

# European strategies update

## Paul Doyle, Fund Manager



# Our European equity credentials

## A leader in European equity

- €41.1 billion AuM across all portfolios<sup>1</sup>
- Consistent long-term track record of outperformance

## Deep resource

- 27-strong European equity team<sup>2</sup>
- 18 years average team industry experience
- 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: Columbia Threadneedle Investments, as at 31 March 2019.

<sup>1</sup> AuM excludes externally managed portfolios, and includes UK-specific assets of €22.6 billion.

<sup>2</sup> Includes 12 UK-specific investment professionals as at 15 April 2019.

# European equities team



**Philip Dicken**  
22 years' experience  
*Small Cap, Forestry & Paper*



**Ann Steele**  
37 years' experience  
*Consumer Goods, Consumer Services, Construction*



**Paul Doyle**  
29 years' experience  
*Med Tech, Transport, Oil & Gas, Construction*



**Dan Ison**  
25 years' experience  
*Aerospace & Defence, Chemicals, Automobiles, Technology*



**David Dudding**  
20 years' experience



**Mine Tezgul**  
14 years' experience  
*Small Cap*



**Fred Jeanmaire**  
12 years' experience  
*Telecoms, Banks, Pharma*



**Benjamin Moore**  
11 years' experience



**Andrea Carzana**  
9 years' experience  
*Basic Materials, Insurance, Industrials*



**Matthew Van de Schootbrugge**  
8 years' experience  
*Utilities, Financials*



**Sohil Chotai**  
7 years' experience  
*Healthcare, Consumer Goods*



**Francis Ellison**  
36 years' experience



**Ketan Fatania**  
10 years' experience



**Roger Wilkinson**  
26 years' experience  
*Telecoms*



**Sian Morgan**  
9 years' experience  
*Insurance, Financials*



**Iain Richards**  
25 years' experience



**Chris Anker**  
10 years' experience



**Benjamin Kelly**  
12 years' experience



**Olivia Watson**  
13 years' experience



**Michael Hamblett**  
6 years' experience



**Jess Williams**  
5 years' experience

 Portfolio Managers  RI Team

# European equities range of strategies

Fund name	Portfolio Manager	Target TE	No. of stocks	Strategy
<b>Threadneedle European Fund</b>	Paul Doyle	3 – 6%	50-70	Europe ex UK core
<b>Threadneedle European Select Fund</b>	David Dudding Ben Moore	3 – 8%	45-60	Europe ex UK high alpha
<b>Threadneedle (Lux) Pan European Equities</b>	Ann Steele	3 – 6%	50-70	Pan Europe core
<b>Threadneedle Pan European Focus Fund</b>	Fred Jeanmaire	4 – 8%	30-60	Pan Europe high alpha
<b>Threadneedle (Lux) Pan European Equity Dividend</b>	Dan Ison	3 – 6%	30-50	Pan Europe income
<b>Threadneedle (Lux) Pan European Smaller Companies</b>	Philip Dicken	3 – 8%	80-100	Pan Europe smaller companies
<b>Threadneedle European Smaller Companies Fund</b>	Philip Dicken	3 – 8%	80-100	Europe ex UK smaller companies
<b>Threadneedle (Lux) Pan European Absolute Alpha Fund</b>	Paul Doyle Fred Jeanmaire	6 – 10%*	80-120	Pan European Long/Short

Source: Columbia Threadneedle Investments.

\* Target volatility not TE

# European equities performance

## Returns relative to index

Annualised (%)	1 year			3 years			5 years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
<b>Threadneedle European Fund</b>	8.3	4.6	<b>+3.5</b>	8.0	8.9	<b>-0.8</b>	8.8	6.9	<b>+1.8</b>
<b>Threadneedle (Lux) European Select</b>	9.7	4.6	<b>+4.9</b>	9.2	8.9	<b>+0.3</b>	9.4	6.9	<b>+2.4</b>
<b>Threadneedle (Lux) Pan European Equities</b>	4.5	5.3	<b>-0.7</b>	7.4	8.4	<b>-0.9</b>	6.9	6.3	<b>+0.6</b>
<b>Threadneedle Pan European Focus Fund</b>	17.2	5.3	<b>+11.4</b>	7.9	8.4	<b>-0.4</b>	8.7	6.3	<b>+2.2</b>
<b>Threadneedle (Lux) Pan European Equity Dividend</b>	6.6	5.3	<b>+1.3</b>	5.8	8.4	<b>-2.4</b>	6.6	6.3	<b>+0.3</b>
<b>Threadneedle (Lux) Pan European Smaller Companies</b>	5.5	0.3	<b>+5.1</b>	11.8	8.6	<b>+2.9</b>	12.4	8.0	<b>+4.0</b>
<b>Threadneedle (Lux) European Smaller Companies</b>	6.2	0.1	<b>+6.1</b>	12.7	9.7	<b>+2.7</b>	13.5	8.8	<b>+4.3</b>
<b>Threadneedle (Lux) Pan European Absolute Alpha</b>	16.6	-0.3	<b>+17.0</b>	6.2*	-0.3*	<b>+6.6*</b>	-	-	-

Source: FactSet, as 30 April 2019. 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. Data greater than 1 year on an annualised basis. Indices used Threadneedle European Fund and Threadneedle European Select Fund – FTSE World Europe ex UK Index; Threadneedle Pan European Fund – MSCI World Europe Index (prior to 31 March 2010 FTSE World Europe); Threadneedle Pan European Focus Fund and Threadneedle Pan European Equity Dividend Fund – MSCI Europe Index; Threadneedle European Smaller Companies Fund – Euromoney Smaller European Companies (ex UK) Index; Threadneedle (Lux) Pan European Smaller Companies Fund – Euromoney Smaller European Companies Index. Threadneedle (Lux) Pan European Absolute Alpha Fund (3 years data is 2 years 7 months, since inception September 2016). Past performance is not a guide to future performance.

# European equities performance

## Strong long-term performance

Annualised (%)	2019 YTD	2018	2017	2016	2015	2014	1 year	3 years	5 years	10 years
<b>Threadneedle European Smaller Companies Fund</b>	16.8	-10.2	29.9	17.8	25.2	1.2	4.2	16.3	14.5	17.8
Euromoney Smaller European Companies (ex UK) Index	12.1	-12.	23.3	23.3	17.2	-1.9	-1.9	13.2	9.8	12.9
<b>Relative return</b>	<b>+4.2</b>	<b>+2.8</b>	<b>+5.4</b>	<b>-4.4</b>	<b>+6.8</b>	<b>+3.1</b>	<b>+6.2</b>	<b>+2.8</b>	<b>+4.4</b>	<b>+4.3</b>

Annualised (%)	2019 YTD	2018	2017	2016	2015	2014	1 year	3 years	5 years	10 years
<b>Threadneedle (Lux) European Smaller Companies</b>	21.8	-11.2	24.9	1.7	31.8	8.5	6.2	12.7	13.5	18.3
EMIX Smaller European Companies (ex UK) Index	17.0	-13.6	18.6	6.4	23.5	5.2	0.1	9.7	8.8	13.4
<b>Relative return</b>	<b>+4.1</b>	<b>+2.8</b>	<b>+5.3</b>	<b>-4.4</b>	<b>+6.8</b>	<b>+3.1</b>	<b>+6.1</b>	<b>+2.7</b>	<b>+4.3</b>	<b>+4.3</b>

Source: FactSet, as at 30 April 2019. Fund returns gross of tax and TER for comparison with indices. All data is quoted in GBP. 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. The Euromoney European Smaller Companies Index was renamed EMIX Smaller European Companies (ex UK) Index on 15 November 2017. Past performance is not a guide to future returns.

# Performance analysis

## Calendar year gross performance (%)

Threadneedle (Lux) Pan European Equities					
	2018	2017	2016	2015	2014
<b>Fund</b>	-13.7	11.4	-2.3	15.0	6.8
<b>MSCI Europe Index</b>	-10.0	10.9	3.2	8.8	7.4
<b>Relative return</b>	<b>-4.1</b>	<b>+0.5</b>	<b>-5.3</b>	<b>+5.7</b>	<b>-0.6</b>

Threadneedle Pan European Focus Fund					
	2018	2017	2016	2015	2014
<b>Fund</b>	-5.5	13.0	-12.5	23.5	7.7
<b>MSCI Europe Index</b>	-10.0	10.9	3.2	8.8	7.4
<b>Relative return</b>	<b>+5.1</b>	<b>+1.9</b>	<b>-15.3</b>	<b>+13.5</b>	<b>+0.3</b>

Threadneedle (Lux) Pan European Equity Dividend					
	2018	2017	2016	2015	2014
<b>Fund</b>	-10.8	9.4	-2.8	14.6	11.5
<b>MSCI Europe Index</b>	-10.0	10.9	3.2	8.8	7.4
<b>Relative return</b>	<b>-0.9</b>	<b>-1.4</b>	<b>-5.8</b>	<b>+5.3</b>	<b>+3.8</b>

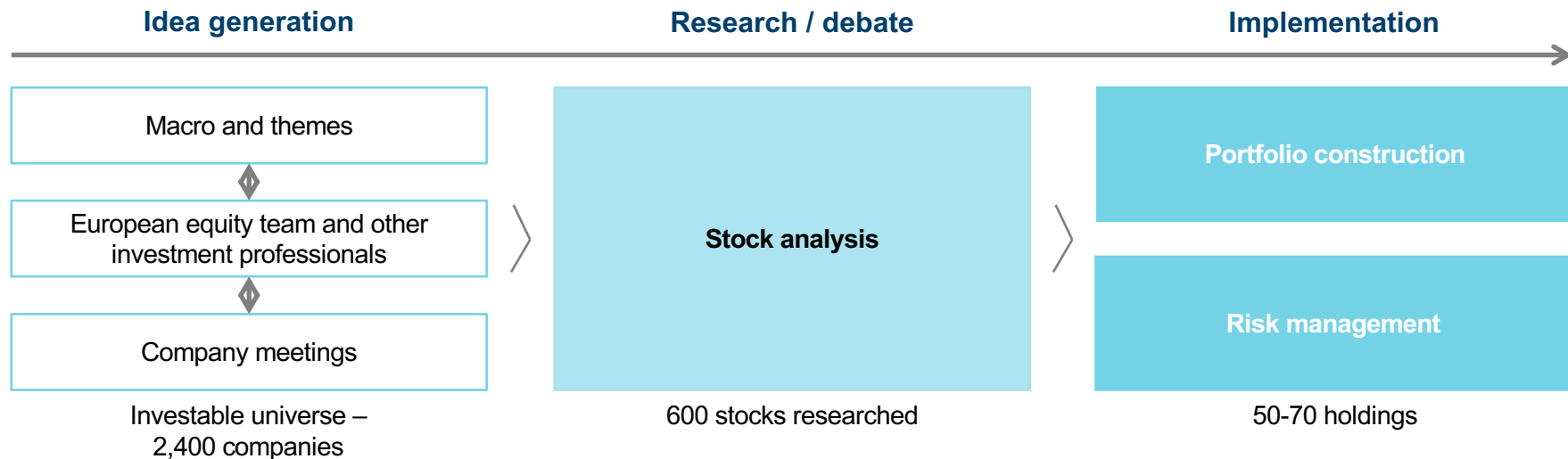
Threadneedle (Lux) European Select					
	2018	2017	2016	2015	2014
<b>Fund</b>	-10.3	16.5	-2.1	18.6	12.9
<b>FTSE World Europe ex UK</b>	-10.5	13.0	3.4	10.9	7.4
<b>Relative return</b>	<b>+0.2</b>	<b>+3.1</b>	<b>-5.3</b>	<b>+6.9</b>	<b>+5.1</b>

Threadneedle European Fund					
	2018	2017	2016	2015	2014
<b>Fund</b>	-9.8	12.3	-4.4	21.4	8.5
<b>FTSE World Europe ex UK</b>	-10.5	13.0	3.3	10.9	7.4
<b>Relative return</b>	<b>+0.7</b>	<b>-0.6</b>	<b>-7.5</b>	<b>+9.4</b>	<b>+1.0</b>

Threadneedle (Lux) Pan European Absolute Alpha					
	2018	2017	2016	2015	2014
<b>Fund</b>	2.2	-0.8	n/a	n/a	n/a
<b>EURIBOR 3m Index</b>	-0.3	-0.3	n/a	n/a	n/a
<b>Relative return</b>	<b>+2.6</b>	<b>-0.5</b>	n/a	n/a	n/a

Source: FactSet, as at 31 March 2019. Fund returns gross of tax and TER for comparison with indices. All data is quoted in EUR. Threadneedle (Lux) Pan European Absolute Alpha since inception date October 2016. 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. Relative returns shown are calculated on a geometric basis. Past performance is not a guide to future returns.

# European equity investment process



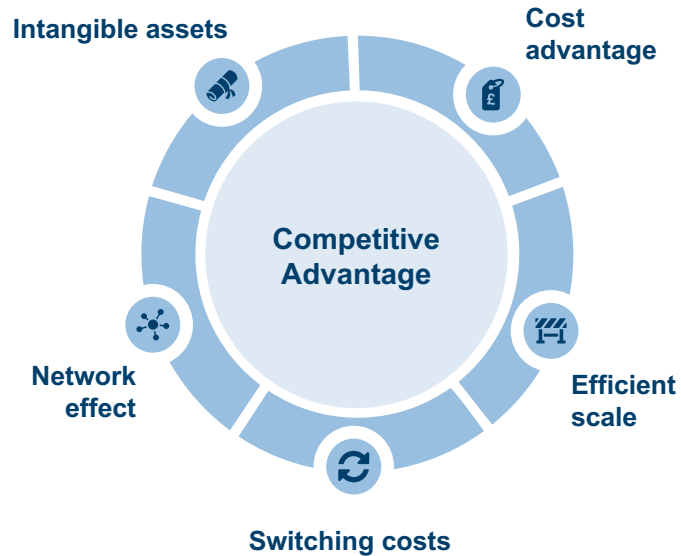
The fund characteristics described above are internal guidelines (rather than limits and controls). They do not form part of the fund's objective and policy and are subject to change without notice in the future.



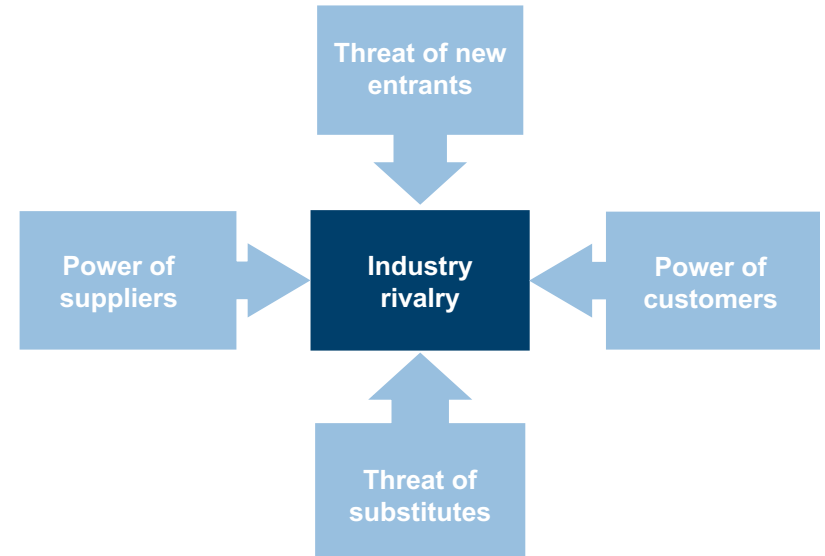
# How we find this

## Competitive advantage and sustainability

### Identifying competitive advantage



### Understanding industry structures



# Equity-like returns with lower volatility

**Threadneedle (Lux) Pan European Absolute Alpha: +4.3% total annualised fund return**  
 (since inception<sup>1</sup>, net of fees)



Source: Columbia Threadneedle Investments and Factset, as at 30 April 2019. Under no circumstances should this document or the information contained within, be disclosed to any ineligible investors. This performance is for information only. Whilst reasonable care has been taken when preparing this information, Threadneedle does not guarantee its accuracy. Past performance is not a guide to future performance.

<sup>1</sup> Fund returns in EUR, total annualised net fund return. Based on retail net accumulation units. Index performance in EUR, using EURIBOR (ACT/360) - 3 Month total returns.

# Threadneedle (Lux) Pan European Absolute Alpha

## Characteristics

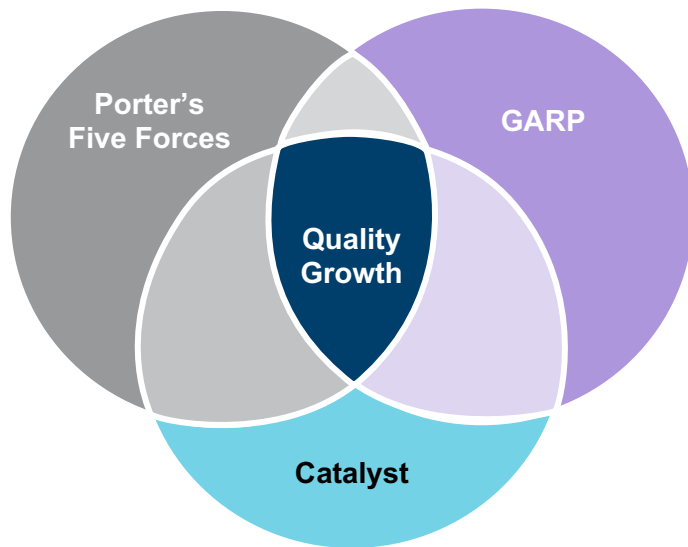
	Guidelines
<b>Fund characteristics</b>	Pan European equity long / short fund broadly diversified by market capitalisation and sectors, aiming to generate a positive return over 12-month periods
<b>Volatility target</b>	6-10%
<b>Typical number of stocks</b>	80-120
<b>Typical net exposure</b>	0% to 50%
<b>Typical gross exposure</b>	80% – 180%
<b>Typical long position</b>	0.5% – 5.0%
<b>Typical short position</b>	0.2% – 2.0%

The fund characteristics described above are internal guidelines (rather than limits and controls). They do not form part of the fund's objective and policy and are subject to change without notice in the future. Please note that the performance target may not be attained.

# Threadneedle (Lux) Pan European Absolute Alpha

## What we look for in long positions

- Research process revolves around Porter's Five Forces
- We buy companies with high P5F scores

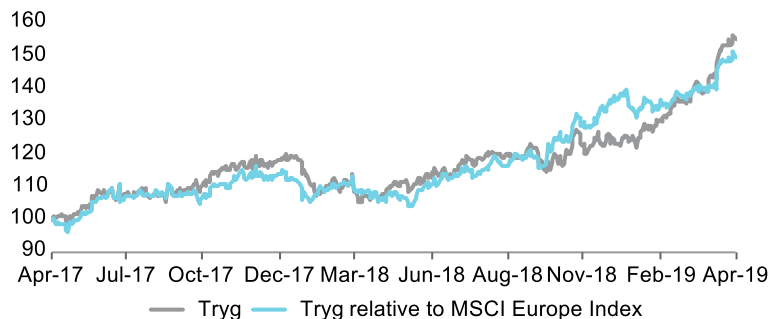


- Free cash flow yield + long term growth = annual return potential
- We buy companies with annual return potential of over 10%

- Catalysts can be product, cost cutting, synergies, etc.

# Tryg

## 2-year absolute and relative performance<sup>1</sup>



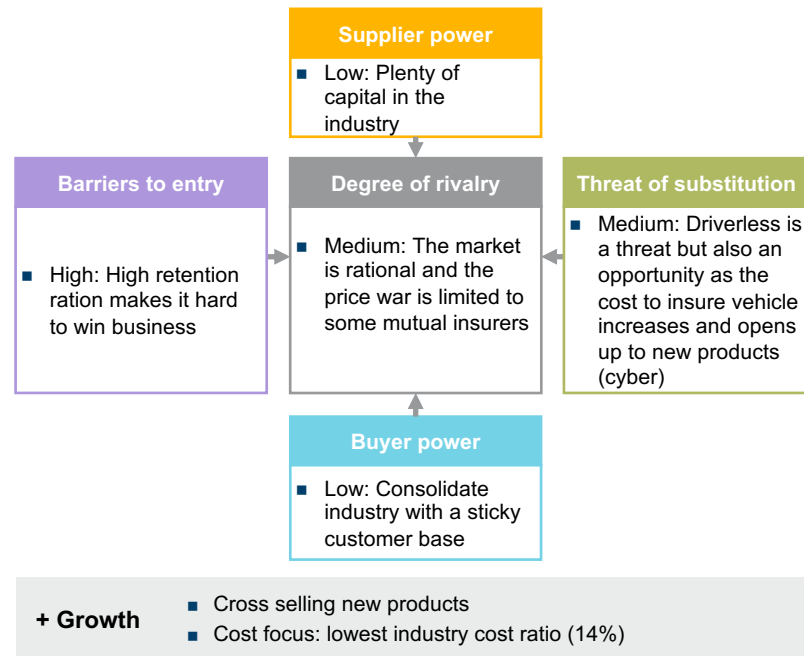
Year to Dec <sup>2</sup>	2019e	2020e
P/E	22.8x	21.9x
P/B	5.6x	5.5x
RoE	22%	22%

<sup>1</sup> Source: Factset, as at 30 April 2019, in DKK.

<sup>2</sup> Source: Bloomberg, as at 8 April 2019.

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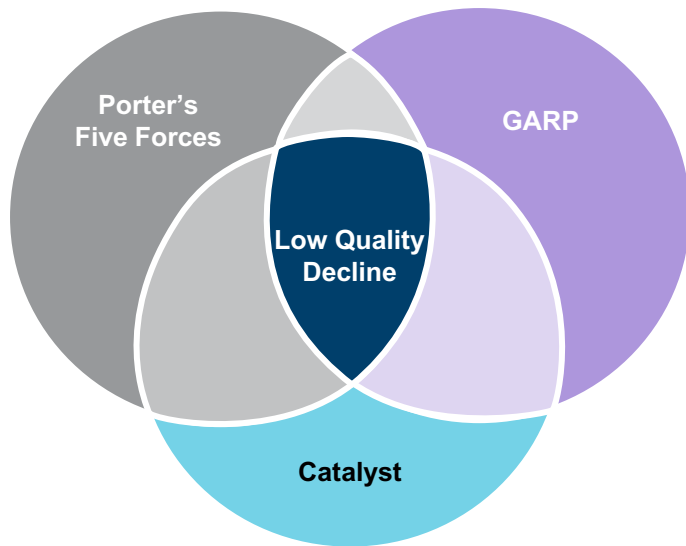
## Porter's Five Forces



# Threadneedle (Lux) Pan European Absolute Alpha

## What we look for in short positions

- Research process revolves around Porter's Five Forces
- We short companies with low P5F scores



- Free cash flow yield + long-term growth = annual return potential
- We short companies with low annual return potential

- Catalysts can be sales decline, debt refinancing, etc.

# Health Care stock (short)

## 2-year absolute and relative performance<sup>1</sup>



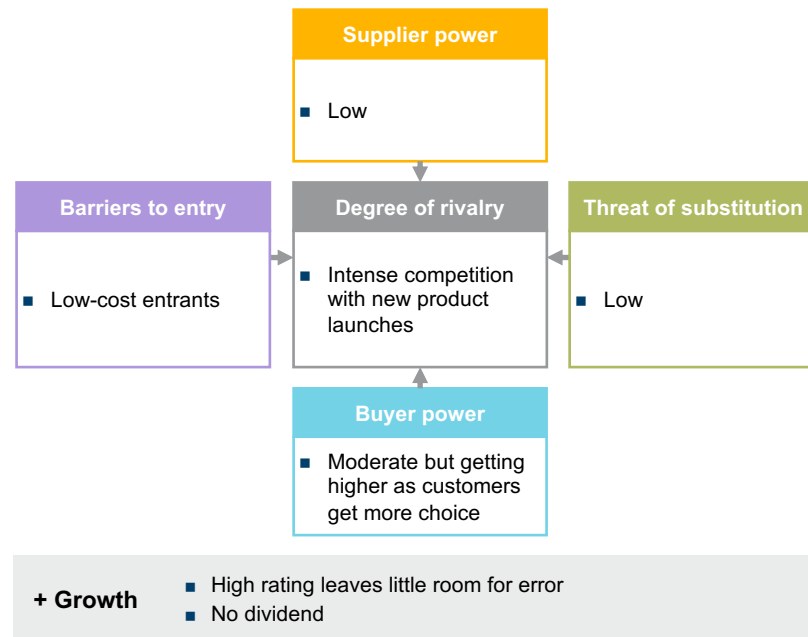
Year to Dec <sup>2</sup>	2019e	2020e
P/E	24.1x	21.4x
EV/EBITDA	16.4x	14.9x
RoE	27%	27%

<sup>1</sup> Source: Factset, as at 30 April 2019, in DKK.

<sup>2</sup> Source: Bloomberg, as at 30 April 2019.

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## Porter's Five Forces





Tu éxito, nuestra prioridad.



# Threadneedle schedule of rates of return

## Composite disclosures

The 'Firm' is defined as all portfolios managed by Threadneedle Asset Management, which includes Threadneedle Asset Management Limited, (TAML), Threadneedle International Limited, (TINTL), Threadneedle Investments Singapore (TIS) and Threadneedle Asset Management Malaysia Sdn. Bhd (TAMM), excluding directly invested property portfolios. TAML & TINTL are authorised and regulated in the UK by the Financial Conduct Authority (FCA). TINTL is also registered as an investment adviser with the U.S. Securities and Exchange Commission and as a Commodities Trading Advisor with the U.S. Commodity Futures Trading Commission. TIS is regulated in Singapore by the Monetary Authority of Singapore. TAMM is regulated by the Securities Commission Malaysia.

Threadneedle Asset Management 'the Firm' claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS Standards. Threadneedle Asset Management has been independently verified by Ernst & Young LLP for the periods 1st January 2000 to 30th June 2014. The verification reports are available upon request. Verification assesses whether the Firm has complied with all composite construction requirements of the GIPS Standards on a firm wide basis and that the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS Standards. Verification does not ensure the accuracy of any specific composite presentation.

This composite comprises all discretionary accounts managed according to the Firm's Global Equities (Focus) strategy. The primary benchmark for this composite is the MSCI AC World index.

The portfolio returns used in composites are calculated using daily authorised global close valuations with cash flows at start of the day. Composite returns are calculated by using underlying portfolio beginning of period weights and monthly returns. Periodic returns are geometrically linked to produce longer period returns. Gross of fee returns are presented before management and custodian fees but after the deduction of trading expenses. Returns are net of non-recoverable withholding tax, whilst any recoverable tax is included on a cash basis. Additional information regarding policies for calculation and reporting of returns is available on request.

The representative fee scale for this composite is 0.65% per annum.

The dispersion of annual returns is measured by the asset weighted standard deviation of portfolio returns represented within the composite for the full year. Dispersion is only shown in instances where there are five or more portfolios throughout the entire reporting period.

Derivative instruments may be used for efficient portfolio management and currency management. The primary use of derivatives is not designed to create a highly leveraged investment position.

The three-year annualised standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 month period.

A full list of composites is available upon request. The composite creation date is 31 March 2013.

On March 30, 2015, the Columbia and Threadneedle group of companies, which includes multiple separate and distinct GIPS-compliant firms, began using the global brand name Columbia Threadneedle Investments.

# Threadneedle schedule of rates of return

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# Important information

## **Important Information. For use by institutional clients and consultants only (not to be passed on to any third party).**

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Performance figures and other data relating to a fund or a representative account are provided for illustrative purpose only and may differ from that of other separately managed accounts due to such differences as cash flows, charges, applicable taxes, and differences in investment strategy and restrictions.

Where references are made to portfolio guidelines and features, these are at the discretion of the portfolio manager and may be subject to change over time and prevailing market conditions. Actual investment parameters will be agreed and set out in the prospectus or formal investment management agreement. An actual proposal will be subject to negotiations and the content of this document are not binding and remain subject to contract. An actual proposal will be subject to negotiations and the content of this document are not binding and remain subject to contract. Please note that the performance target may not be attained.

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# Objectives and key risks

**Threadneedle European Fund Objective** – The aim of the Fund is to grow the amount you invested. The Fund invests at least two-thirds of its assets in shares of companies with good growth prospects in Continental Europe or companies that have significant operations there.

**Threadneedle (Lux) European Select Fund Objective** – The aim of the Fund is to grow the amount you invested. The Fund invests at least two-thirds of its assets in shares of companies in Continental Europe or companies that have significant operations there and that have growth prospects. The Fund's investment approach means it can invest significantly in particular companies, industries and countries. This means it will typically hold fewer investments than other funds.

**Threadneedle (Lux) Pan European Equities Fund Objective** – The aim of the Fund is to grow the amount you invested. The Fund invests at least two-thirds of its assets in shares of large companies in Europe, including the UK, or companies that have significant operations there. The Fund permanently invests a minimum of 75% of its assets in European Economic Area (excluding Liechtenstein) equities, and is therefore PEA (Plan d'Epargne en Actions) eligible in France.

**Threadneedle Pan European Focus Fund Objective** – The aim of the Fund is to grow the amount you invested. The Fund invests at least two-thirds of its assets in shares of companies in Europe, including the UK, and those that have significant operations there. The Fund's investment approach means it can invest significantly in particular companies, industries and countries. This means it will typically hold fewer investments than other funds.

**Threadneedle (Lux) Pan European Equity Dividend Fund Objective** – The aim of the Fund is to provide income with the potential to grow the amount you invested as well. The Fund invests at least two-thirds of its assets in shares of companies in Continental Europe and the UK, or companies that have significant operations there. The Fund will look to invest in companies that have potential to pay an above average income.

**Threadneedle (Lux) Pan European Absolute Alpha Objective** – The aim of the Fund is to make a positive return for you over the longer term, notwithstanding changing market conditions. Positive returns are not guaranteed and no form of capital protection applies. At least two-thirds of the Fund's assets will be in long and short positions in companies in Europe or companies that have significant activity there, and, when appropriate, cash.

**Threadneedle European Smaller Companies Fund Objective** – The aim of the Fund is to grow the amount you invested. The Fund invests at least two-thirds of its assets in shares of smaller companies in Continental Europe or companies that have significant operations there. As it invests in smaller companies, the Fund will mainly choose shares from companies that are smaller in size than the top 225 companies in the FTSE World Europe (ex UK) Index. The Fund permanently invests a minimum of 75% of its assets in European Economic Area (excluding Liechtenstein) equities, and is therefore PEA (Plan d'Epargne en Actions) eligible in France.

# Objectives and key risks (cont'd)

**Investment Risk** – Past performance is not a guide to future returns and the fund may not achieve its investment objective. The value of the fund may fluctuate in response to the performance of individual companies (securities) and investors may not get back the sum originally invested.

**Currency Risk** – Fluctuations in exchange rates may cause the value of the value of investments to rise or fall.

**Liquidity Risk** – The fund can hold assets that may prove difficult to sell, which may result in the fund having to accept a lower selling price, sell other investments or forego more appealing investment opportunities.

**Effect of portfolio concentration** – The fund invests in a concentrated portfolio of stocks, which may effect the performance of the fund if there is a change in the value of one or more stocks.

**Volatility Risk** – The fund may exhibit significant price volatility.

**High Volatility Risk** – The fund typically carries a risk of high volatility due to its portfolio composition or the portfolio management techniques used. This means that the fund's value is likely to fall and rise more frequently and pronounced than with other funds.

**Derivatives for EPM / Hedging** – The fund may invest in derivatives to reduce risk or minimise the costs of transactions. This may benefit or negatively affect the performance of the fund.

**No Capital Guarantee** – Positive returns are not guaranteed and no form of capital protection applies.

**Counterparty Risk** – The fund may enter into financial transactions with selected counterparties. Any financial difficulties arising at these counterparties could significantly affect the availability and the value of fund assets.

**Political and Financial Risk** – The fund invests in markets where economic and regulatory risk can be significant. These factors can affect liquidity, settlement and asset values. Any such event can have a negative effect on the value of your investment.

**Valuation Risk** – The fund's assets may sometimes be difficult to value objectively and the actual value may not be recognised until assets are sold.

**Short Selling Risk** – Short selling intends to make a profit from falling prices. However if the value of the underlying investment increases, the value of the short position will decrease. The potential losses are unlimited as the prices of the underlying investments can increase very significantly in a short space of time.

**Investment in Derivatives** – The Investment Policy of the fund allows it to invest materially in derivatives.

**Leverage Risk** – Leverage amplifies the effect that a change in the price of an investment has on the fund's value. As such, leverage can enhance returns to investors but can also increase losses, including losses in excess of the amount invested.

Type of risk	Threadneedle European	Threadneedle (Lux) European Select	Threadneedle (Lux) Pan European Equities	Threadneedle Pan European Focus	Threadneedle (Lux) Pan European Equity Dividend	Threadneedle (Lux) Pan European Absolute Alpha	Threadneedle European Smaller Companies Fund
Investment Risk	✓	✓	✓	✓	✓	✓	✓
Currency Risk	✓	✓	✓	✓	✓	✓	✓
Liquidity Risk	x	x	x	x	x	✓	✓
Effect of portfolio concentration	x	✓	x	✓	x	x	x
Volatility Risk	x	x	x	x	✓	✓	✓
High Volatility Risk	✓	✓	✓	✓	x	x	x
Derivatives for EPM / Hedging	✓	✓	✓	✓	✓	x	✓
No Capital Guarantee	x	x	x	x	x	✓	x
Counterparty Risk	x	x	x	x	x	✓	x
Political and Financial Risk	x	x	x	x	x	✓	x
Valuation Risk	x	x	x	x	x	✓	x
Short Selling Risk	x	x	x	x	x	✓	x
Investment in Derivatives	x	x	x	x	x	✓	x
Leverage Risk	x	x	x	x	x	✓	x

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## Important information (cont.)

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