



Fund Manager
Richard House
Since: 01 2008

Fund Aim

The fund aims to achieve a total return primarily by way of income with some capital growth. The fund invests primarily in the assets of high yielding public sector sovereign and corporate bonds issued by emerging market borrowers, typically these countries are outside the OECD. The fund may also invest in other fixed interest securities, including bonds issued by countries making up the G7, deposits, cash and near cash.

Fund Facts

Index JP Morgan EMBI Global
Benchmark Sector¹ Morningstar - Offshore and International Funds - Fixed Income Global Emerging Mkts

Fund Size \$792.8m
Launch Date December 1997
Distribution Yield 6.80% p.a.
(Estimated Gross)
Underlying Yield 5.30% p.a.
(Estimated Gross)
Pay Dates 7 May, 7 November
XD Dates 8 March, 8 September
Type of Share Income & Accumulation

Share Class & General

	Retail	Inst
Initial Charge	5.00%	0.00%
Annual	1.50%	1.00%
Min. Investment	\$3,000	\$800,000

All information expressed in US Dollars

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Threadneedle Emerging Market Bond Fund

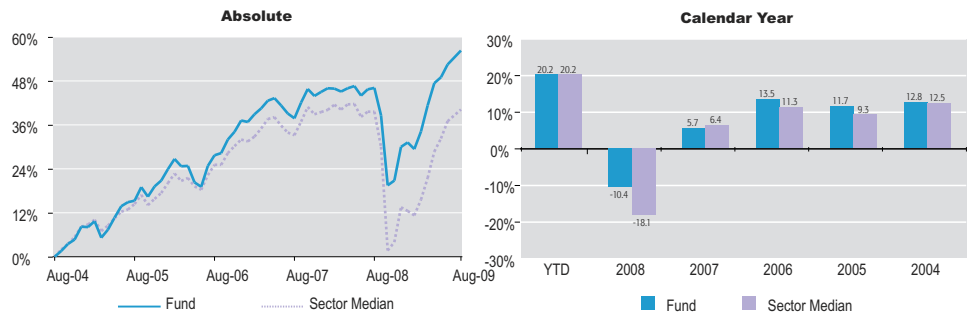
Commentary and Outlook

Emerging market (EM) bonds continued to benefit from investors' strong risk appetite amid improving economic data. Gains for EM bonds denominated in hard currencies moderated in August, while those denominated in local currencies also advanced, but the rise lagged their hard currency counterparts.

Markets considered higher risk, such as the Ukraine, Venezuela and Ecuador, outperformed the broader market, while those perceived as relatively more secure, such as Brazil and Malaysia, produced only modest returns. South Africa was the only market to decline over the month.

The fund continued to benefit from strong investor demand, and portfolio activity during August was focused on putting cash inflows to work. Meanwhile, profits were taken on a number of successful positions in Latin America. We reduced the exposure to Brazil and Colombia in particular, and increased the exposure to Asian markets, which have underperformed in recent months. The fund's holdings in European emerging markets were also increased over the month. Exposure to bonds denominated in local currencies was marginally increased during August, but remains below 10% of the portfolio's net asset value.

5 Year Performance



Fund Performance

	1M%	3M%	YTD%	1Y%	3Y%	5Y%	10Y%
Fund (Net)	2.5	6.0	20.2	6.9	22.4	56.3	217.0
Index (Gross)	1.9	6.4	20.3	5.4	19.0	47.8	206.0
Sector Median (Net) ¹	2.3	7.5	20.2	-1.7	13.7	40.2	195.6
Ranking ¹	60/143	107/142	69/138	16/132	15/94	4/68	11/41
Quartile Ranking ¹	2	4	2	1	1	1	1

Performance 12 Months Ending

31st Aug 05	31st Aug 06	31st Aug 07	31st Aug 08	31st Aug 09
15.3%	10.8%	7.9%	6.0%	6.9%

Note: All performance figures relate to the Gross Acc Class 1 (Retail) USD share class.

Top 10 Issues

Issue	%	Total % in top 10: 43.4
Russian Foreign Bond - Eurobond 7.5 31/03/2030	12.1	Total Number of Issues in Portfolio: 74
Brazilian Government International Bond 11 17/08/2040	6.1	
Venezuela Government International Bond 9.25 07/05/2028	4.9	
Mexico Government International Bond 6.75 27/09/2034	4.5	
Venezuela Government International Bond 9 07/05/2023	3.4	
Turkey Government International Bond 6.75 03/04/2018	2.9	
Mexico Government International Bond 5.625 15/01/2017	2.6	
Brazil Notas do Tesouro Nacional Serie F 10 01/01/2011	2.6	
Brazilian Government International Bond 5.875 15/01/2019	2.2	
Brazilian Government International Bond 8 15/01/2018	2.1	

Past performance is not a guide to the future.

Index returns assume reinvestment of dividends and capital gains and unlike fund returns do not reflect fees or expenses. The index is unmanaged and cannot be invested in directly. The value of investments and any income from them can fall as well as rise. Source performance: Copyright © 2009 Morningstar UK Limited, assumes income is reinvested for a non-UK taxpayer in fund currency, bid to bid (which means performance does not include the effect of any initial charge). Source other: Threadneedle. All performance and information is quoted in retail share class.

¹ The Sector Median (Net), Ranking and Quartile Ranking are referenced to the Benchmark Sector.

Country Weightings

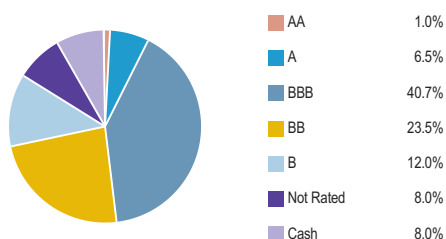
%	Fund Index		Deviation from Index	
Brazil	13.9	13.6		0.3%
Russia	12.2	11.4		0.8%
Mexico	9.7	12.6		-2.9%
Venezuela	9.3	6.4		2.9%
Turkey	8.7	10.8		-2.1%
Indonesia	5.6	5.8		-0.2%
Philippines	4.6	7.6		-3.0%
Peru	2.8	2.9		-0.1%
Colombia	2.7	3.8		-1.1%
Other	22.5	25.2		-2.7%
Cash	8.0	-		8.0%

Fund Codes Retail (Gross) Acc USD

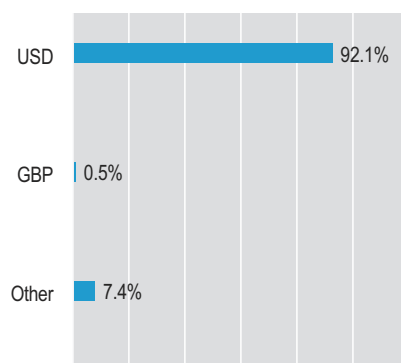
Sedol	277365
ISIN	GB0002773652
Bloomberg	TDNEMG3:LN Equity
Reuters	987844X.DX
WKN	987844
Valoren	1315596

For further details on fund codes for other classes, please refer to the rear of the Databook or contact Threadneedle

Credit Rating Weightings*



Net Currency Exposure



Portfolio Characteristics

Average Life	11.8
Modified Duration	5.8

Risk Analysis**

Absolute Volatility	11.41%
Absolute Sharpe Ratio	0.28

Important Information

* Credit Ratings are derived from averaging the scores of Moody's, Standard & Poors and Fitch, where provided.

**Due to timing differences some statistics have been omitted. Please contact Threadneedle for more information. Any opinions expressed are made in good faith but are subject to change without notice.

Please note this fund may not be registered or authorised in all jurisdictions. For detailed information please consult threadneedle.com

Standard & Poor's Fund Services is an independent company that awards ratings based on a wide variety of factors including performance, fund management style, overall investment process, corporate profile and stability of investment team. Fund Management Ratings range from 'A' to 'AAA'.

Please refer to further Risk Warnings and Glossary at the rear of this document.

Risk Warnings

MARKET RISK: Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up, and an investor may not get back the amount invested.

RISK TO CAPITAL GROWTH: The fund may deduct the annual management charge from capital rather than from income. This may erode capital or reduce the potential for capital growth over time.

EMERGING MARKETS RISK: Emerging Markets are generally less well regulated than their established counterparts. Funds investing in these markets can be susceptible to significant fluctuations in price. They may also carry additional risk in other areas including dealing, liquidity and taxation. As such, they are aimed at the more experienced investor.

TAX RISK: The current interpretation of the law or understanding of local practice might change, or that the law might be changed with retrospective effect. It is therefore possible that the Company could become subject to additional taxation in such countries that is not anticipated either at the date of the document or when investments are made, valued or disposed of.

FIXED INCOME FUND RISK: The interest rate on corporate bonds and most government bonds will not increase in line with inflation. Thus, over time, the real value of investor's income is likely to fall.

HIGH YIELD BONDS: High Yield Bonds carry a higher level of default risk and can be less liquid than government bonds and investment grade corporate bonds.

CASH RISK: Where a fund holds at any one time a substantial proportion of their assets in cash, near cash or money market instruments, it might not, under such circumstances, participate fully in a rise in market values of the asset classes the fund would otherwise invest in.

CURRENCY RISK: If the investment returns are not denominated in an investor's currency, investors are exposed to fluctuations in exchange rates. Changes in exchange rates may also cause the value of investments to fall as well as rise.

Summarised Glossary

In addition to the above specific risk warnings applicable to the fund, the second page of the factsheet includes a number of statistical measures that should also assist investors and/or their advisors in selecting funds that meets both their investment objectives and appetite for risk.

ABSOLUTE SHARPE RATIO: This measure is a risk-adjusted return statistic. It measures the fund's return over and above cash (excess return over a risk free asset) divided by the absolute volatility of the fund. It shows the trade-off between risk and return. The greater the result, the better the return the fund has delivered given the risks within the fund.

ABSOLUTE VOLATILITY: One of the main ways in which the risk of an investment is measured is calculating the degree to which its value fluctuates around an average. The standard method for calculating this volatility is standard deviation. Absolute volatility is the standard deviation of the fund's last three years' performance which is then expressed as a percentage. All the other risk measures below are also based on the last 3 year's fund performance.

AVERAGE LIFE: This is the weight adjusted average life of the bonds held in the portfolio i.e. on average how many years to go before their expected redemption.

BETA: This is a measure of the volatility of the fund relative to its benchmark. A figure greater than 1 indicates that the fund will tend to outperform in a rising market and under perform in a falling one. I.e. is more volatile than the market. The reverse applies to a Beta of less than 1.

INFORMATION RATIO: This statistic is commonly used to measure a fund manager's skill against the benchmark. The out/underperformance of the fund relative to its peer group is divided by the tracking error. Therefore, anything positive is above average and anything negative is below average. The larger the number the better.

JENSEN ALPHA: A risk-adjusted performance measure that represents the average return on the fund over and above that predicted by the CAPM (Capital Asset Pricing Model), given the fund's beta and the average market return as represented by the benchmark. If the value is positive then the fund has outperformed the market and if it is negative then the opposite is true.

MODIFIED DURATION: Is a measure of risk for fixed interest securities as it predicts the sensitivity of the value of the fund's portfolio to a change in interest rates. The higher the value the greater the volatility of the fund's performance resulting from changes to interest rates. If the modified duration of a fund is 5 years then the average price movement of the fund resulting from a +/- 1% change in interest rates is 5%.

R²: This is a measure of how close the portfolio of a fund is correlated (or can be explained by) the performance of the benchmark. A result of 1 means a perfect correlation whilst 0 means there is effectively no relationship between the two performances. The degree of reliance that can be placed on the result is not linear, however. Generally, a correlation is only significant for values of 0.75 and above. Finally, it is worth noting that the higher the R² the greater the reliance that can be placed on the beta result.

RELATIVE VOLATILITY: Shows how much more or less volatile the fund has been relative to its benchmark which for all risk measures will be an index. For example if the fund's absolute volatility is 9% and the benchmark's is 10% then the relative volatility is 0.90.

TRACKING ERROR: Indicates how closely the fund tracks the benchmark. It is the standard deviation of the monthly returns of the fund divided by the monthly returns of its benchmark. The lower the number the closer the fund follows its benchmark.

Please refer to the Databook or threadneedle.com for a full Glossary of Terms.

Subscriptions to a fund may only be made on the basis of the current Prospectus. Investors should note the "Risk factors" section of the Prospectus in terms of risks applicable to investing in any fund.

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