



Your success. Our priority.

The Outlook for Europe

Ann Steele

For professional investors only

Hamburg, September 2015

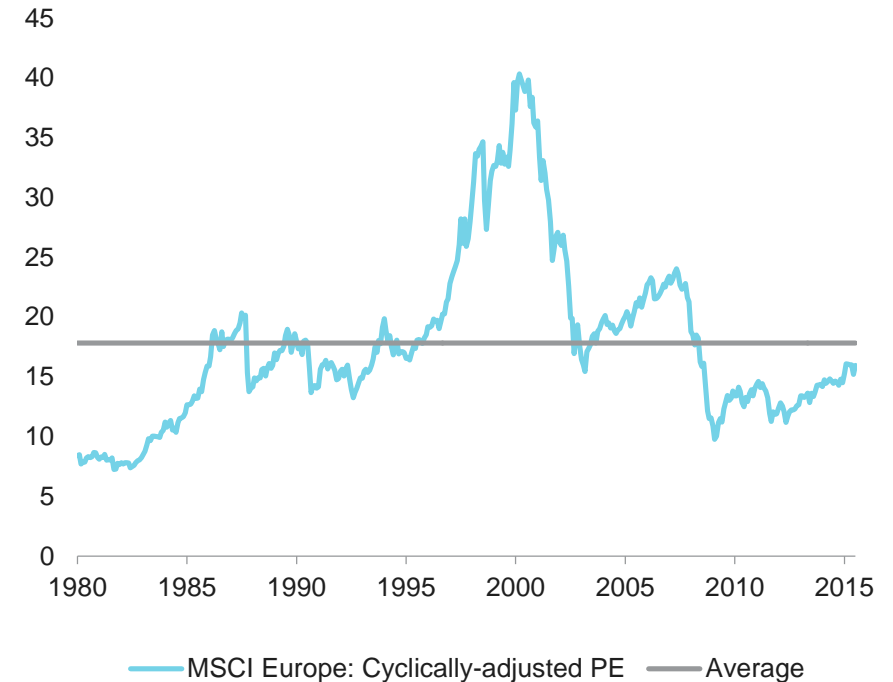


Europe offers better returns in 2015

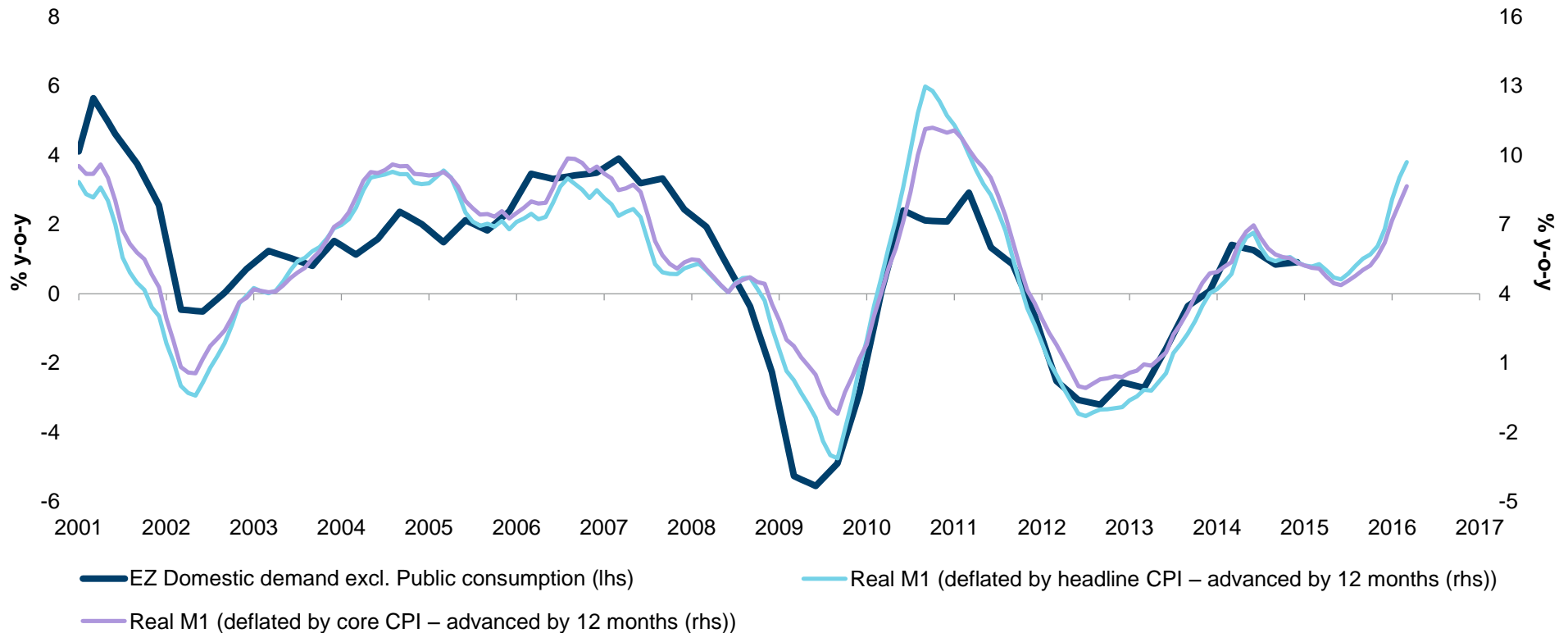
Meaningful scope for further rerating

- Six reasons for stronger returns in 2015
 - Quantitative easing
 - Euro tailwind
 - Lower oil and commodity prices
 - Credit demand and availability improving
 - Signs of domestic economic improvements
 - Investors still underweight
- GDP growth 1.5% – risk to upside given credit development
- Consensus eps growth 15%
 - 3.4% dividend yield – will boost returns further
- M&A to increase

European market valuation

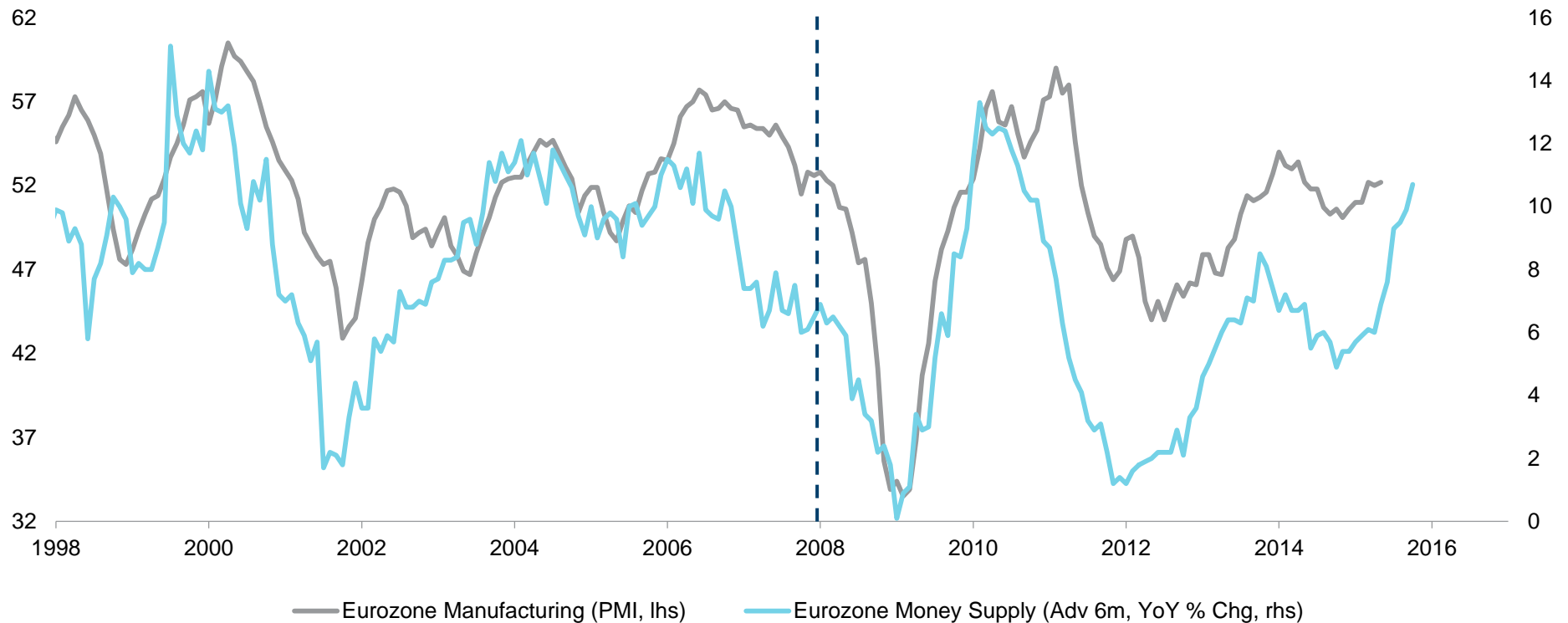


Positive influences: QE inflates money supply, stimulating domestic demand



Source: Datastream, as at May 2015.

Positive influences: increasing money supply means stronger growth

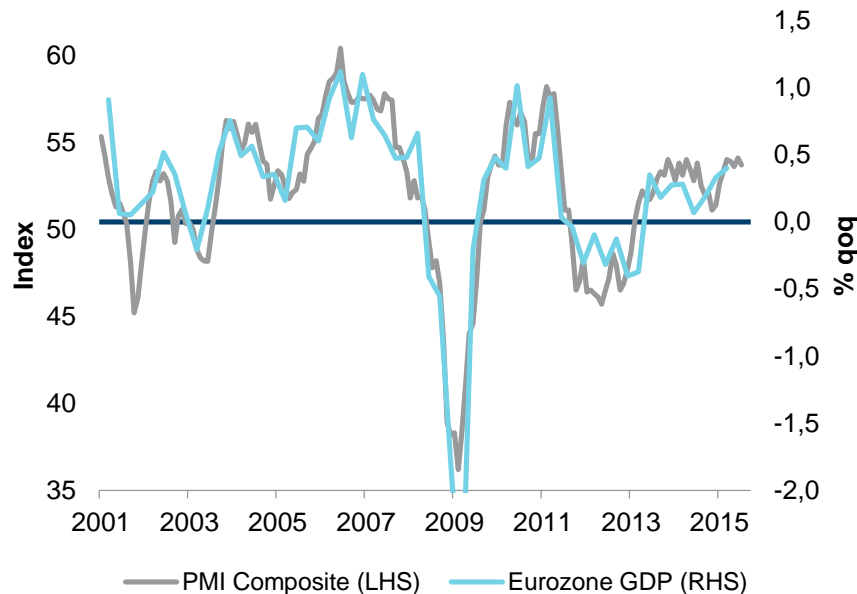


Source: Cornerstone Macro, as at 2 June 2015.

Euro Area

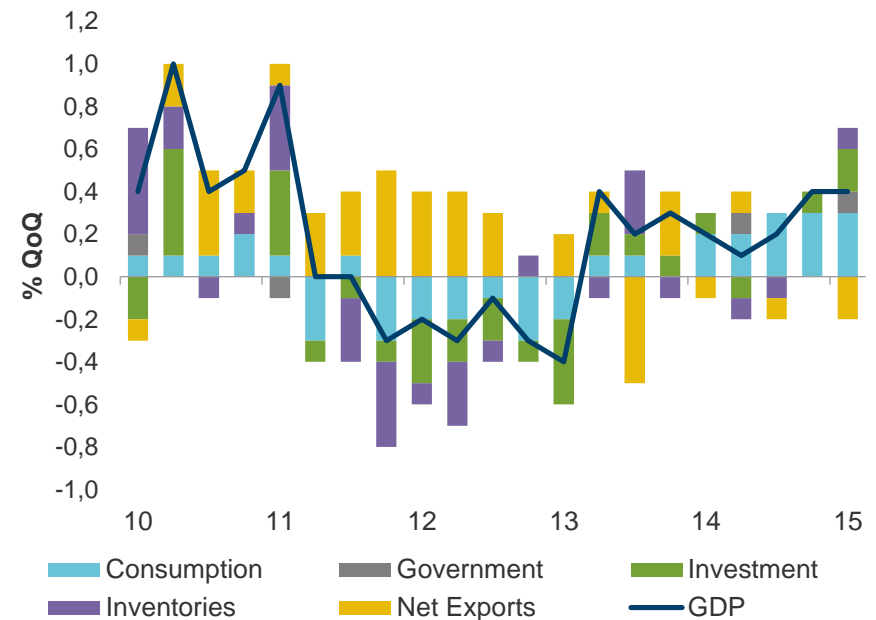
Growth improvement on track

Euro Area GDP vs. PMI



- Growth momentum has plateaued in recent months but at a level consistent with a decent 2015 forecast
- Consensus for 2016 suggest further improvement

Euro Area GDP growth, nominal vs. real



- Real GDP driven by strong domestic demand in Q1
- Export sector has become a drag
- Key to the sustainability of the recovery will be the extent of the virtuous cycle in domestic demand as confidence, job growth and spending feed off each other

Source: Bloomberg, Macrobond, Columbia Threadneedle Investments, as at July 2015.

Positive influences: credit availability is increasing

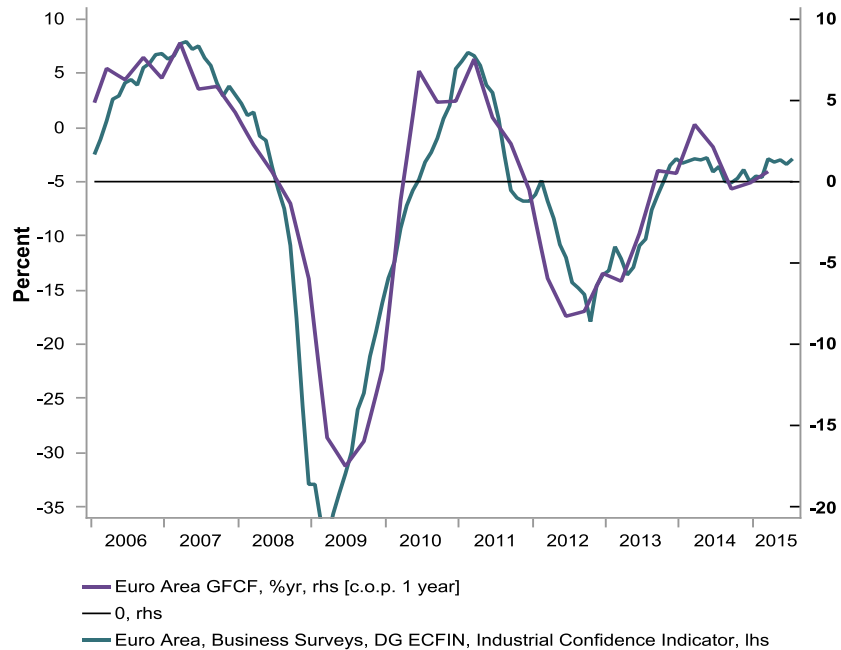


Source: Deutsche Bank, as at May 2015.

Euro Area

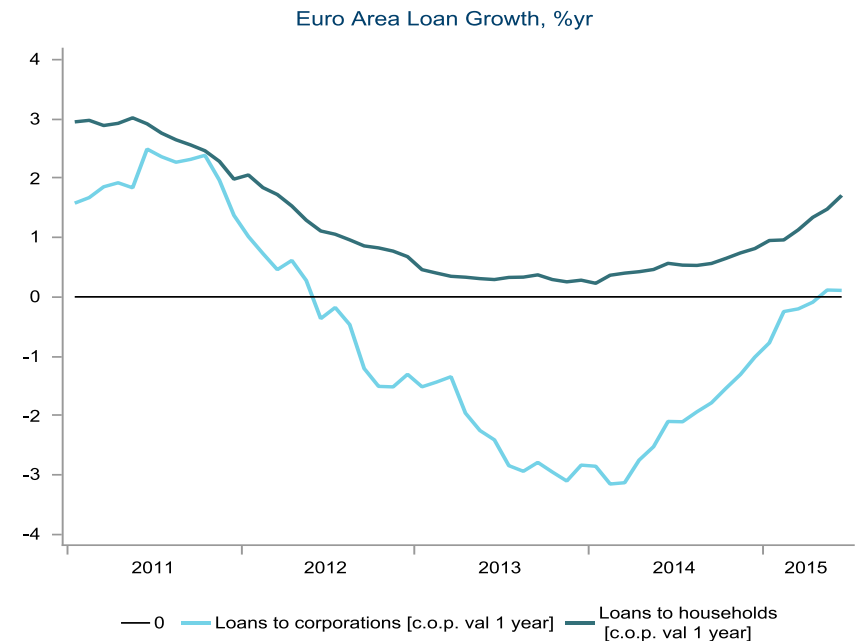
Investment spending beginning to show signs of life

Investment spending v Industrial confidence



- Confidence measures suggest investment spending may have stabilised but is a long way from signalling a sustainable recovery

Euro area loan growth, % year



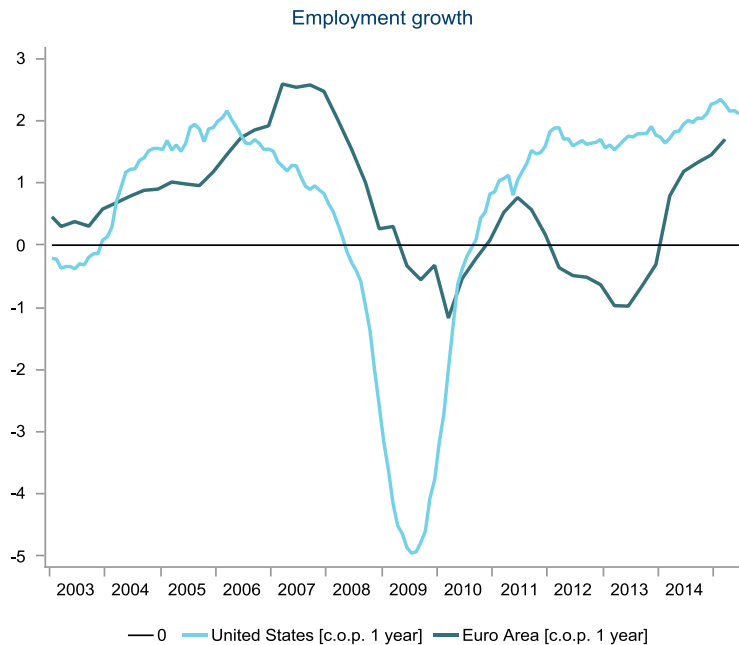
- Loan growth continues to improve from depressed levels

Source: Macrobond, Bloomberg, Columbia Threadneedle Investments, as at April 2015.

Euro Area

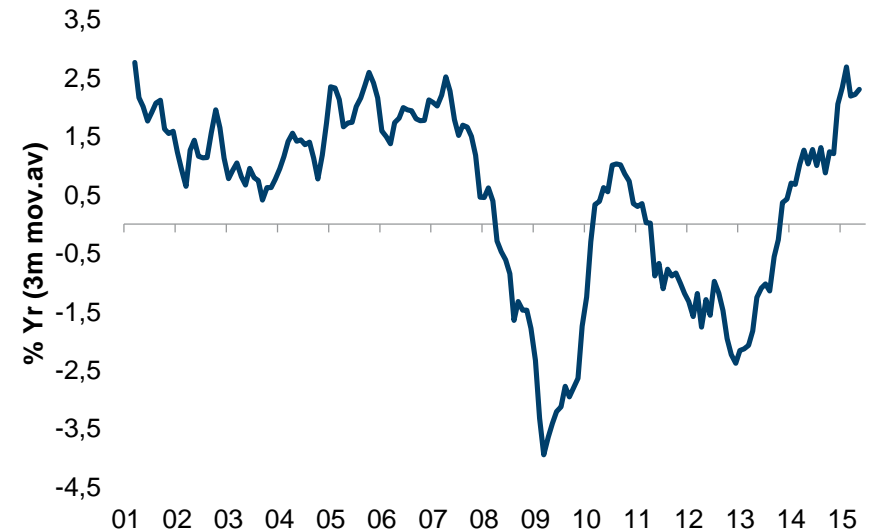
Assessing the virtuous circle

Employment growth, % oya



- Employment growth has picked up and should continue to support domestic demand barring

Retail Sales, % yoy



- Strong retail sales exhibit the positive impact on consumer spending

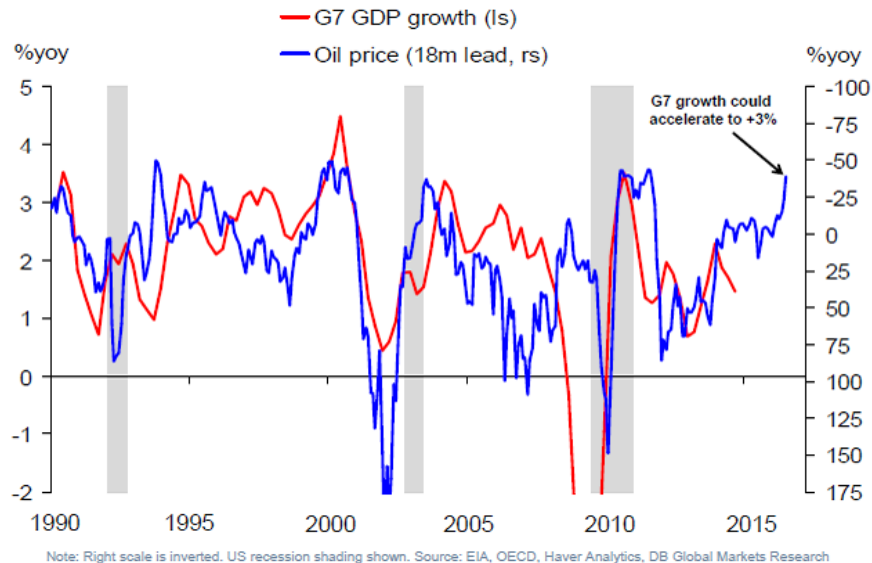
Positive influences: Eurozone consumer-driven recovery



Source: Datastream, as at 30 April 2015.

Positive influences: boost from lower commodity prices

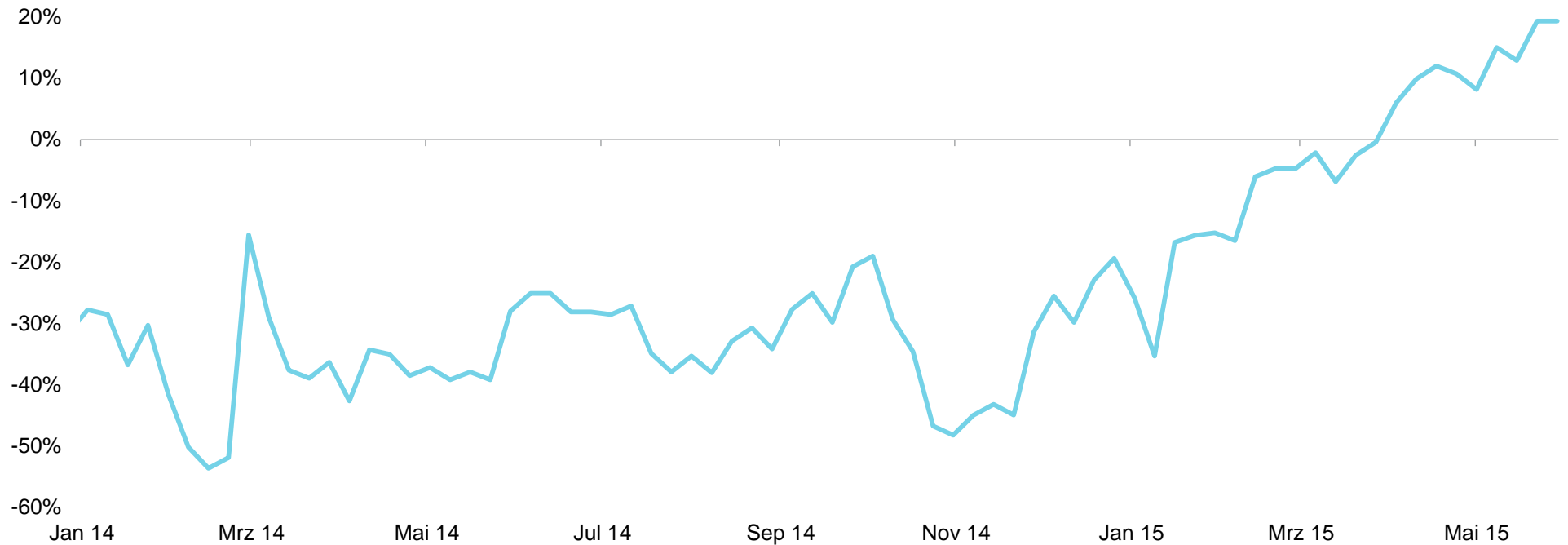
Oil prices down 40%: markets underestimating boost to growth in UK, Japan and Europe



- Falling energy prices a boost for consumers in the West, China and India
- Notable losers Russia and Venezuela

Earnings forecast revisions turning positive

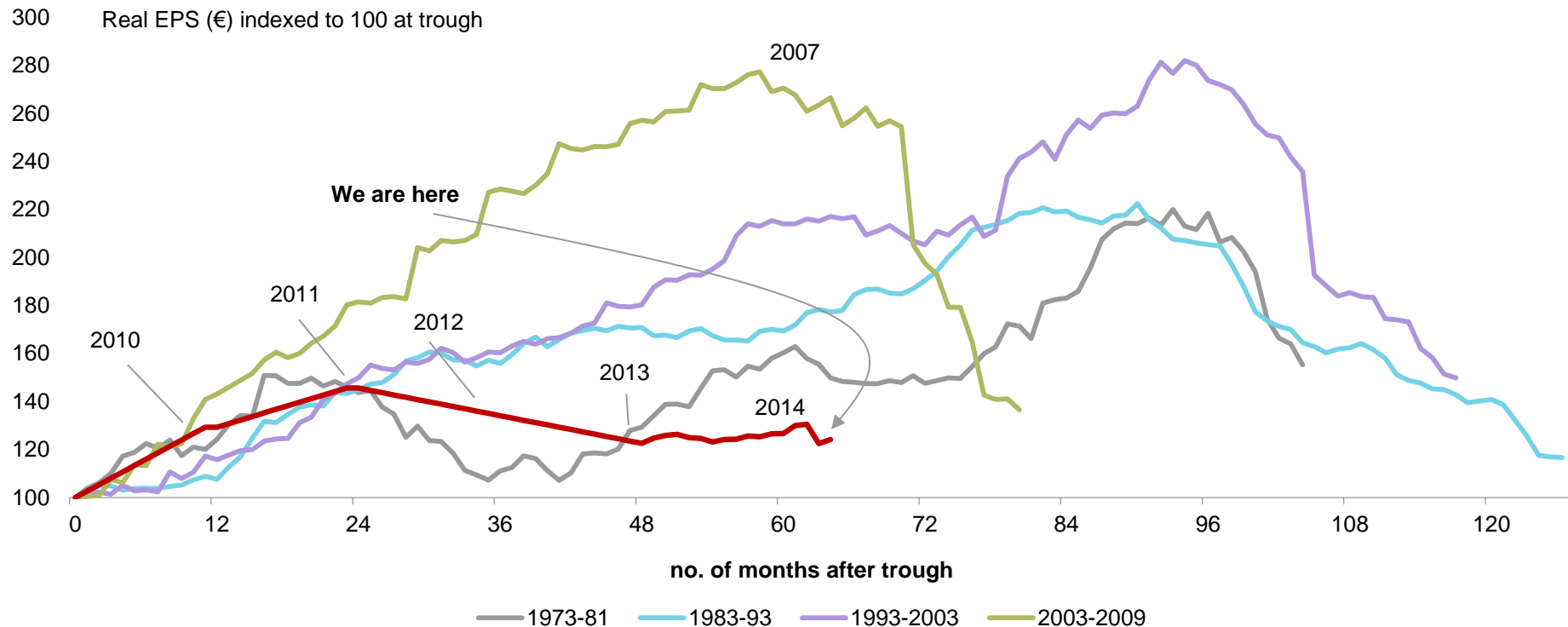
MSCI Eurozone positive to negative EPS revisions



Source: Morgan Stanley, as at 27 May 2015.

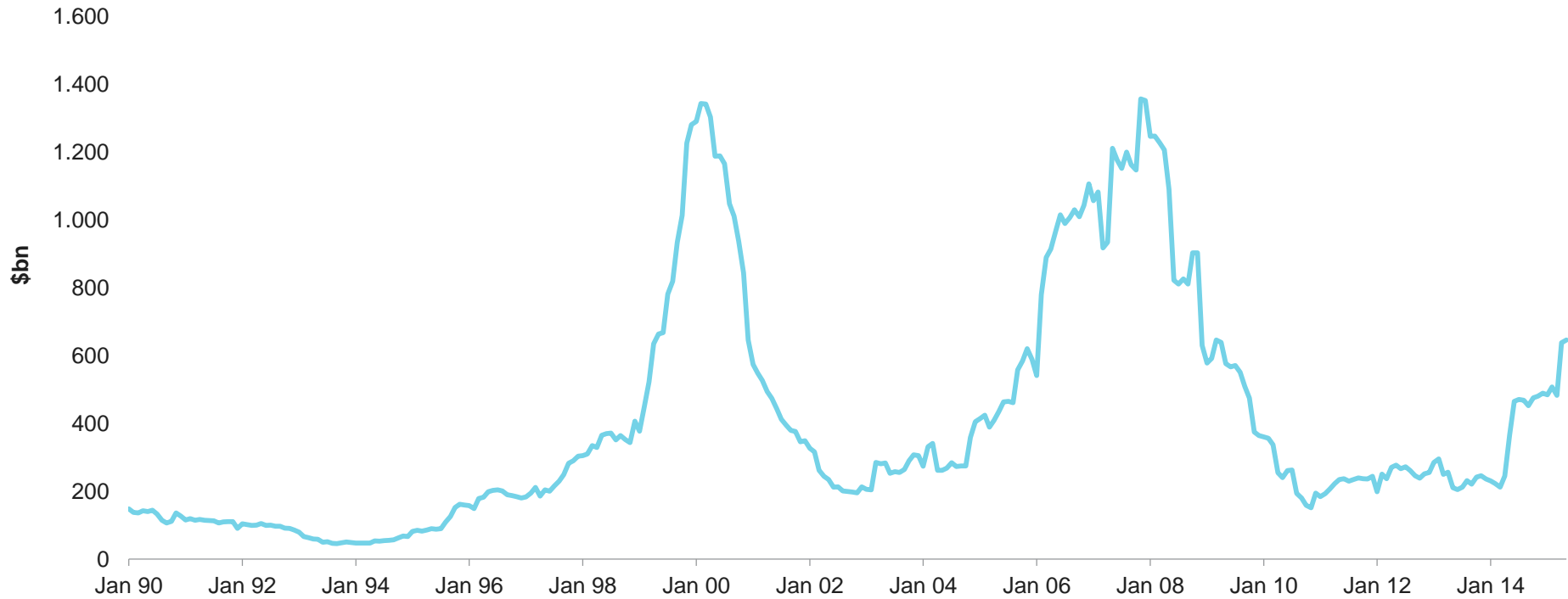
European profits: the problem is also the opportunity

European profits 24% below peak – in the US they are 20% higher



Source: UBS, Columbia Threadneedle Investments, as at 29 May 2015.

Western Europe M&A Volumes



Source: [xxx]

Global equity valuations

Valuation levels	Index Level	2015 P/E	2016 P/E	2015 P/CF	2015 Div Yield
US – S&P 500	2,091	17.8	15.9	12.2	2.1%
Europe – MSCI Europe	137	16.9	15.2	10.1	3.3%
Japan – TOPIX	1,674	16.0	14.7	9.1	1.7%
MSCI Asia ex Japan	544	12.4	11.1	8.1	2.8%

Source: Columbia Threadneedle Investments, Bloomberg, as at 6 August 2015.

Outlook summary

- Sustainable recovery in Euro Area
 - The conditions for sustainable growth are more apparent than at any point in recent years,
 - Accommodative monetary policy, less restrictive fiscal policy and improving credit conditions underpin the trend

- Key considerations looking further ahead
 - Virtuous circle of employment and spending growth working well, how long can this persist?
 - Long-run trend growth likely around 1%, but large output gap means above trend growth is more feasible?
 - Looking for investment growth to pick up to consolidate the trend

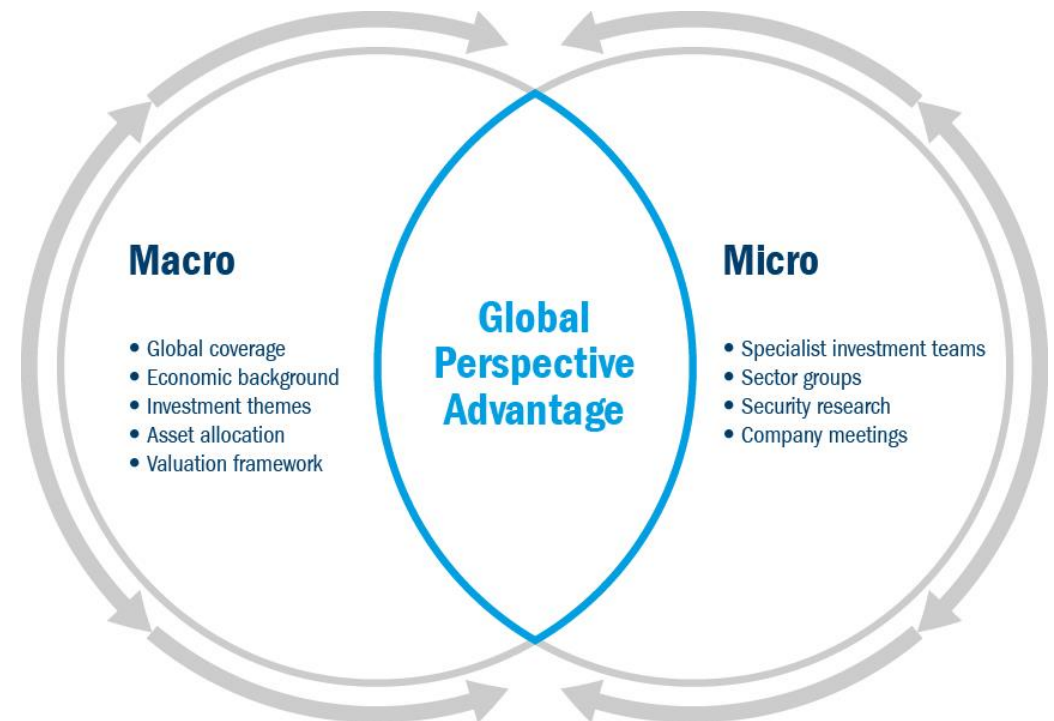
- Will inflation continue to sink towards zero?
 - This would impact the ECB policy stance and add to/detract from monetary impulse

- Risks
 - Politics (Greece, Spain elections)
 - Geo-politics (Russia)
 - Weak external demand (Emerging markets)
 - Policy tightening elsewhere (US, UK)

Investment philosophy

We believe that we can deliver strong risk-adjusted returns for our clients through:

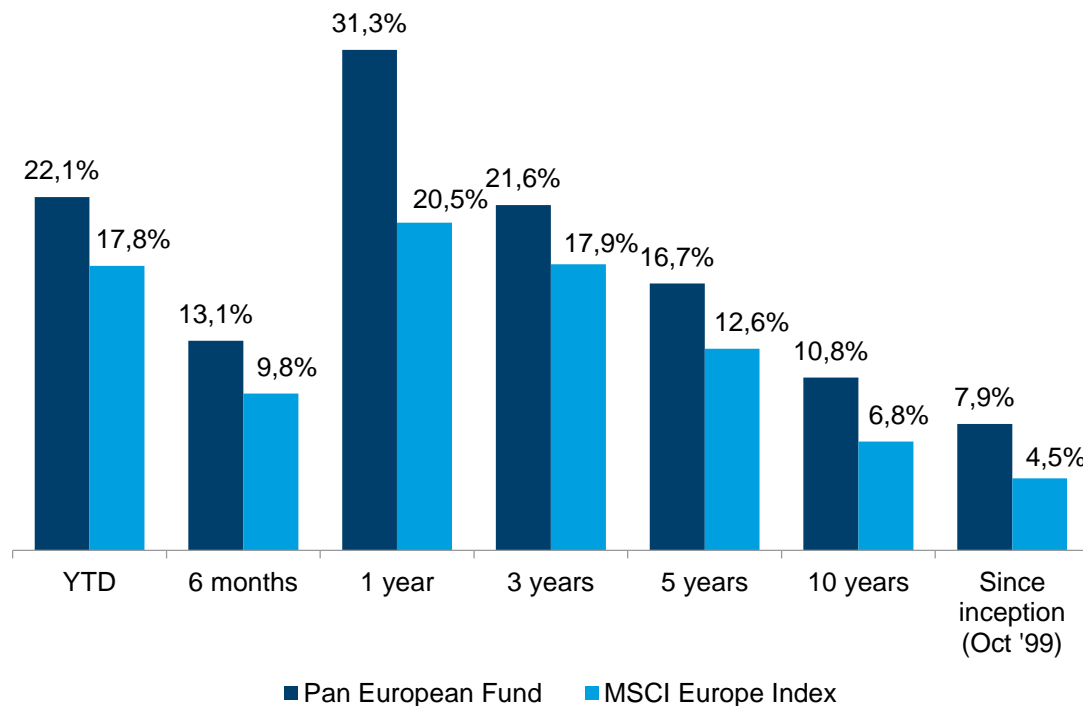
- An active approach that takes advantage of market inefficiencies
- Our global perspective advantage – the combination of macro and micro insights
- The appropriate allocation of risk



Pan European Equity

Consistent long-term outperformance

Annualised performance versus benchmark (EUR)



- An ‘all-weather’ strategy
- Consistent top tier performance
- Bottom up driven but macro aware
- Strong information ratio

Source: FactSet, as at 31 July 2015. 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. All data over 1 year shown on an annualised basis. Past performance is not a guide to future returns.

1 Index is MSCI Europe Index (prior to 31 March 2010 FTSE World Europe).

Pan European Equity

Distinguishing features

Philosophy	<ul style="list-style-type: none"> ■ The market underestimates how some companies create value ■ Targeted research can enable us to identify these
People	<ul style="list-style-type: none"> ■ Large and small cap expertise in 26-strong team¹ ■ Portfolio managers are also analysts
Process	<ul style="list-style-type: none"> ■ Investment themes identify areas for intensive analysis ■ Research is fundamentally based and focuses on these areas
Performance²	<ul style="list-style-type: none"> ■ Top quartile information ratio³ ■ Consistent track-record of long-term outperformance

Portfolio characteristics⁴

Pan European Equity	
Benchmark	MSCI Europe Index
Outperformance target	2.0% per annum
Expected tracking error	3%–6%
Expected information ratio	>0.5
Stock weightings	+/- 4% versus benchmark
Sector weightings	+/-10% versus benchmark
Number of holdings	50-70

1 Source: Columbia Threadneedle Investments, as at 31 July 2015.

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

3 Source: Mercer Investment Consulting, as at 31 March 2015.

4 Source: Columbia Threadneedle Investments, as at 31 July 2015. Where references are made to portfolio guidelines and features, these 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. Please note that the performance target may not be attained and is over a rolling 3-year period.

Threadneedle Pan European Fund

Top 10 positions

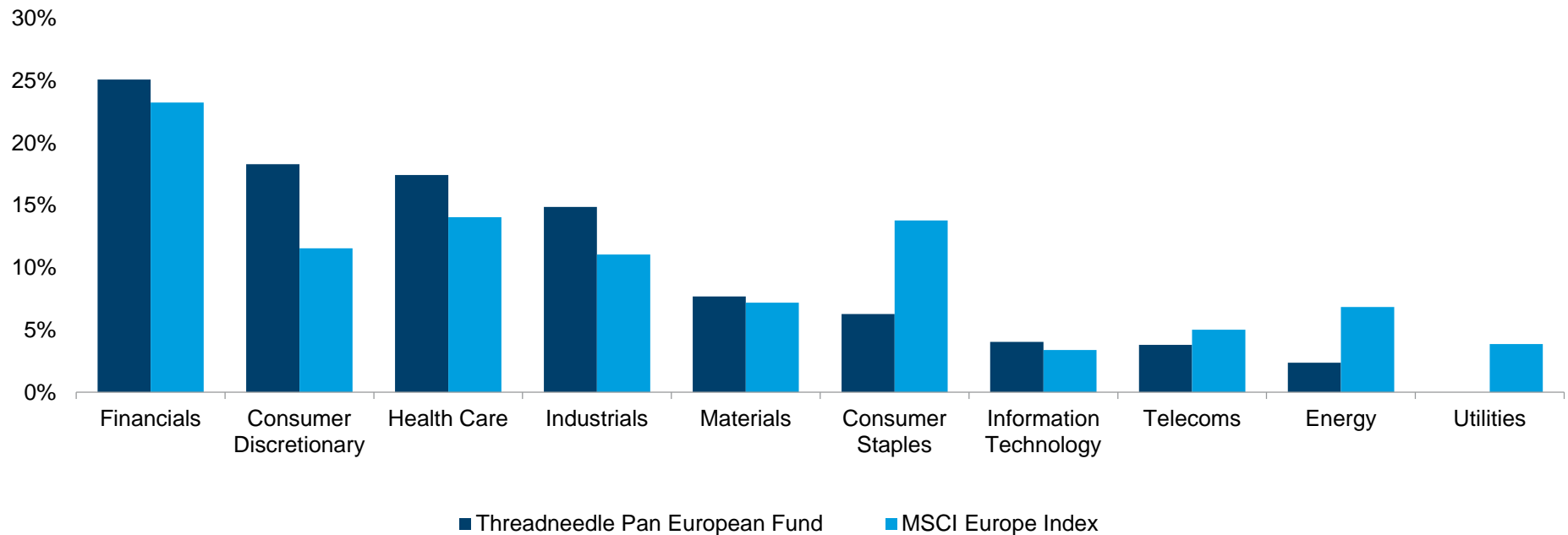
Stock	Sector	Portfolio (%)	Index (%)	Active (%)
UBS	Financial Services	3.5	1.0	2.5
Bayer	Chemicals	3.4	1.4	2.0
Roche	Pharmaceuticals & Biotechnology	3.3	2.3	1.0
ING	Banks	3.3	0.8	2.5
Novartis	Pharmaceuticals & Biotechnology	3.1	2.8	0.4
Novo Nordisk	Pharmaceuticals & Biotechnology	2.9	1.3	1.6
BT	Fixed Line Telecommunications	2.4	0.7	1.7
ASML	Technology Hardware & Equipment	2.2	0.4	1.8
Prudential	Life Insurance	2.2	0.7	1.5
Ryanair	Travel & Leisure	2.2	0.0	2.1
Total		28.5	11.3	17.2

Source: Columbia Threadneedle Investments, as at 31 July 2015.
Index is MSCI Europe Index.

Threadneedle Pan European Fund

Sector positioning

Portfolio breakdown by sector

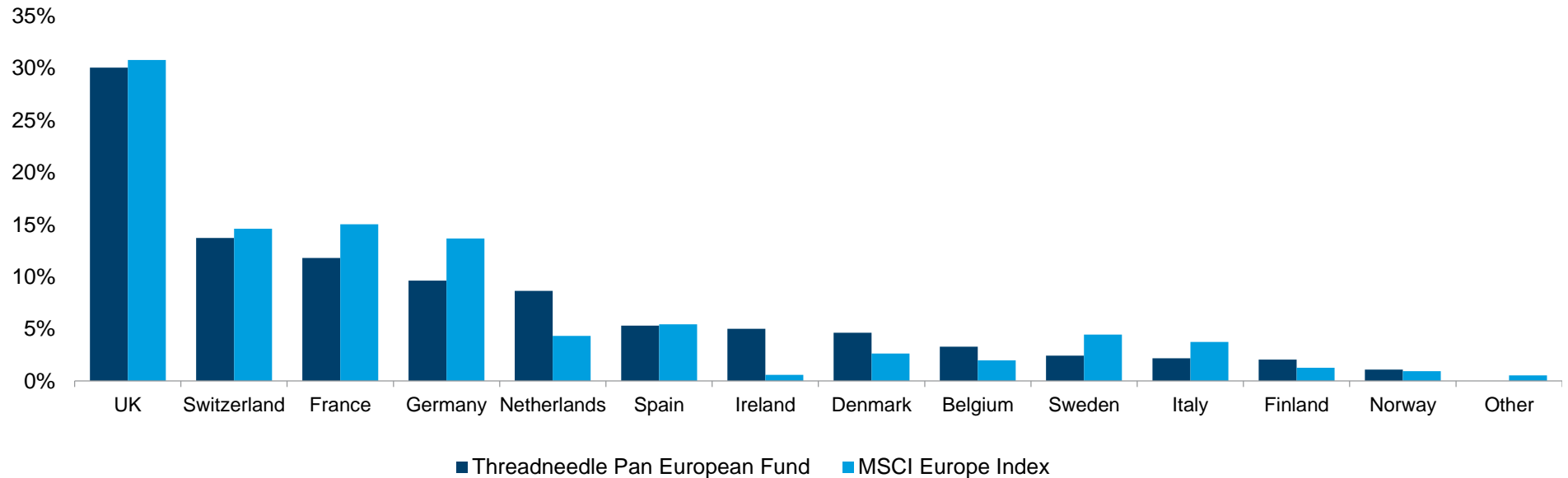


Source: Columbia Threadneedle Investments, as at 31 July 2015.
Excludes Cash of 0.1%.

Threadneedle Pan European Fund

Geographic breakdown

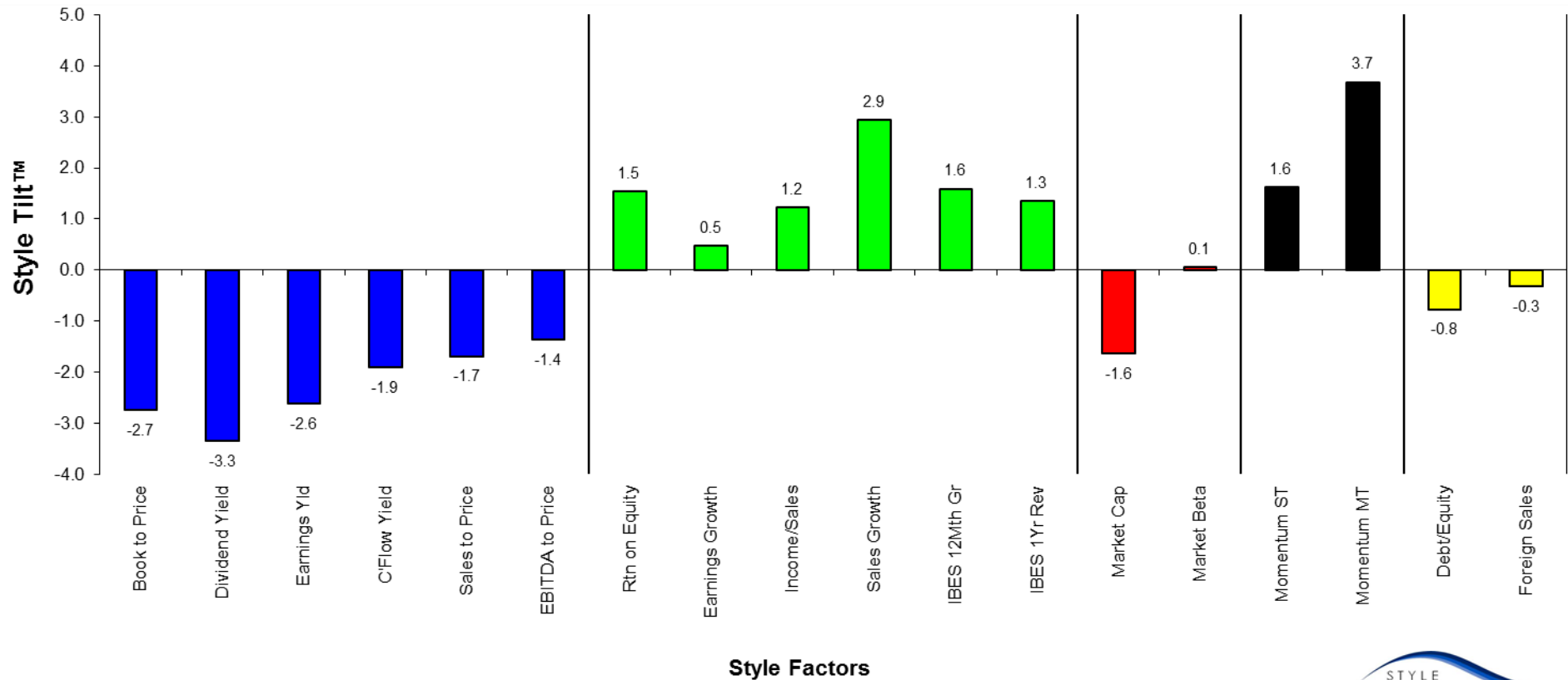
Portfolio breakdown by country



Source: Columbia Threadneedle Investments, as at 31 July 2015.
 Excludes Cash of 0.1%.
 Other consists of Austria, Chile and Portugal.

Style Factors

Portfolio Style Skyline™ – Threadneedle Pan European Fund



Source: Style Research, as at 31 July 2015. Style Skylines™ created with, embodies and/or executes proprietary software and/or data under license from Style Research Ltd. © Style Research Ltd. All Rights Reserved. Must not be redistributed by third parties.

Conclusion – stock-picking opportunities

- European equities attractive
- Eurozone shows signs of a pickup
- Earnings are improving
- Opportunities still apparent in large, mid and small cap
- We have a record of risk-adjusted outperformance derived from stock selection

Ihr Kontakt zu Columbia Threadneedle



- Philipp Kowollik
Email : philipp.kowollik@columbiathreadneedle.com
Phone: +49 69 29729977

Threadneedle Pan European Fund

Objectives and key risks

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 Continental Europe and 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.

Investment Risk – The value of investments can fall as well as rise and investors might not get back the sum originally invested.

Currency Risk – Where investments are made in assets that are denominated in multiple currencies, changes in exchange rates may affect the value of the investments.

Investor Currency Risk – Where investments in the fund are in currencies other than your own, changes in exchange rates may affect the value of your investments.

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.

Important information

For internal by for Professional and/or Qualified Investors only (not to be used with or passed on to retail clients)

Past performance is not a guide to future performance. The value of investments and any income is not guaranteed and can go down as well as up and may be affected by exchange rate fluctuations. This means that an investor may not get back the amount invested.

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- in Austria: Raiffeisen Zentralbank Österreich AG, Am Stadtpark 9, 1030 Wien (TIF and TSIF), and Erste Bank, Graben 21 A-1010 Wien (TFIF);
- in Belgium: J.P. Morgan Chase Bank Brussels, 1, Boulevard du Roi Albert II, 1210 Brussels;
- in France: BNP Paribas Securities Services, 66 rue de la Victoire, 75009 Paris;
- in Finland: Eufex Bank Plc, Keilaranta 19, 02150 Espoo, Finland (TIF)
- in Germany: JP Morgan AG, Junghofstr. 14, 60311 Frankfurt,
- in Ireland: J.P. Morgan Bank Administration Services (Ireland) Limited, J.P. Morgan House International Financial Services Centre, Dublin 1
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