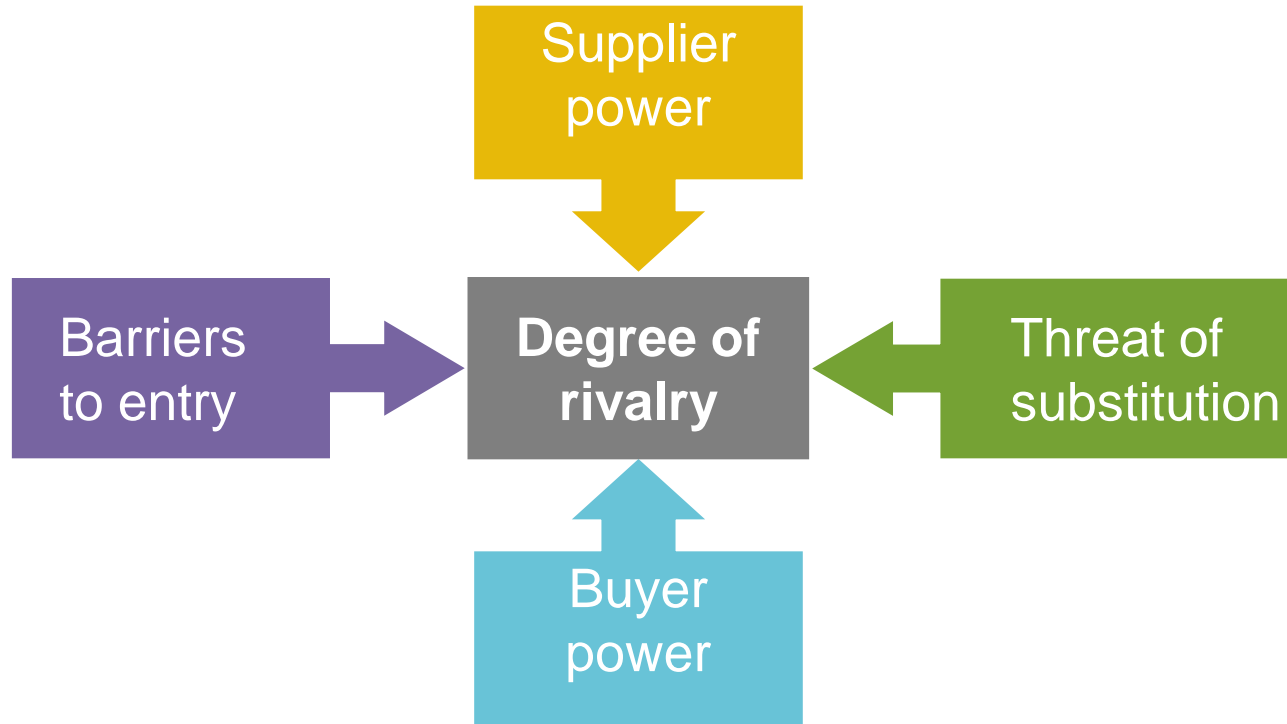
European equity philosophy

- A company's intrinsic value is determined by its growth, returns on capital and its sustainable competitive advantage
- The market typically underestimates the potential of some companies to increase their intrinsic value
- Targeted research will enable us to identify these companies

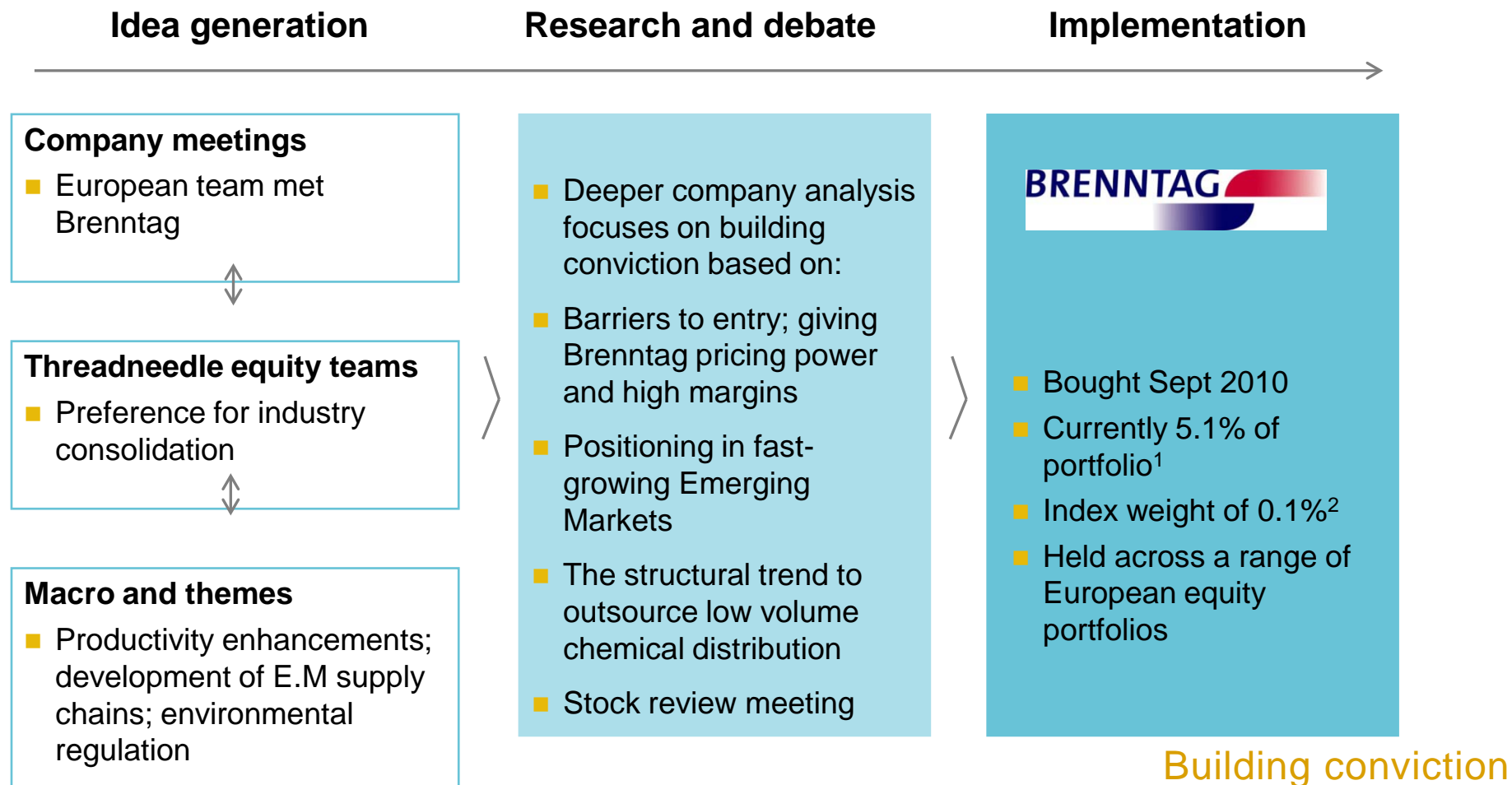
Our core portfolios tend to display a growth bias

European Select investment process





How stocks get into the portfolio



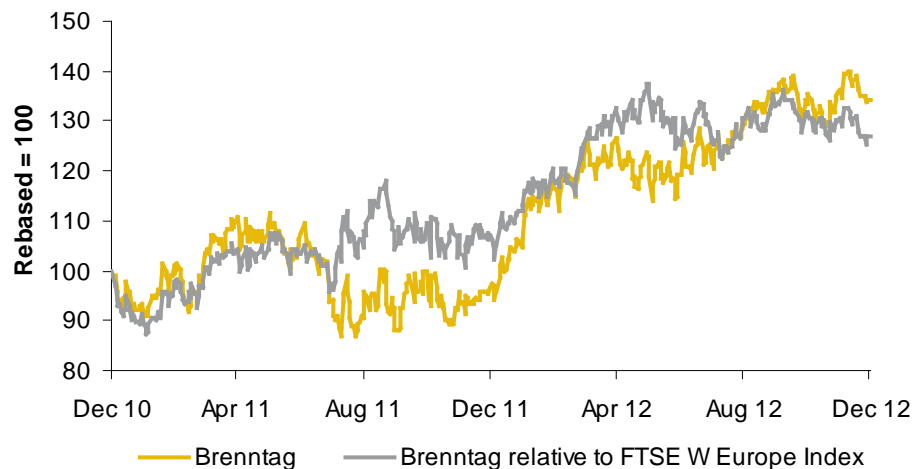
¹ Source: Threadneedle as at 31 December 2012.

² Source: FTSE World Europe ex UK as at 31 December 2012.

The mention of stocks is not a recommendation to deal.



Absolute performance and relative strength 2-year performance¹



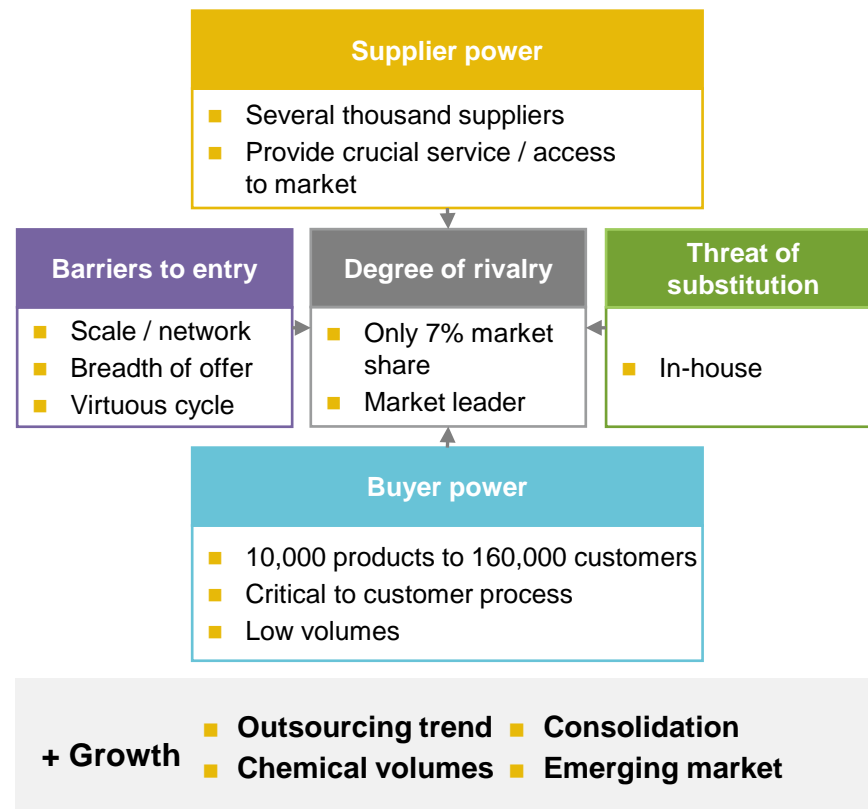
Year to Dec ²	2012e	2013e
P/E	15.3x	13.9x
EV/EBITDA	9.1x	8.5x
RoE	18%	18%

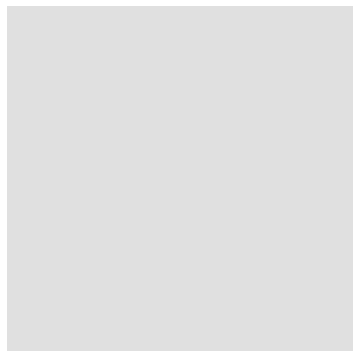
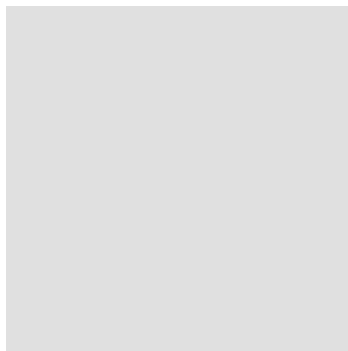
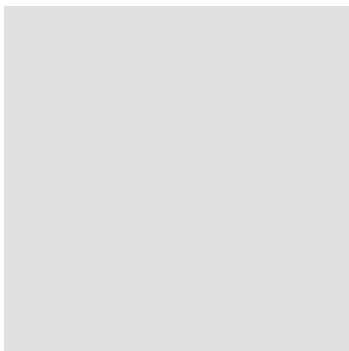
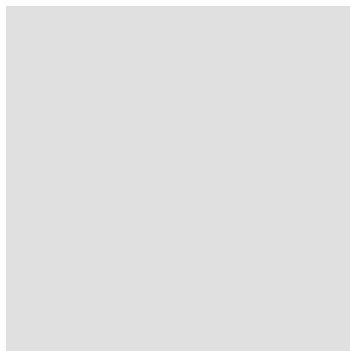
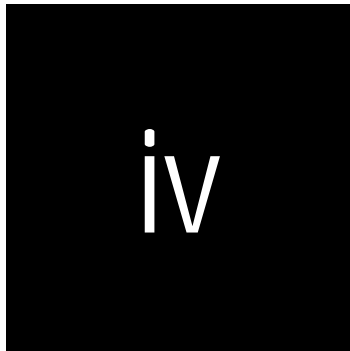
¹ Source: Datastream, as at 31 December 2012, in local currency.

² Source: Bloomberg, as at 13 November 2012.

The mention of stocks is not a recommendation to deal.

Porter's Five Forces





Threadneedle European Select Fund

A relatively concentrated portfolio of Continental European equities

Threadneedle European Select Fund

Strong long-term track record

Annualised (%) ¹	2012	2011	2010	2009	2008	2007	1 year	3 years	5 years	10 years
Threadneedle European Select Fund	26.6	-0.1	26.5	32.0	-40.7	4.2	26.6	17.0	4.6	10.6
FTSE World Europe ex UK	21.3	-12.5	9.7	30.7	-42.3	6.2	21.3	5.2	-2.6	7.1
Relative return	+4.4	+14.2	+15.3	+1.0	+2.6	-1.8	+4.4	+4.4	+7.3	+3.3

Risk profile ²	3 years	5 years	7 years
Information ratio	1.42	0.79	0.59
Beta	0.78	0.78	0.79
Tracking error (%)	7.87	9.20	8.16
Standard deviation of portfolio (%)	20.00	22.88	20.42
Standard deviation of benchmark (%)	24.69	28.24	24.63

¹ Source: FactSet as 31 December 2012. Fund returns gross of tax and TER for comparison with indices. All data is quoted in EUR. Gross performance from 31 March 2010 onwards is based on daily cash flows and valuations, from 1 January 2008 to 31 March 2010 based on Global Close prices, and prior to January 2008 based on 12pm prices. Fund data is quoted on a bid to bid basis with income re-invested at bid. Index data provided by Thomson Financial Datastream. The relative returns shown are calculated on a geometric basis.

² Returns used are calculated using Global Close prices from 1 January 2008, prior to this date noon prices have been used. From 1 April 2010 returns are based on daily cash flows and global closed valuations. All returns include gross reinvested income and are gross of fees. All data is quoted in USD. Benchmark: FTSE World Europe Ex UK.

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Threadneedle European Select Fund

Top 10 holdings

Company	Description	Fund (%)	Index (%) ¹
Anheuser-Busch	World No.1 Brewer	6.0	1.3
Nestlé	Food Producers	5.8	4.0
Unilever	Food Producers	5.4	1.1
Syngenta	Chemicals	5.2	0.7
Brenntag	Chemicals	5.1	0.1
Sampo	Nonlife Insurance	5.0	0.3
Fresenius Medical Care	Health Care Equipment & Services	5.0	0.3
Svenska Handelsbanken	Banks	4.1	0.4
Air Liquide	Industrial Gases	3.8	0.7
Ryanair	Travel & Leisure	2.4	0.1

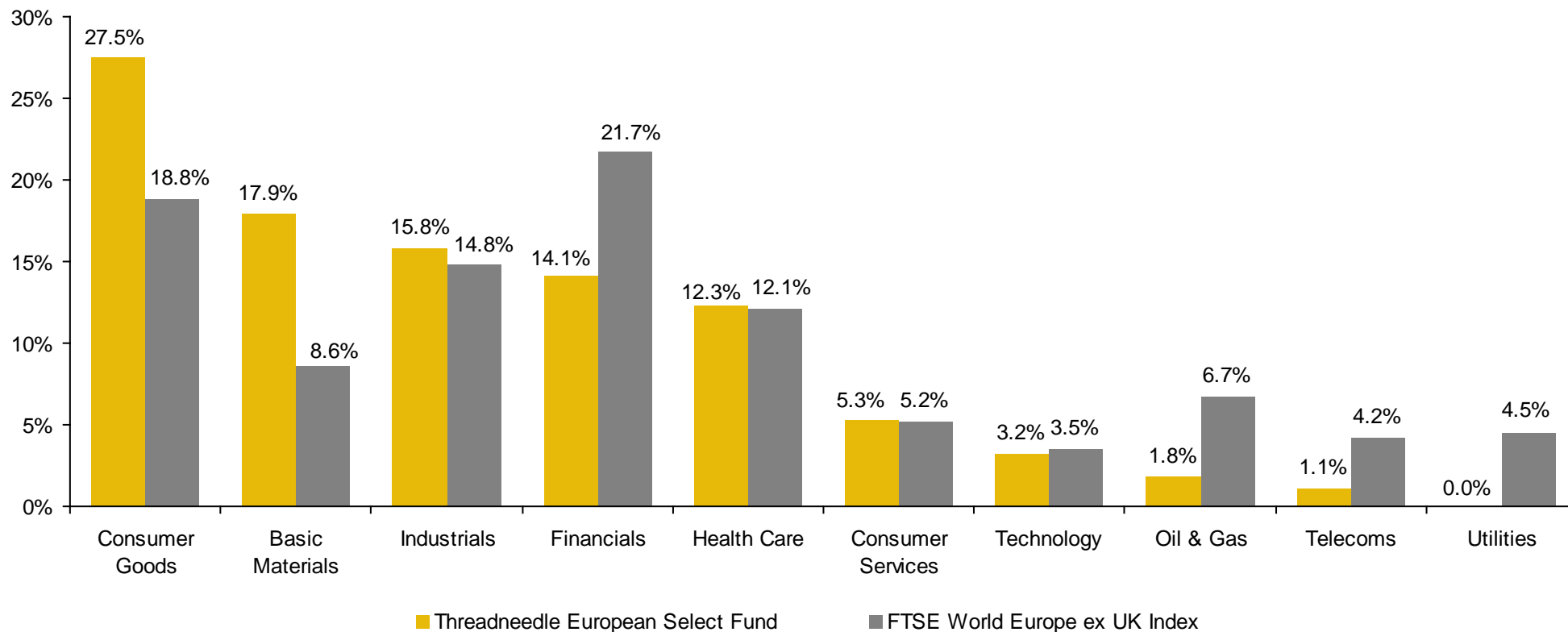
Source: Threadneedle as at 31 December 2012.

¹ FTSE W Europe ex UK.

Threadneedle European Select Fund

Sector positioning

Portfolio breakdown by FTSE sector

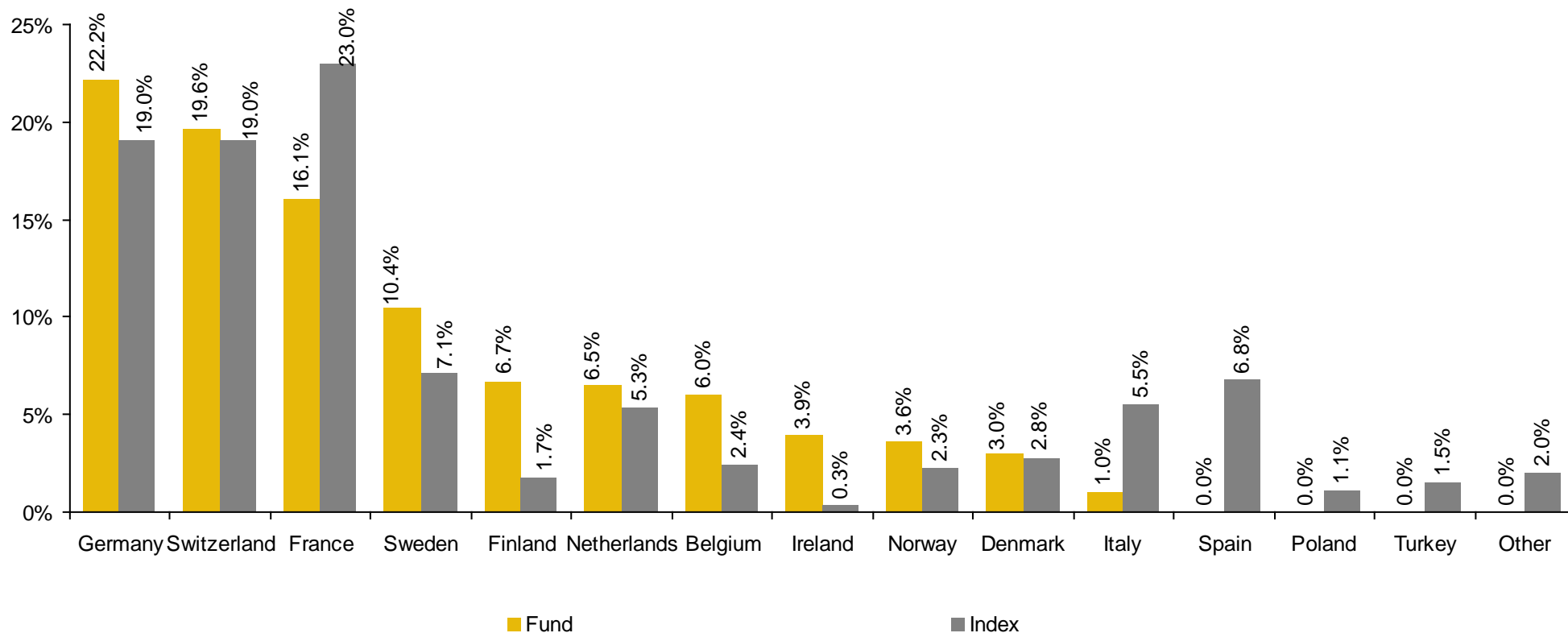


Source: Threadneedle as at 31 December 2012. Excludes Cash at 1.0%.

Threadneedle European Select Fund

Geographic positioning

Portfolio breakdown by country

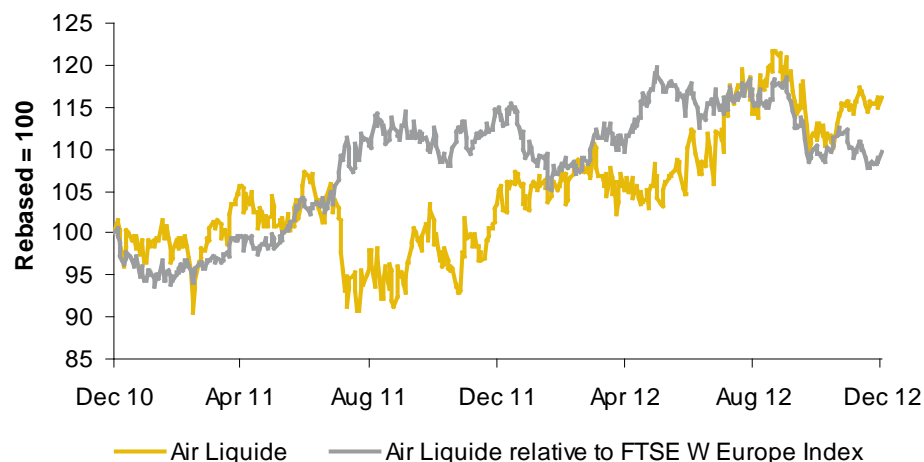


Source: Threadneedle as at 31 December 2012. Excludes Cash at 1.0%.
Other includes: Austria, Czech Republic, Greece, Hungary, and Portugal.

Air Liquide



Stock performance versus index 2-year performance¹



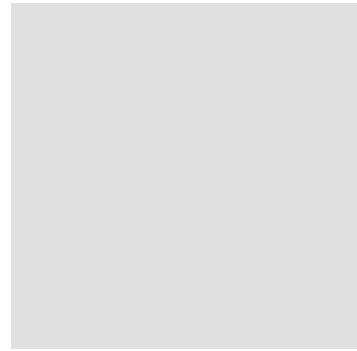
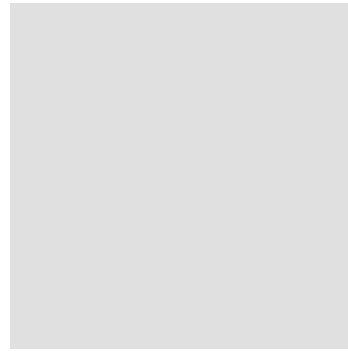
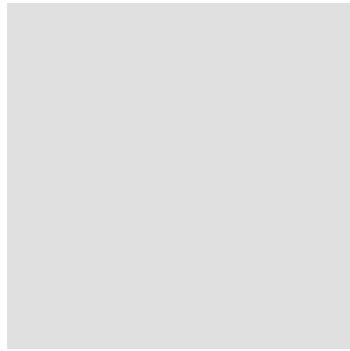
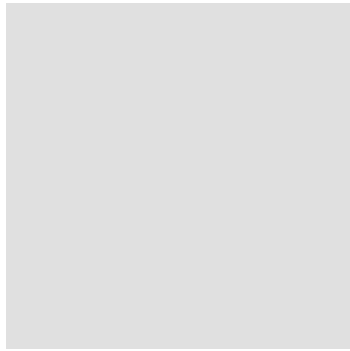
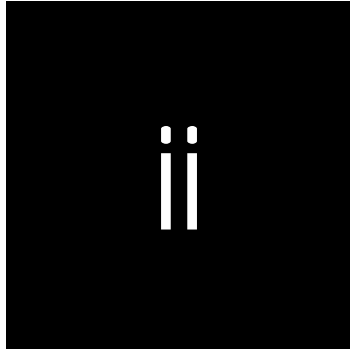
- Global leader in industrial gases
- Top 4 control 70%+ of global market
- Play on industrialisation of emerging markets and clean energy technology (e.g. carbon capture and storage)
- 30-year record of uninterrupted EPS growth
- Dividend yield 3.0%²

	2012e ²	2013e ²
EV/EBITDA	9.2x	8.4x
P/E	17.6x	16.1x
ROE	16%	16%

¹ Source: Datastream, as at 31 December 2012, in local currency.

² Source: Bloomberg, as at 13 November 2012.

The mention of stocks is not a recommendation to deal.



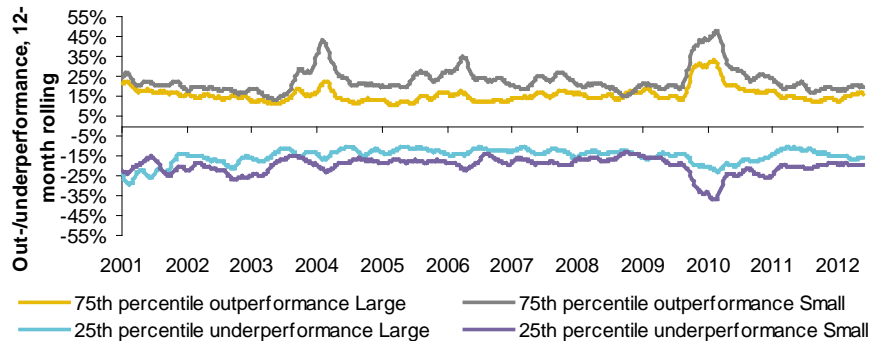
Why Small Cap?

Attractions of Pan European Small/Mid Cap

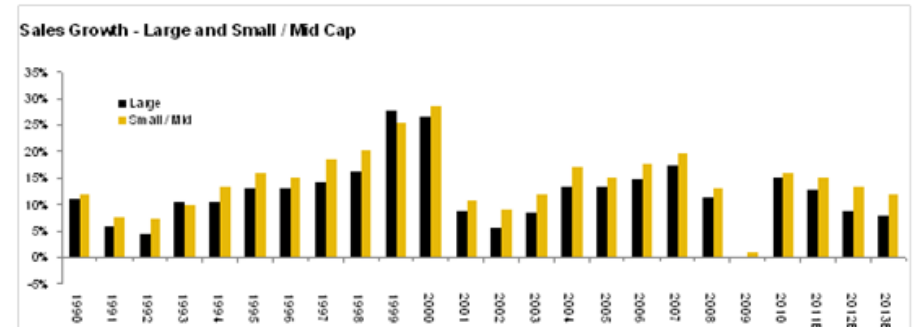
- Superior growth to large cap
 - Smaller companies are more flexible and able to adapt to changing market conditions
 - Entrepreneurial managements
- Large opportunity set, greater opportunity to generate alpha
- Lower analyst coverage
- M&A: Cash-rich large caps likely to boost low organic growth with acquisitions
- Valuation appears attractive relative to other asset classes and history
- Large caps may be more at risk of government intervention/reg than small caps.

Characteristics of smaller companies

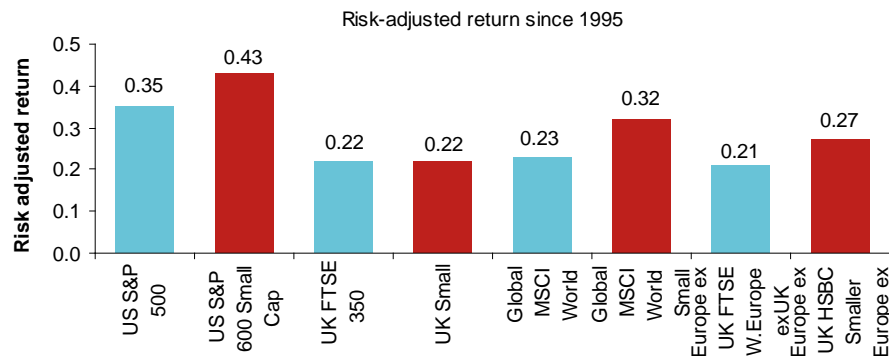
Dispersion of returns¹



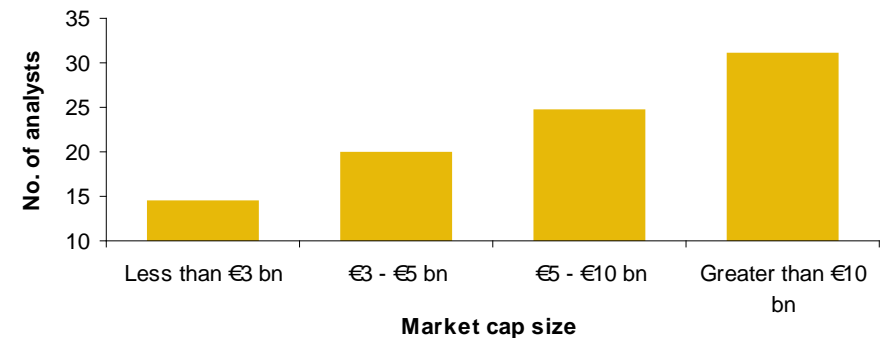
Sales growth – outperforming in 19 of the last 22 years³



Smaller companies outperform²



Fewer analysts¹



1 Source: Goldman Sachs International as at 11 July 2012.

2 Source: Datastream, July 2012.

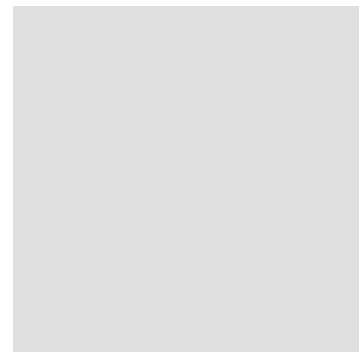
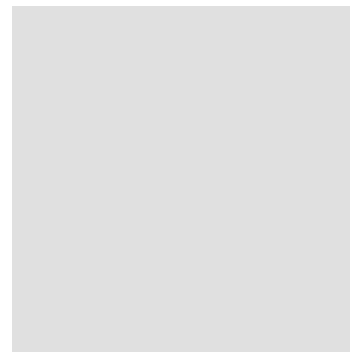
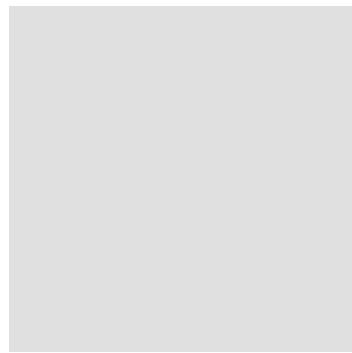
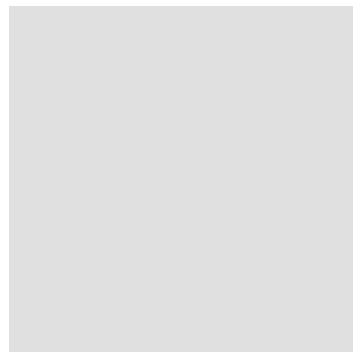
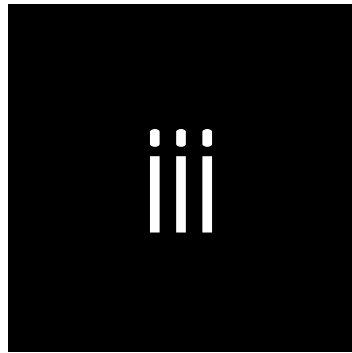
3 Source: JP Morgan as at 31 December 2011.

Small Caps – Why now?

	PE Yr+1 Current	PE Yr+1 15 yr avg	P/B Current	P/B 15 yr avg	EPS growth 2012e	EPS growth 2013e
Small/Mid Caps	12.2x	14.5x	1.9x	2.5x	4.9%	19.7%
Large Caps	13.3x	16.2x	2.3x	2.9x	5.9%	13.2%

- Small/Mid caps are trading at a discount to 15-year average multiples
- Small/Mid caps are expected to grow faster than Large caps

Source: JPMorgan – 10 January 2013. Pan European data.



Threadneedle Pan European Smaller Companies Fund

A well-diversified portfolio of smaller company Pan European stocks.

Strong out-performance over the long term

Annualised (%)	2012	2011	2010	2009	1 year	3 years	5 years	Since inception ¹
Threadneedle Pan European Smaller Companies Fund	32.4	-8.1	43.4	43.1	32.4	20.4	6.0	12.3
HSBC Smaller European Companies Index	24.0	-18.4	25.6	59.1	24.0	8.3	-0.3	3.7
Relative return	+6.8	+12.7	+14.2	-10.0	+6.8	+11.2	+6.4	+8.4

Threadneedle (Lux) Pan European Smaller Companies Fund	34.6	-8.6	46.4	7.3 ³	34.6	21.7	7.2	22.5
HSBC Smaller European Companies Index	24.0	-18.4	25.6	2.2 ³	24.0	8.3	-0.3	8.4
Relative return	+8.6	+12.1	+16.6	+5.0³	+8.6	+12.4	+7.5	+13.0

Source: FactSet as at 31 December 2012. Fund returns gross of tax and TER for comparison with indices. All data is quoted in EUR. Gross performance from 31 March 2010 onwards is based on daily cash flows and valuations, from 1 January 2008 to 31 March 2010 based on Global Close prices, and prior to January 2008 based on 12pm prices. Fund data is quoted on a bid to bid basis with income re-invested at bid. The relative returns shown are calculated on a geometric basis.

¹ Threadneedle Pan European Smaller Companies Fund is since inception 30 November 2005. Threadneedle European Smaller Companies Fund is since Fund Manager inception 30 September 2002. Threadneedle (Lux) Pan European Small Cap Equities Fund is since Fund Manager Inception 30 September 2009.

² SSB Europe Extended Index (€) to 30 Sep 2003. HSBC European Smaller Cos. Ex UK onwards.

³ From 30 September 2009 to 31 December 2009.

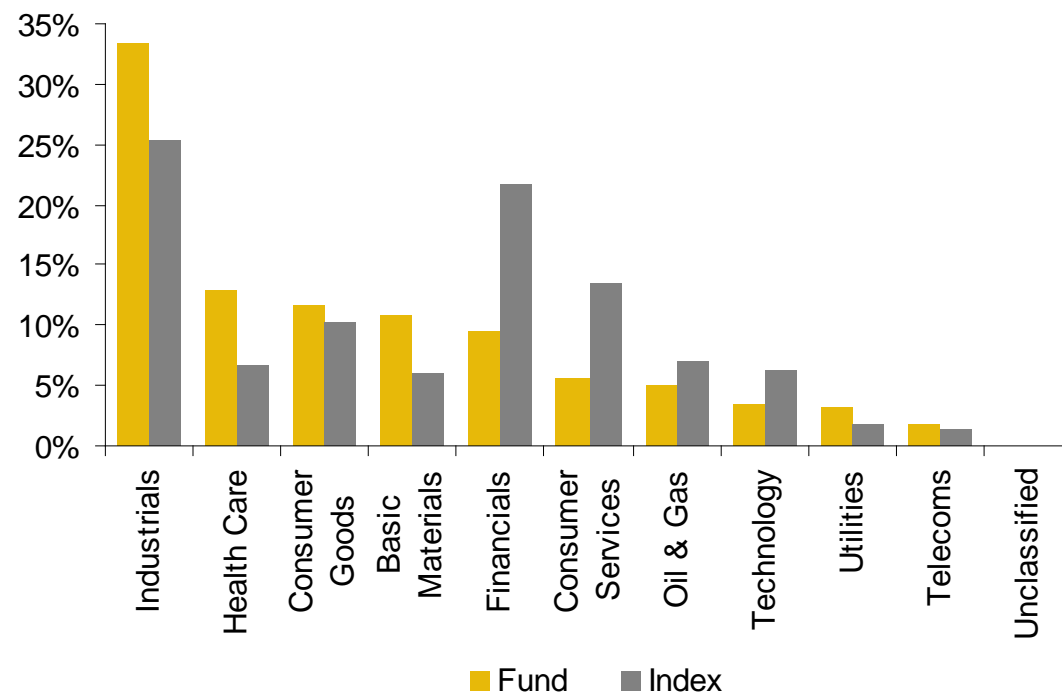
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Threadneedle Pan European Smaller Companies Fund

Sector weightings

Sector	Portfolio (%)	Index (%) ¹
Industrials	33.5	25.4
Health Care	12.8	6.6
Consumer Goods	11.7	10.2
Basic Materials	11.0	6.1
Financials	9.4	21.8
Consumer Services	5.7	13.5
Oil & Gas	4.9	7.0
Technology	3.5	6.1
Utilities	3.3	1.8
Telecoms	1.7	1.4
Unclassified	0.0	0.1

Threadneedle Pan European Smaller Companies Fund



Source: Threadneedle as at 31 December 2012. Excludes Cash of 2.5%.
¹ HSBC Smaller European Cos Index.

Important Information – Hong Kong

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