

QUESTIONS & ANSWERS: IMPORTANT CHANGES TO THE THREADNEEDLE STERLING SHORT-TERM MONEY MARKET FUND

From 1 May 2021, the Fund's investment objective (performance target) will change.

Q: What changes are you making to the Fund?

The Fund's investment objective (performance target) will change from seeking to provide income returns broadly in line with the 1-month GBP LIBID¹ (before charges), to seeking to provide income returns broadly in line with the 1-month compounded SONIA² rate (before charges).

Q: When will the changes take place?

The changes will be effective from 1 May 2021 (the Effective Date).

Q: Why are you making the changes?

The change to the investment objective of the Fund is being made as a result of LIBOR³ and LIBOR-linked interest rate benchmarks (such as LIBID) being phased out by the end of 2021. As the Fund's current benchmark is LIBID, it must transition to an alternative interest rate benchmark before this date.

The Financial Stability Board (FSB) recommends that overnight risk-free rates (RFRs), which are based on more active and liquid overnight lending markets, are substituted for IBORs, including LIBOR. In sterling markets, the SONIA (Sterling Overnight Index Average) is the recommended replacement.

As a result, the "target benchmark" of the Fund (included within its investment objectives) will be replaced by SONIA.

We believe that these changes to the Fund are in the best interest of its shareholders.

Q: What is LIBOR?

LIBOR, the London Interbank Offered Rate, is the interest rate that some of the world's biggest banks estimate they would charge their peers for borrowing money from them. This rate is set in different currencies, and for different time periods. LIBOR is widely used as a short-term interest rate benchmark for financial products, including funds and investment securities (e.g. in bonds).

Q: What are RFRs?

RFRs are overnight deposit rates, based on the observation of real transactions. The SONIA (Sterling Overnight Index Average) has been selected as the RFR for the sterling market.

¹ London Interbank Bid Rate

² Sterling Overnight Index Average

³ London Interbank Offered Rate

Q: What is the SONIA (Sterling Overnight Index Average)

SONIA is administered and published by the Bank of England and is broadly accepted as the preferred alternative to sterling LIBOR (and LIBOR-linked benchmarks) within the financial services industry. It reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions, in circumstances where risks are minimal.

Q: Will the change affect the risk profile of the Fund?

No, there will be no change to the risk profile.

Q: Do I need to take any action?

No, you do not need to take any action as a result of these changes.

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