viewpoint

the magazine for Chelsea investors

issue 28 • March 2011

Looking after your ISA portfolio

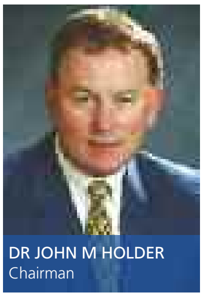
Pick your own
...with the Chelsea Leaders portfolio

Inflation risk
– bond-investing basics

Fresh ideas for accessing emerging markets

WRITTEN BY CHELSEA THE UK'S LEADING DISCOUNT BROKER

Welcome



Welcome to the Spring edition of Viewpoint. With rampant inflation and interest rates low, many investors are moving more of their savings into equities. So, the increased ISA allowance, which rises to £10,680 in the new tax year, is very welcome.

When selecting funds, we know there is a bewildering number from which to choose. So, as ever, we have the Chelsea Easy ISAs for those of you who prefer to choose our portfolios (pages 6 and 7). Then there is our concentrated buy list, the Chelsea Leaders (pages 11-18), for those of you who wish to build your own portfolio. We have included a guide (page 10) to using the Chelsea Leaders and how to construct your portfolio. Don't forget the Premier League (pages 38 and 39), for a wider range of our selected funds, which gives details of fund performance and yields. **All of the funds on our buy lists are available at zero initial charge within an ISA.**

In the current climate, finding income is increasingly tough. Many clients naturally choose fixed interest funds, but will they continue to perform if we see interest rates rise, and which type of fixed interest fund should you choose? These are some of the questions answered in our fixed interest feature on pages 28 and 29.

If you are looking to mitigate your tax burden, then you may wish to consider a VCT. We have information on these tax-efficient wrappers and a comprehensive list of those currently available with the discounts we can offer on pages 36 and 37.

Emerging markets and their strong growth are widely discussed, but how do you gain exposure to them? One option, if you are nervous about these markets, is to opt for a global fund for broad exposure. Two such funds are featured on pages 32 and 33. Another possibility is to look at regional emerging markets funds, riskier than a global fund, but with less risk than a single country fund. Latin America and emerging Europe are discussed on pages 34 and 35 respectively.

I hope you find Viewpoint both informative and useful.

Dr John M Holder
Chairman, Chelsea Financial Services Plc

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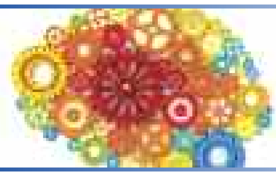

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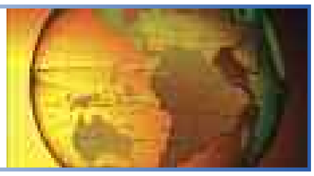


Important Notice

Past performance is not necessarily a guide to the future. The value of investments and the income from them can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. All the investments in this Viewpoint should be regarded as medium to long-term investments. Tax assumptions are subject to statutory change and the value of any tax relief will depend on your individual circumstances.

Chelsea Financial Services offers a direct offer/execution-only service. If you require individual investment guidance you should seek expert advice. Whilst we may draw attention to certain investment products we cannot know which of them, if any, is best for your particular circumstances and must leave that judgement to you. Nor can we accept liability to clients who purchase two ISAs in one fiscal year, or otherwise do not comply with ISA rules.

Discounts are subject to receipt of commission and may be subject to change if commission levels are altered. Chelsea Financial Services is authorised and regulated by the Financial Services Authority. Cofunds is the ISA Plan Manager for the Chelsea Portfolio.

Market view

DARIUS McDERMOTT
Managing Director

As we enter 2011, global markets are reasonably buoyant, with the FTSE 100 having reached 6000 towards the end of last year. It started 2010 at 5412 and sank to its 2010 low point of 4805 in July, but the second half of the year saw markets ticking upwards and, over the course of the year, the FTSE 100 rose by 9%. Very healthy growth, particularly in comparison with the paltry rates of return we received from our savings accounts. However, looking at our Premier League funds in the UK All Companies sector, the average increase in those funds was 22.5% – an even more comforting rate of return. So what caused 2010 to be such a good year for Chelsea investors?

That was the year that was...

2010 saw environmental catastrophe when, in April, an oil rig in the Gulf of Mexico exploded, killing 11 workers and leaking an estimated 4.9 million barrels of oil, until it was finally capped in July. BP was pilloried by Obama and, as a result, had to suspend dividend payments. This was a blow for UK income investors, with BP making up approximately 15% of the yield on the FTSE All-Share.

In May we saw a change of government in the UK, which moved us on to the path of greater austerity. So, we were prepared when the comprehensive spending review hit us in October and considerable cuts were announced.

In Europe, Greece was plagued by concerns about its ability to finance its debt. This rapidly spread to other areas of peripheral Europe, namely Portugal, Ireland and Spain. With so many core European banks holding Greek debt, the EU was forced into providing a 750 million euro loan facility in May. This satisfied markets briefly, but towards the end of the year Ireland was under the microscope again and the EU and IMF had to step in to bailout its banks.

Throughout 2010 there was a game of 'who can have the cheapest currency' being played. As currencies are all relative, this is a game that must have some losers. Sterling and the euro declined against the dollar by 2.94% and 6.83% respectively, whilst the Australian dollar appreciated by over 13%.

There was a marked differential between the growth rates of emerging economies and those of the developed nations. The UK and the US limped along with growth of 1.6% and 2.8% respectively, compared with Brazil's growth of 7.5% and India's 8.3%. With the continuing growth of developing economies, we saw strong commodity prices in 2010.

The road ahead

In the UK we are facing fragile economic growth alongside stubborn inflation, with the effects of the austerity package only just beginning to kick in. Just to cheer us up, Mervyn King talks of inflation rising to 4-5%, with the increase in VAT and soaring commodity and energy prices, and real wages plunging to 2005 levels. Estimates for the fourth quarter showed the UK economy contracting, but it's hard to quantify to what extent that was due to poor weather conditions. Persistent strong inflation would indicate that a rate rise is imminent. However, we believe that, with only tentative growth and concern surrounding the housing market, rates will remain low for some time to come.

A question mark still hangs over peripheral Europe, with most commentators acknowledging that their debt will probably have to be rescheduled. It looks likely that, unless the euro is abandoned and Europe is happy to deal with the chaos that would ensue, there may well be greater fiscal unity. After all, why should the more prosperous countries keep bailing out those which cannot manage their finances? Would you be happy as a German paying for the Greeks to retire earlier than you?

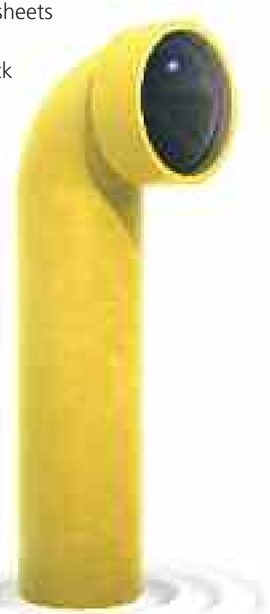
The US are not playing ball at all. The popularity of the president seems to be the driver behind economic policy, with tax cuts rather than austerity measures and further QE. However, corporate America looks in good shape, with cost cuts having improved profitability. We could see strong performance in 2011.

Emerging markets will need to keep inflation in check this year. Developing economies are particularly vulnerable to food price hikes, with food constituting 30% of CPI, compared with only 15% in the UK. Wages in China are ticking up. The jury is out on whether or not emerging markets are overvalued **but they are certainly no longer cheap**. However, we are positive on emerging market currencies, which should boost returns for long-term investors.

The fixed interest market is closely examined on pages 28 and 29, so I will not go into it in detail here. I just want to reiterate that gilts and investment grade credit are looking vulnerable so, now more than ever, we favour strategic bond funds, which have the flexibility to deal with this difficult market outlook.

There is very little link between equity returns and economic growth. For example, if we compare GDP estimates for 2010 with stock-market returns: in the UK the FTSE 100 returned more than five times our pitiful GDP growth of 1.6%, whilst in China their stock market returned only 5.5%, despite strong GDP growth of 10.3%. Companies have paid down debts and cut costs. They are sitting with cash on their balance sheets and they are likely to use this variously to increase capital expenditure, raise dividends, buy back stock or look to acquire another company. All of these actions are positive for share prices. The stock market may well baulk initially on macroeconomic surprises, but in the end it's all about corporate profitability.

Developed markets have largely been shunned, for instance the US constitutes over 40% of the MSCI World Index, but our investors typically hold less than 5%. So I believe we may be pleasantly surprised by the performance of developed markets over the coming year. When markets wobble, as they have with the recent concerns surrounding Egypt, I see this as an opportunity to invest. We may well have a bumpy ride but I expect to see markets move upwards throughout 2011 and we could see the FTSE 100 move beyond 6500.



ISA update...

...don't lose your ISA allowance


SAM HOLDER
Head of Operations

2010/11 tax year:
You can invest up to £10,200 into your Stocks & Shares ISA.

2011/12 tax year:
The ISA limit is rising in line with inflation and will increase to £10,680.

If investing monthly, you can increase your contribution to £890 per month by simply sending us a written instruction.

Stocks & Shares ISAs are a great way to save and we at Chelsea Financial Services believe that all investors should utilise their full allowance every tax year. There are many tax benefits of Stocks & Shares ISAs:

- Free of capital gains tax
- No higher rate tax on dividends (currently saving 22.5%)
- Interest from corporate bonds is tax free (saving up to 40% tax)
- All income is paid without any further liability to tax (unlike income from pensions)
- Ease of administration – ISAs do not have to be declared on your tax return
- Access to your capital if necessary (unlike pensions)

Important end of tax year deadlines for Chelsea Portfolio ISAs

Paper-based applications	5th April 2011 – midday
Telephone *(with debit card)*	5th April 2011 – 10pm
Online *(with debit card)*	5th April 2011 – 11.30pm
Unit trust to ISA switches	Applications must be received no later than 29th March 2011 – midday

Market-leading discounts – save ££s

Every fund in Viewpoint is available at **zero initial charge** within your ISA. **Saving you up to £561** on an investment of £10,200.

Top 5 best selling funds of 2010

Our Viewpoint is full of ideas for where to invest your ISA allowance, but we thought you would find it interesting to see which funds our clients invested into the most (within the Chelsea Portfolio) during 2010. They are as follows:

1. **Invesco Perpetual Monthly Income Plus**
2. **Invesco Perpetual High Income**
3. **First State Asia Pacific Leaders**
4. **M&G Recovery**
5. **Schroder Income Maximiser**

THREE EASY WAYS TO BUY YOUR ISA:

1 By telephone
Simply call 020 7384 7300
Please have your
debit card to hand

2 Online
Visit our website,
www.chelseafs.co.uk,
and click on 'Invest Online'

3 By post
Complete the form
on page 21

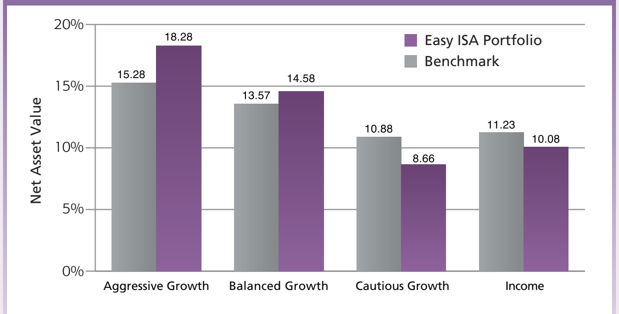
Easy does it

– your Chelsea Easy ISA performance

BELINDA VENNING
Research Department

The Chelsea Easy ISA continues to fly off the shelves of our fund supermarket, proving to be a popular choice amongst those of you who prefer us to keep things simple for you. The last year has seen good returns in most sectors and our hand-picked portfolios are no exception.

EASY ISA PORTFOLIO PERFORMANCE



Source: Chelsea Financial Services 1 Jan 2010 – 31 Dec 2010.

Our process

The research team at Chelsea Financial Services spends a lot of its time meeting the fund managers, questioning them on their investment process and stock-picking decisions. This, combined with a close monitoring of the performance of each fund, produces portfolios which provide you with what we feel are the cream of the crop. We often select funds/managers long before they become renowned as leaders in their field, which keeps our investors ahead of the game. And because so much thought and research goes into our fund selection we make very infrequent changes to the portfolios' constituent funds. However, we do not rest on our laurels and do make changes if we find a better alternative.

These changes are highlighted in each edition of the Viewpoint magazine and it is then down to you to decide whether or not you would like to follow our suggestions and switch your holding from the 'old' fund into the 'new' fund. Changes are made for a number of reasons including the departure of a fund manager, a fund reaching its maximum capacity or our preference for one fund over another.
Please note that if a fund is removed from the Easy ISA it is not necessarily an indication that you should switch (particularly if it remains on our Chelsea Leaders/Premier League or as a buy in our Fund Review).

Performance

Many of you have been asking us about the performance of the Easy ISA portfolios. The way we construct the portfolios, taking the underlying funds from various different IMA sectors, means that monitoring their performance is not as straightforward as charting the performance of a single sector. However we have, once again, done our research and are pleased to produce for you here detailed and thorough performance figures for each of our four portfolios.

Aggressive Growth

Over the last year the Aggressive Growth portfolio achieved growth of 18.28%, outperforming the MSCI World Index benchmark by an impressive 3%. The real star of the show was AXA Framlington UK Select Opportunities, which increased by 29.4%. We have had this fund in our portfolio since 2004.
If you had invested £10,200 a year ago your portfolio would now be worth £12,064.

Balanced Growth

The Balanced Growth portfolio grew by 14.58%, outperforming its benchmark by over 1%, with a fairly even increase in value across all six funds. There were no fund changes made to this portfolio in 2010. We are very happy with the continuing performance of this portfolio and have just made an alteration to our US allocation.

Cautious Growth

During 2010 the Cautious Growth Portfolio increased in value by 8.66%, slightly underperforming its benchmark which increased by 10.88%. This is a truly cautious, diversified portfolio containing a multi-asset fund, an absolute return fund, a mixture of high yield and investment grade bonds (which have the ability to short) and equities at the low-end of the risk spectrum.

Income

The Income Portfolio has grown by 10.08% over the last year, narrowly underperforming its benchmark by just over 1%.
Our aim for this portfolio is to target a high yield for our income-seeking clients and over the past year it has delivered a high average yield of 4.6%, compared with the benchmark average yield of 3.4%, with the most impressive returns coming from M&G Global Dividend fund, which returned 21.7% over the year.

The Chelsea Easy ISA

investing made easy – with no initial charges

JULIET SCHOOLING LATTER
Head of Research

When it comes to considering funds for your ISA, the range is vast and the task of choosing just a few for your portfolio can be daunting. So we have selected funds for the Chelsea Easy ISA and put them together within four different portfolios. All you have to do is choose one of the four options based upon your own requirements and attitude to risk: Cautious; Balanced; Aggressive or Income. Your ISA investment will then be spread equally across the corresponding six funds, within our fund supermarket the Chelsea Portfolio (for more details see page 19).

Once you have selected your preferred Easy ISA option, simply fill in the ISA application form on page 21, ticking one box only to select either Cautious, Balanced, Aggressive or Income, and send the application back to us in the pre-paid envelope enclosed.

- **The Chelsea Easy ISA is also available for ISA transfers.**
- If you would like to know more about the funds we have chosen, details are provided on pages 11-18.
- Please note that the minimum investment is £2,100 lump sum or £150 per month into any Easy ISA.

EASY ISA CHANGES

Cautious Growth – M&G Global Dividend replaces BlackRock Continental European.

Balanced Growth – Schroder US Mid Cap replaces Martin Currie North American.

Aggressive Growth – BlackRock Continental European replaces Neptune European Opportunities.

PLEASE NOTE:

We are not able to manage these portfolios for you.

It is up to you to switch funds if you wish, either online or by simply writing to us. **You may wish to sign up to our regular e-Viewpoint to keep in touch with any fund manager changes or simply check the portfolios to see if we have made any alterations each time a new Viewpoint comes out.**

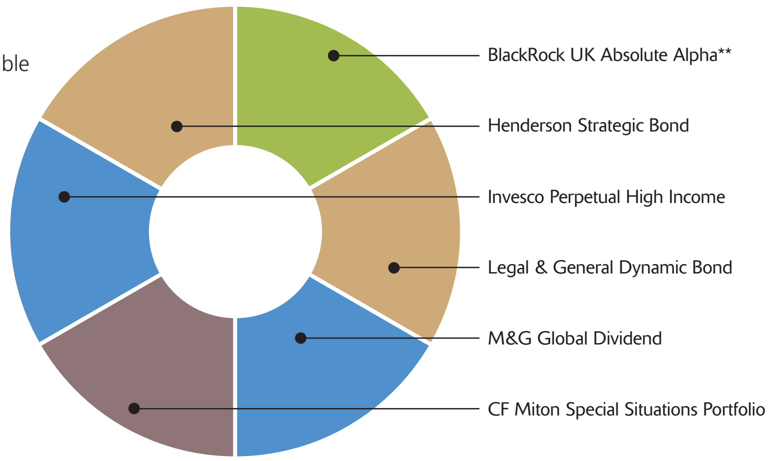
We select the funds for the Chelsea Easy ISA, but it is up to you to decide whether this selection will suit your investment requirements. Returns cannot be guaranteed, and your attention is drawn to the Important Notice on page 2.

CAUTIOUS GROWTH

(Average Chelsea Risk Rating 3.66)*
Application form on page 21

Cautious Growth is for those who feel uncomfortable with a higher level of risk. This aims to provide a steady level of growth, with limited volatility. Approximately one third of the portfolio is in corporate bonds, which lowers the exposure to equities and thus stock-market volatility. A large proportion of your investment (over 60%) will be in the UK, thereby reducing any fluctuations in foreign markets and there is a bias towards large-cap stocks, which tend to be less volatile.

Zero initial charge after CFS discount
Average annual management charge: 1.42%**



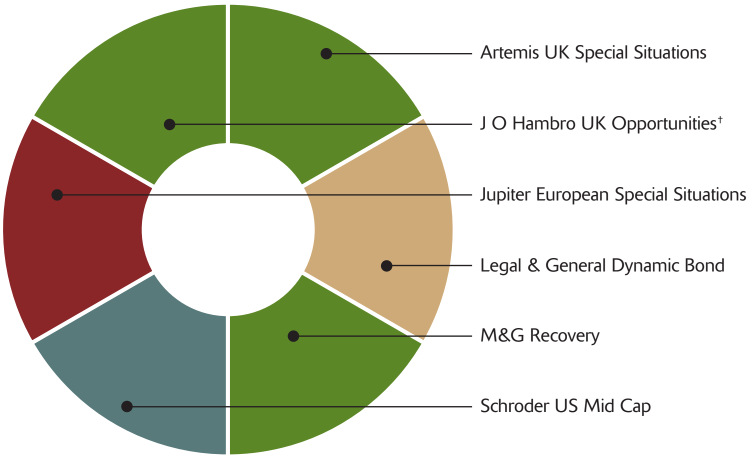
Note: *The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk.
**A performance fee may be applied – See page 18 for more details.

BALANCED GROWTH

(Average Chelsea Risk Rating 5.33)*
Application form on page 21

This offers you a medium level of risk. It gives broader exposure to developed foreign markets to provide diversification outside the UK and has a slightly more aggressive UK stance, with some exposure to smaller companies. This is balanced with lower risk fixed interest and equity income and equity income holdings. With approximately 60% in the UK, foreign exposure is limited to approximately 15% in the US and 16% in Europe.

Zero initial charge after CFS discount
Average annual management charge: 1.42%[†]

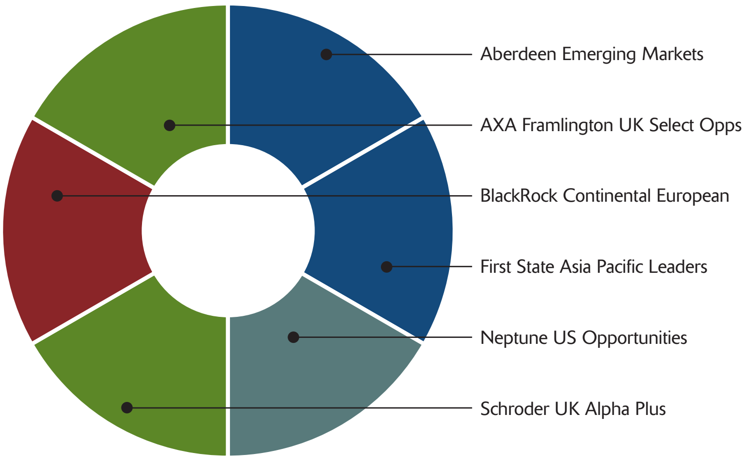


AGGRESSIVE GROWTH

(Average Chelsea Risk Rating 7.58)*
Application form on page 21

If you have a sufficiently long time horizon and feel comfortable with a certain amount of risk, you may wish to choose Aggressive Growth. This encompasses a greater degree of volatility, with the prospect of higher long-term growth. It offers a broad-based portfolio, with global exposure, enabling you to take advantage of any upturn in markets worldwide. It combines large, medium and small-cap companies.

Zero initial charge after CFS discount
Average annual management charge: 1.56%

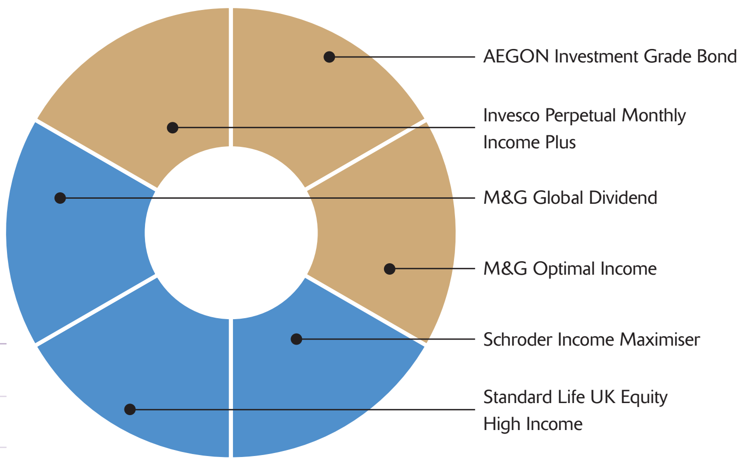


INCOME

(Average Chelsea Risk Rating 3.16)*
Application form on page 21

If your priority is income, the Chelsea Easy ISA Income option could suit your requirements. A combination of corporate bond and equity income funds provides a regular income with an element of capital appreciation. This should enable you to maintain the real value of both your capital and income. **The average yield for this portfolio is 4.78%[+].**

	Yield[+]	Paid out
AEGON Investment Grade Bond	4.45%	Jan, Apr, Jul, Oct
Invesco Perpetual Monthly Income Plus	6.52%	Monthly
M&G Global Dividend	3.31%	Mar, Jun, Sep, Dec
M&G Optimal Income	4.19%	Jun, Dec
Schroder Income Maximiser	7.00%	Feb, May, Aug, Nov
Standard Life UK Equity High Income	3.18%	May, Nov



Zero initial charge after CFS discount
Average annual management charge: 1.38%

[+]*Source: Financial Express 19th January 2011*

Note: *The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk.
[†]A performance fee may be applied – See page 11 for more details.

SPOTLIGHT

Here we take a more in-depth look at some of our Chelsea Leaders. Fund managers talk about their investment process and their asset class, to give you a more comprehensive view of how your money is managed.

Rathbone Income

CARL STICK
Fund Manager,
Rathbone Income

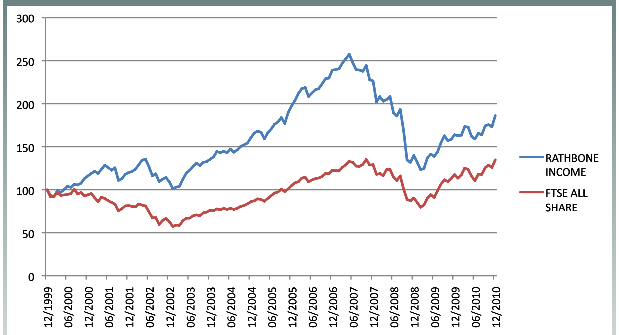
Rarer than diamonds, rubies symbolise health, wealth, wisdom and passion! 2011 marks the 40th year of the Rathbone Income fund, our own ruby anniversary. Does life really begin at 40? Well, I do believe that we are as well positioned as we have ever been, in terms of our investment process, which has matured over time.

I haven't, of course, run the fund for all of those 40 years! After graduating from Southampton University with a degree in English, I joined stockbroking firm Neilson Cobbold. Rathbones acquired this firm in 1998, which is when I became involved with the fund, taking over its management in January 2000. With markets hitting all-time highs, as we moved towards the dying days of the TMT bubble, I had the good fortune to be offered an income mandate, my task to invest in companies that pay outstanding levels of dividend yield. I would eventually (and wholeheartedly) endorse this method, but it took a while to appreciate. In the early years of the tech bubble, a senior manager advised me that only three things mattered to his clients: dividends, dividends, dividends.

At a time of inflated expectations, and for a young fund manager, this opinion seemed quaint at best. More crucially, the mandate inspired a value strategy at precisely the right juncture. Away from the glare of the outside world – the fund was just £9 million in size – I was handling a portfolio that had been truly value-oriented since 1971, and could maintain a contrarian position in luxurious obscurity. The tech bubble subsequently burst; investors favoured more defensive earnings' streams, and the Rathbone Income fund thrived.

However, we were hit hard by the collapse of the market in 2008, because, in contrast to 2000, we had lost track of valuations. This lapse has taught us valuable lessons; the fund has recovered, and we thank investors for their patience. Over a decade, we have refined our investment process. We are confident taking a contrarian view, but we've lost the innocence of 2000. We rely on having the guts and discipline to follow our instincts and process, irrespective of the current market fashion. This also demands proper investment decisions, backed by conviction and hard work, rather than a tacit acceptance that the market is always right. Why be different though?

RATHBONE INCOME FUND PERFORMANCE



Source: Rathbone Unit Trust Management.

Our process

Our process embraces simplicity. We buy great businesses when we believe that they are poorly priced by the market. A great business is one with an enduring 'economic moat', to cite Warren Buffett. This is the competitive advantage that a company enjoys, because great businesses attract competition, and need the strength to rebuff these pressures, maintain earnings and generate cash. Over time, these earnings are compounded, generating substantial wealth for shareholders. However, the market can do strange things, and even these companies may be given away cheaply. We just need to bide our time.

More important is how we have embraced the concept of risk. The mitigation of risk lies at the heart of our investment process, and informs our approach to stock selection and overall portfolio management. In the simplest terms, our rule is 'avoid permanent capital loss'. We want our investors to view the fund as a means to save for retirement; to build up a reliable pot of wealth, and to protect their future incomes. This basic idea determines the arguments above: buy strong businesses at fair prices, and grow your clients' capital over the long term. Anything beyond that is just financial bravado.

Looking ahead

So how do we view our 41st year? We are cautious, if only because we recognise that there remain unresolved economic pressures around the globe, whether it is the US fiscal deficit; higher inflation in China; European sovereign debt concerns, or our domestic economy. However, monetary stimuli have been intense, and economic and corporate data have exceeded our expectations, so we have seen a sustained recovery in the market.

We cannot control the market, and whatever happens in the short term is in the lap of the gods. However, on a long-term view, we can regularly buy our share of some very good businesses at very low prices. This is evidenced by the fact that since 2000, our dividend has grown 46%; more importantly, we have returned 122% for investors (TR) compared with 34% from the FTSE All-Share index. In these difficult markets, we believe that the quality trade is the safest course to take.

CF Miton Special Situations

MARTIN GRAY
Fund Manager, CF Miton Special Situations

I began my fund management career in 1979, establishing the investment division of a UK authorised company in 1987 and becoming a director in 1990. I joined Miton Investments as a fund manager and director in 1994 and have been responsible for the management of the Strategic fund since launch in December 1996 and also the Special Situations fund which was launched a year later. I have won various fund management awards including the coveted Asset Allocator of the Year award.

Philosophy and style

The CF Miton Special Situations fund is a global balanced fund which sits comfortably within the Balanced Managed sector but I am not constrained by benchmarks or sector weightings. The objective of the fund is to achieve a global balanced return, with as high a total return and as low a level of volatility as I can manage. Portfolios that follow a flexible investment approach, whilst limiting risk, are in my opinion the most attractive for long-term investors looking for active management through a variety of economic conditions.

I use an asset allocation process which is totally macro driven. As a group, we buy in a lot of external research, which we use to help set the macro parameters, but the most important element of our approach is that we conduct a large amount of our own independent research as well. My key objective is to understand the macro view, looking at the global economy, to get a handle on what is going on and to use that as a basis to position the fund to the best advantage for our investors. There is no fixed management style, so, in that sense, it is an absolute sort of approach, but I should point out that we are not, in any way, an absolute return fund.

In terms of overall strategy, the themes that I follow are typically on a one- to three-year basis. Some may be shorter term than that, but I am not a trader. Nor am I a currency speculator, but I do actively manage the cash weighting of the fund across various currencies dependent upon my views at the time. My philosophy is that I am not wedded to any particular benchmark or asset allocation model or sector strategy. I roam where I can to get the best return for the fund.

CF MITON SPECIAL SITUATIONS PERFORMANCE

Source: Financial Express 2011.

The other key aspect of the portfolio is that it is primarily a fund of funds, although, this can cover a wide range of investments. I generally use open-ended and closed-ended funds, but we are not afraid of using structured products and ETFs from time to time. Indeed, I would also hold some direct equity investments if I wanted to get exposure to a specific sector.

In a peer group where equity weightings can go as high as 85%, the fund uses asset allocation to deliver steady returns and dampen volatility. I'm always looking for where my views are out of line, I'm worried when people think the same as I do.

Current views

In a world of low growth, interest rates are likely to stay at near-zero levels for some years. In this scenario, sustainable yield is likely to become increasingly attractive to many investors seeking higher returns than cash deposits. Blue-chip companies paying dependable dividends, property portfolios focused on prime and fully let assets, corporate debt of the highest quality – should all perform well. Such assets may not 'shoot the lights out' in periods of euphoria, but these may be few and far between in coming years.

The inflation debate rumbles on. How can so many bank notes roll off the printing presses without producing sharply rising prices, is the broad crux of the inflationist's argument? When a huge liquidity bubble bursts, then the resultant deleveraging cycle must be deflationary is the response of the opposing camp. As Japan discovered over two decades, monetary expansion could not reverse this trend, despite the rest of the world enjoying a strong growth phase. Households, the banking system and now governments have too much debt, whilst deleveraging and debt destruction have only just begun – deflation not inflation is likely to bring fear to asset markets going forward.

Investing in Chelsea Leaders

...a guide to building your own portfolio

Larger sum to invest? Chelsea Easy ISA doesn't meet your personal requirements? Looking for a new fund to complement your existing investments? Then the Chelsea Leaders could be for you.

Over the next eight pages we offer our selection of funds that have been hand-picked by our dedicated research team. They have interviewed all the fund managers featured on these pages and exhaustively examined their research processes. These 39 favoured funds are selected from the 1,474 funds available on our fund supermarket, the Chelsea Portfolio. They are divided into sectors and given a Chelsea Risk Rating, in order to aid your fund selection.

Where does the Premier League fit in?

This is our wider buy list. It offers a greater choice of funds, possibly for those investors who have a much larger portfolio. You will also find some more specialist funds here that we cannot fit into our shorter Chelsea Leaders' list.

How should my portfolio look?

We recognise that for investors with a larger sum to invest the Chelsea Easy ISA may be too restrictive and you may wish to invest in a greater number of funds, with a wider spread of sectors.

People often ask us, "How should my portfolio look?". The truth is that it's really quite subjective – everyone has a different attitude to risk and preferences for one sector/region or another. But for those of you who would like a rough guide to a sensible split, we have provided the portfolios below.

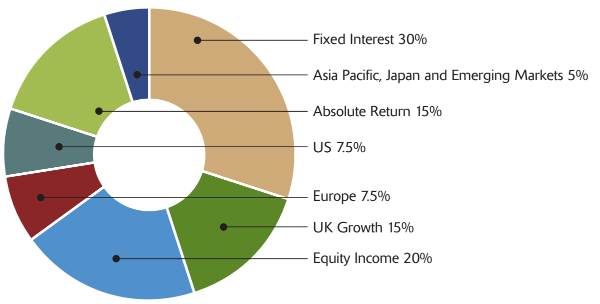
The idea is that you determine your own attitude to risk. If you are comfortable with short-term losses and happy to invest for a long period of time (probably a younger investor), then you might think of yourself as 'Aggressive'. However, if swings in your valuation worry you and perhaps you are closer to retirement, you might prefer to take a 'Cautious' stance.

Portfolios can sometimes simply be the result of random purchases made over many years. However, there is a huge benefit to taking some time to analyse your portfolio to prevent sector and country biases creeping in. We suggest that you may wish to look at your portfolio on an annual basis and rebalance it where it has moved out of line with your goals.

Here we provide some model portfolios as a guide. Obviously they can be altered to reflect your own preferences. It is important to have diversification to reduce risk, but spreading your assets across too many funds means that those which perform strongly will have little impact on overall performance. The number of funds held within these portfolios will vary depending upon the amount invested. As a rough guide, we would expect to have c.10 funds in a £20,000 portfolio and 20-25 in one of £100,000. So check how your holdings stack up against them and, if you notice some important gaps, you can easily switch or utilise your ISA allowance in order to redress any imbalance.

CHELSEA LEADERS' CAUTIOUS PORTFOLIO

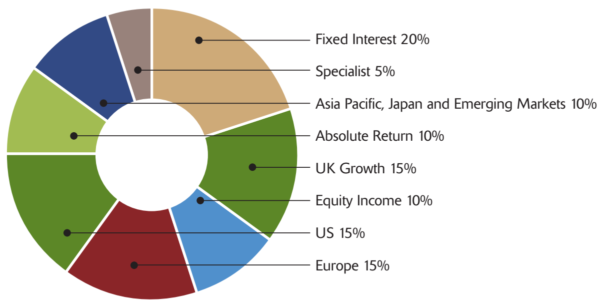
Average Chelsea Risk Rating 3-4



This portfolio is designed for those who have a low tolerance to risk, perhaps an investor closer to retirement. With a higher proportion in bonds it should be less volatile.

CHELSEA LEADERS' BALANCED PORTFOLIO

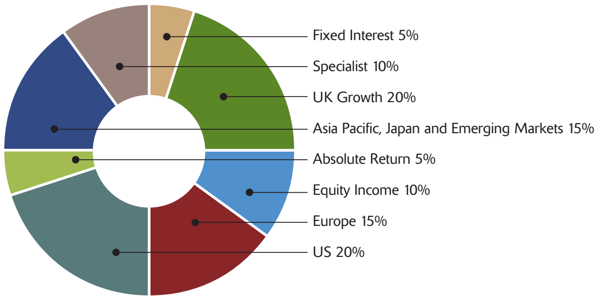
Average Chelsea Risk Rating 4-6



With a moderate level of risk, this portfolio aims to achieve growth but will have greater volatility. Investment is predominantly in equities.

CHELSEA LEADERS' AGGRESSIVE PORTFOLIO

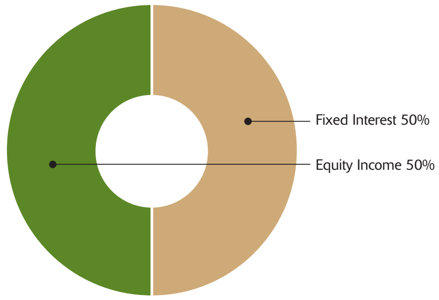
Average Chelsea Risk Rating 7-8



An aggressive portfolio is for investors who are comfortable with a higher degree of risk and may have a longer time horizon, so that any volatility in markets can be mitigated over time.

CHELSEA LEADERS' INCOME PORTFOLIO

Average Chelsea Risk Rating 2-4



This is for those who wish to obtain a growing income. Yields for these funds can be found on the Chelsea Leaders pages. The equity income portion should be a combination of UK and overseas.

All portfolios assume a client is happy with at least some equity risk.

UK Growth funds (focusing on capital growth rather than income)

ARTEMIS UK SPECIAL SITUATIONS

This fund targets long-term capital appreciation through investment in UK equities. Derek Stuart and Ruth Keattch seek companies in special situations, such as those requiring funding, in recovery or stocks that are currently unloved by the market. The fund tends to have a small to mid-cap bias, though the managers are not constrained on this basis. Focus is on stocks in which the managers have the most conviction and this will lead to a relatively concentrated portfolio.

Yield	1.48%
Standard and Poor's fund rating	–
OBSR fund rating	AAA
Standard initial charge	5.25%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	7
Unit type	Acc

AXA FRAMLINGTON UK SELECT OPPORTUNITIES

This fund aims to provide long-term capital growth through a diversified portfolio of UK equities. Nigel Thomas has the freedom to invest across the whole cap spectrum, though the fund will tend to have a small and mid-cap bias. A bottom-up approach is used to identify stocks capable of producing above-average returns and a single holding will not account for more than 3% of the portfolio. In general, around 30% of the fund will be invested in stocks listed on the FTSE 100.

Yield	1.60%
Standard and Poor's fund rating	–
OBSR fund rating	AAA
Standard initial charge	5.25%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	7
Unit type	Acc or Inc

FIDELITY SPECIAL SITUATIONS

This is a fund seeking to provide long-term capital appreciation primarily through investment in UK equities. Sanjeev Shah is a contrarian investor and looks to identify stocks which he believes are trading at a discount to their true value. There are few constraints on the manager, though the portfolio will tend to have a small and mid-cap bias. Sanjeev also has the option to invest up to 20% overseas and can use derivatives to increase returns.

Yield	–
Standard and Poor's fund rating	AA
OBSR fund rating	AA
Standard initial charge	3.50%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	6
Unit type	Acc

J O HAMBRO UK OPPORTUNITIES

This fund aims to produce an absolute return. The investment approach is a blend of top-down analysis and bottom-up stock selection to create a concentrated portfolio. John Wood may invest up to 10% of the fund overseas, should he identify suitable opportunities. He also has a strong sell discipline and will seek to top-slice holdings when they account for 5% of the fund. Any outperformance of its benchmark (FTSE All-Share Total Return Index) is subject to a 15% performance fee.

Yield	3.14%
Standard and Poor's fund rating	AA
OBSR fund rating	AA
Standard initial charge	5.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.25%
Chelsea Risk Rating†	5.5
Unit type	Acc or Inc

M&G RECOVERY

The aim of this fund is to produce capital appreciation over the long term. Investment is into UK equities across the cap spectrum, with Tom Dobell taking a contrarian stance and focusing on companies that have lost favour with the market. Tom is supported by an assistant manager and a team of sector specialists, who actively work with companies to aid their recovery. There is generally a small to mid-cap bias, though at least 40% of the fund will usually be in the FTSE 100.

Yield	0.54%
Standard and Poor's fund rating	AAA
OBSR fund rating	AAA
Standard initial charge	4.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	5
Unit type	Acc or Inc

All Chelsea Leaders available at zero initial charge within an ISA. For performance statistics please refer to pages 38-39.

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UK Growth funds (continued)

MARLBOROUGH SPECIAL SITUATIONS

This fund invests in a combination of small-cap UK companies, new stocks and those currently in a period of recovery. Giles Hargreave can also invest into larger-cap companies to improve the liquidity of the fund if he sees fit. It is a diverse portfolio, typically with over 100 holdings. Since the launch of the fund, the management has been outsourced to Giles' own company, Hargreave Hale.

Yield	0.22%
Standard and Poor's fund rating	–
OBSR fund rating	–
Standard initial charge	5.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	8
Unit type	Acc

SCHRODER UK ALPHA PLUS

This is a highly concentrated portfolio, typically with just 20-40 holdings. Investment will mainly be in large-cap UK equities, though up to 20% of the fund can be in gilts and other fixed interest holdings if the manager sees fit. Richard Buxton has a contrarian investment approach and seeks to identify stocks capable of rising at least 10-20% in the next three years.

Yield	0.49%
Standard and Poor's fund rating	–
OBSR fund rating	AA
Standard initial charge	5.25%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	7
Unit type	Acc or Inc

Equity Income funds

ARTEMIS INCOME

This fund invests largely within the FTSE 350 and targets rising income, coupled with long-term capital growth. Adrian Frost and Adrian Gosden are relatively unconstrained in their approach and often focus on a company's cashflow as a method of evaluating stocks. They regularly utilise their capacity to invest up to 20% overseas where opportunities arise. Income is paid in January and July.

Yield	4.12%
Standard and Poor's fund rating	–
OBSR fund rating	AAA
Standard initial charge	5.25%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	4
Unit type	Acc or Inc

INVESCO PERPETUAL HIGH INCOME

Neil Woodford's team pair a global macro view with in-depth research of sectors and stocks. However, the fund places a greater emphasis on total return than pure income. Neil has the ability to invest overseas if he identifies suitable opportunities and often invests in the US. A top-down investment approach is used, which can lead to large sector weightings. Dividends are paid in March and September.

Yield	3.93%
Standard and Poor's fund rating	AAA
OBSR fund rating	AAA
Standard initial charge	5.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	4
Unit type	Acc or Inc

M&G GLOBAL DIVIDEND

Managed by Stuart Rhodes, this fund invests in a concentrated portfolio of around 50 global income stocks. He employs a bottom-up stock-picking approach combined with strong quantitative screening, which is driven by the fundamental analysis of individual companies and earnings upgrades. Stuart looks for companies with strong capital discipline and potential to increase dividends. Income is paid in March, June, September and December.

Yield	3.31%
Standard and Poor's fund rating	–
OBSR fund rating	A
Standard initial charge	4.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	6
Unit type	Acc or Inc

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Equity Income funds (continued)

NEWTON ASIAN INCOME

This fund invests in companies with strong, sustainable fundamentals. Managed by Jason Pidcock, supported by a strong team of global sector analysts, it identifies global investment themes and translates these into appropriate sector and stock selection using a bottom-up process. New holdings must have a prospective yield greater than the index at purchase, and will be sold if the yield falls below a 15% discount. The portfolio has a low turnover and will typically comprise 40-50 stocks. Income is paid in March, June, September and December.

Yield	5.04%
Standard and Poor's fund rating	AA
OBSR fund rating	A
Standard initial charge	4.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	7.5
Unit type	Inc

RATHBONE INCOME

Carl Stick aims to invest in UK companies identified as capable of providing a sustainable income and preservation of capital. As such, emphasis will be on FTSE 350 listed stocks, though there may also be some small-cap exposure. The manager is relatively unconstrained in his stock selection, though no single holding can account for more than 3% of the fund. Income is paid in January and July.

Yield	4.15%
Standard and Poor's fund rating	–
OBSR fund rating	A
Standard initial charge	5.50%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	4.5
Unit type	Acc or Inc

SCHRODER INCOME MAXIMISER

A derivative of the Schroder Income fund, it seeks to provide a high income, with long-term capital growth through investment in UK equities – the emphasis being on those in the FTSE 350. The investment process is bottom-up and the manager will also utilise call options to provide a target yield of 7% p.a. Due to the nature of the fund, it will tend to perform well in sideways and falling markets, though it may slightly underperform in strong rising markets. Income is paid in February, May, August and November.

Yield	7%
Standard and Poor's fund rating	–
OBSR fund rating	A
Standard initial charge	5.25%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	4
Unit type	Acc or Inc

STANDARD LIFE UK EQUITY HIGH INCOME

The target of this fund is a high yield along with capital growth over the longer term. Karen Robertson has access to the UK equity team as well as the Standard Life stock ranking matrix. The matrix assesses companies on 12 factors before ranking the top 20, though the manager may elect not to invest in all of these. There is a bias towards large and mid-cap stocks. Income is paid in May and November.

Yield	3.18%
Standard and Poor's fund rating	AA
OBSR fund rating	AAA
Standard initial charge	4.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	4
Unit type	Acc or Inc

European funds

BLACKROCK CONTINENTAL EUROPEAN

This multi-cap fund is managed by Vincent Devlin, via a team-based process. He has a flexible investment approach but there is a preference for companies with medium to long-term earnings power that is greater than the market. Position sizes will not exceed a 5% active overweight compared with the index. There are country restrictions of 15% exposure to non-benchmark countries and 5% to non-benchmark non-EU countries. The fund typically holds between 35-65 stocks.

Yield	1.04%
Standard and Poor's fund rating	AA
OBSR fund rating	AA
Standard initial charge	5.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	6
Unit type	Acc or Inc

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European funds (continued)

JUPITER EUROPEAN SPECIAL SITUATIONS

Manager Cedric de Fonclare takes a dynamic and flexible approach, resulting in a portfolio that pays little regard to the index and will vary according to the underlying market dynamics. He focuses on analysing companies with a strong operating niche. He also has a distinct bottom-up stock-picking approach, with a large-cap bias. His best ideas form the core of the portfolio but with 4% as a maximum holding. The portfolio is still reasonably concentrated, comprising between 50-70 stocks.

Yield	0.80%
Standard and Poor's fund rating	AA
OBSR fund rating	AA
Standard initial charge	5.25%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	6
Unit type	Acc

NEPTUNE EUROPEAN OPPORTUNITIES

Managed by Rob Burnett, this fund provides an unconstrained and an actively-managed European equity portfolio. The fund will be reasonably concentrated, with around 50 stocks. It invests across the market-cap spectrum, with no predetermined style bias. Neptune's investment process of forming positive views on global industry sectors and then using bottom-up stock-picking can result in large sector bets.

Yield	1.18%
Standard and Poor's fund rating	–
OBSR fund rating	AA
Standard initial charge	5.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.75%
Chelsea Risk Rating†	7
Unit type	Acc or Inc

SCHRODER EUROPEAN ALPHA PLUS

This fund is managed by Leon Howard-Spink who invests in European equities across the market-cap range, but with a bias towards mid and small caps. He generates many of his own ideas but is able to cross-reference his ideas with the group's 18 European analysts. As the bottom-up investment process is not benchmark driven, the portfolio will often differ from the index at both the sector and the country level. The portfolio will typically comprise around 50-70 stocks with a mid to long-term investment horizon.

Yield	0.77%
Standard and Poor's fund rating	–
OBSR fund rating	AA
Standard initial charge	5.25%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	6
Unit type	Acc or Inc

Specialist funds

ARTEMIS STRATEGIC ASSETS

Manager William Littlewood uses a macroeconomic view to influence his investment decisions. He aims to achieve long-term growth by investing in a range of assets, including UK equity, international equity, fixed interest, currency, commodities and cash. The aim of the fund is to outperform equities when markets are favourable, and preserve capital when markets are poor. The fund is predominantly invested in equities, but the manager also uses derivatives in order to exploit both rising and falling markets. The manager often takes advantage of shorting individual securities or currencies that he believes are overpriced.

Yield	0.66%
Standard and Poor's fund rating	–
OBSR fund rating	–
Standard initial charge	5.25%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	6
Unit type	Acc

JPM NATURAL RESOURCES

This fund seeks to provide long-term capital growth through investment in global equities based in commodity sectors such as energy, gold and other precious metals. The fund has a neutral position of 30% invested in gold, 30% in base metals, 30% in energy and the final 10% in other commodity stocks. In practice this can vary significantly, though no more than 50% of the fund may be invested in any single sector.

Yield	–
Standard and Poor's fund rating	–
OBSR fund rating	AA
Standard initial charge	4.25%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	10
Unit type	Acc

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Specialist funds (continued)

CF MITON SPECIAL SITUATIONS PORTFOLIO

The goal of this fund is to provide investors with long-term positive returns through investments in an array of asset classes including global equities, bonds, cash and collective investment schemes. Martin Gray and James Sullivan seek to stabilise the fund by investing around 30% in more defensive asset classes. There are no formal sector or stock constraints placed upon the manager.

Yield	–
Standard and Poor's fund rating	–
OBSR fund rating	A
Standard initial charge	5.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	4
Unit type	Acc

Asia Pacific, Japan and Emerging Markets funds

ABERDEEN EMERGING MARKETS

A strong team of 35 specialists is lead by Devan Kaloo. They have six offices in the emerging markets to ensure that they have the very best coverage of companies in their area. A strict bottom-up approach is used to identify good quality companies that they understand and are growing. They insist on having a good relationship with the companies they invest in and tend to own those companies' shares for over five years. This is a multi-cap fund, but with a bias towards large-caps, and typically holds between 45-60 stocks.

Yield	0.30%
Standard and Poor's fund rating	AA
OBSR fund rating	AA
Standard initial charge	4.25%
ISA charge after Chelsea discount	0%
Annual management charge	1.75%
Chelsea Risk Rating†	10
Unit type	Acc

ALLIANZ RCM BRIC STARS

Managed by Michael Kostantinov, this fund invests with a large-cap bias in Brazil, Russia, India and China (with an approximate 25% spilt). The fund may also invest in other assets related to BRIC regions. His investment process combines top-down analysis and bottom-up research with an emphasis on the latter. He is also able to draw upon extensive global research resources to select stocks for his concentrated portfolio of 60-80 stocks.

Yield	0.25%
Standard and Poor's fund rating	–
OBSR fund rating	A
Standard initial charge	4.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.75%
Chelsea Risk Rating†	10
Unit type	Acc

FIRST STATE ASIA PACIFIC LEADERS

Experienced managers, Angus Tulloch (based in Edinburgh) and Alistair Thompson (based in Singapore) take a stock-driven approach, with a top-down overlay, where the economic environment is closely examined and company meetings are key. They source their investment ideas from the regional analysts and focus on fundamental analysis, seeking a concentrated portfolio of around 60 large/mid-cap undervalued stocks, with above-average growth and a mid to long-term investment horizon.

Yield	0.52%
Standard and Poor's fund rating	AAA
OBSR fund rating	AAA
Standard initial charge	4.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	7.5
Unit type	Acc

FIRST STATE GREATER CHINA GROWTH

Co-managers Martin Lau (based in Hong Kong) and Hsiu-Mei Ho (based in Singapore) offer investors a multi-cap portfolio of stocks in China, Hong Kong and Taiwan. These highly regarded managers have a contrarian approach and use a bottom-up stock-picking approach, supported by other experienced members of the Greater China team. With an absolute return mindset and an investment time horizon of three to five years, this fund aims to hold between 40-70 stocks.

Yield	0.27%
Standard and Poor's fund rating	AAA
OBSR fund rating	AAA
Standard initial charge	4.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.75%
Chelsea Risk Rating†	10
Unit type	Acc

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Asia Pacific, Japan and Emerging Markets funds

JUPITER JAPAN INCOME

This fund will invest in Japanese equities to produce long-term capital growth, allied with an income yielding 30% higher than the Topix index. Simon Somerville frequently travels to Japan and places emphasis on in-depth assessment and understanding of the stocks in which he invests. Whilst Simon aims to invest in companies participating in the growing dividend culture, the yield attained by this fund will not be comparable to UK equity income funds.

Yield	1.90%
Standard and Poor's fund rating	AA
OBSR fund rating	A
Standard initial charge	5.25%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	9.5
Unit type	Acc or Inc

Fixed Interest funds

AEGON INVESTMENT GRADE BOND

This fund, managed by David Roberts, invests primarily in investment grade bonds. As a global investment grade bond fund, it may hold non-sterling issues as long as they are hedged back into sterling. He also uses a combination of top-down strategy with bottom-up stock-picking to build this portfolio, which typically holds between 40-120 positions. The level of cash is limited to a maximum of 20%. Income is paid in January, April, July and October.

Yield	4.45%
Standard and Poor's fund rating	–
OBSR fund rating	AA
Standard initial charge	4.50%
ISA charge after Chelsea discount	0%
Annual management charge	1.25%
Chelsea Risk Rating†	1
Unit type	Acc or Inc

HENDERSON STRATEGIC BOND

Co-managers Jenna Barnard and John Pattullo take an active approach with this fund by exploiting a wide and flexible mandate in which they can invest in government bonds, corporate bonds, high yield bonds and other fixed income sectors. With the aid of a well-resourced team of credit analysts and UCITS III sophistication, they are also able to invest up to 20% in non-sterling bonds and typically hold between 120-150 positions. Income is paid in March, June, September and December.

Yield	7.01%
Standard and Poor's fund rating	AA
OBSR fund rating	AA
Standard initial charge	4.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.25%
Chelsea Risk Rating†	1.5
Unit type	Inc

INVESCO PERPETUAL MONTHLY INCOME PLUS

At least 80% (managed by Paul Causer and Paul Read) is invested in bonds and up to a maximum of 20% (managed by Neil Woodford) is invested in UK equities. There is a focus on income generation, together with security of capital. Using a bottom-up approach, fixed interest investments are normally focused on sub-investment grade bonds, but there is flexibility to move up the credit scale. The equity portfolio is constructed similarly to Neil's High Income fund.

Yield	6.52%
Standard and Poor's fund rating	AA
OBSR fund rating	AAA
Standard initial charge	5.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.25%
Chelsea Risk Rating†	2.5
Unit type	Acc or Inc

LEGAL & GENERAL DYNAMIC BOND

This fund has been managed by Richard Hodges since inception and is an unconstrained global strategic bond fund aiming to generate an attractive return within a closely controlled risk framework. The manager allocates actively between investment grade corporate bonds, high yield, gilts and cash and uses derivatives extensively to manage the fund's positions and risk profile. Supported by a strong fixed income team, he combines top-down analysis and bottom-up research. Income is paid in March, June, September and December.

Yield	5.30%
Standard and Poor's fund rating	AA
OBSR fund rating	AA
Standard initial charge	3.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.25%
Chelsea Risk Rating†	1.5
Unit type	Acc or Inc

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Fixed Interest funds (continued)

M&G OPTIMAL INCOME

Manager Richard Woolnough provides a diversified fixed interest portfolio, moving between gilts, investment grade bonds and high yield bonds depending on where value is identified. Richard may also implement his strategy through derivatives and equities. He primarily adopts a top-down approach and draws on M&G's specialist teams for stock selection ideas. There is no limit on credit or global exposure, provided that at least 80% is hedged back into sterling. Income is paid in June and December.

Yield	4.19%
Standard and Poor's fund rating	AAA
OBSR fund rating	AA
Standard initial charge	4.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.25%
Chelsea Risk Rating†	1.5
Unit type	Acc or Inc

US funds

INVESTEC AMERICAN

This fund targets long-term capital growth, primarily through investment in large-cap American equities with a focus on stocks with sound fundamentals deemed to be trading at a discount to their true value. Connor Browne and Ed Maran work with a team of analysts and portfolio managers for Thornburg Investment Management and are based in Santa Fe. The managers also have the freedom to purchase fixed income securities if they see fit.

Yield	0.46%
Standard and Poor's fund rating	–
OBSR fund rating	AA
Standard initial charge	4.50%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	7
Unit type	Acc

M&G AMERICAN

Long-term capital growth is the aim of this fund and Aled Smith uses a bottom-up stock-picking approach to identify North American (including Canadian) investment opportunities. The manager aims for 60-75 holdings, with 3% of the fund being the likely maximum held in any one stock, and he is not bound by any particular style or cap bias.

Yield	–
Standard and Poor's fund rating	AA
OBSR fund rating	A
Standard initial charge	4.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	7
Unit type	Acc or Inc

NEPTUNE US OPPORTUNITIES

Felix Wintle and Rebecca Young aim to create capital growth via investment into a concentrated portfolio of North American (including Canadian) equities, with a large-cap bias. They use a top-down approach to identify promising sectors before finding the leading stocks in those sectors and backing them with conviction, which leads to substantial sector bets.

Yield	–
Standard and Poor's fund rating	–
OBSR fund rating	A
Standard initial charge	5.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.60%
Chelsea Risk Rating†	8
Unit type	Acc

SCHRODER US MID CAP

Manager Jenny Jones uses bottom-up analysis in order to invest in 60-90 small to medium-sized US companies. Given that Jones is manager of the Schroder US Smaller Companies fund as well, the Mid Cap fund often holds a reasonable proportion of small-cap stocks. Currently, 60% of her positions are in companies smaller than $US3bn, with 9% of holdings in small-cap companies. She aims to invest in a broad range of sectors, whilst looking to invest about half of the fund's capital in superior growth companies, 25% in steady growers and another 25% in recovery situations.

Yield	–
Standard and Poor's fund rating	–
OBSR fund rating	AAA
Standard initial charge	5.25%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	7
Unit type	Acc or Inc

All Chelsea Leaders available at zero initial charge within an ISA. For performance statistics please refer to pages 38-39.

Notes:

We always strive to reduce your costs to a minimum. Units bought with No Initial Charge are described as being bought at the Creation/NAV. You can see from our table of funds that we have secured this Creation/NAV on all of the funds highlighted in the tables.

†The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk. All data sourced from Financial Express, 19/1/11.

These discounts apply to new ISA purchases only. ISA transfers will also attract the same discounts. Please telephone 020 7384 7300 for further details.

Absolute Return funds

Absolute Return funds are a relatively new concept for the retail investor, with a low correlation to equities. Their aim is to make a positive return in all market conditions. This is achieved by utilising the capacity to short currencies, stocks and other asset classes e.g. enabling the managers to reduce risk within the portfolio and potentially capitalise on falling markets.

BLACKROCK UK ABSOLUTE ALPHA

This fund aims to achieve an absolute return through Mark Lyttleton and Nick Osborne taking long positions in stocks that they believe will rise, along with shorting stocks that they believe will fall. Pairs trading is also used to buy and short two or more companies in the same sector, allowing the managers to reduce risk in the portfolio and potentially capitalise on falling markets. The benchmark for the fund is three-month LIBOR and any outperformance will be subject to a 20% performance fee.

Yield	–
Standard and Poor's fund rating	AA
OBSR fund rating	A
Standard initial charge	5.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	5
Unit type	Acc

GARTMORE UK ABSOLUTE RETURN

The aim of this fund is to produce returns by taking up long and short positions in UK equities. Although the fund can invest in stocks of any market capitalisation, there will be a bias towards those listed on the FTSE 100. The fund is benchmarked against three-month LIBOR and any outperformance is subject to a 20% performance fee.

Yield	–
Standard and Poor's fund rating	–
OBSR fund rating	A
Standard initial charge	5.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	7
Unit type	Acc

JUPITER ABSOLUTE RETURN

Managed by Philip Gibbs, who has a successful track record with his Jupiter Financial Opportunities fund, this fund aims to generate positive returns in all market conditions. The fund has a global investment remit and Philip will make use of both long and short investments. Due to the nature of this fund it will perform better in falling or sideways markets than in rising markets, as in 2010. The benchmark for the fund is three-month LIBOR and any outperformance will be subject to a 15% performance fee.

Yield	–
Standard and Poor's fund rating	–
OBSR fund rating	–
Standard initial charge	5.25%
ISA charge after Chelsea discount	0%
Annual management charge	1.25%
Chelsea Risk Rating†	5
Unit type	Acc

STANDARD LIFE GLOBAL ABSOLUTE RETURN STRATEGIES

This multi-asset, multi-strategy fund invests in a wide remit of global asset classes in order to produce consistent positive returns during all market conditions. The fund aims to achieve LIBOR + 5% by investing about 70% of the portfolio in internal Standard Life equity and bond funds. The remainder is invested using 'relative value strategies' in equities, fixed income securities, currencies and cash positions. The fund usually has equity exposure of 15%-40% and is currently invested in Europe 19.2%, the UK 23.4%, the US 3% and in other international markets 18.7%.

Yield	0.67%
Standard and Poor's fund rating	A
OBSR fund rating	A
Standard initial charge	4.00%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	5
Unit type	Acc

All Chelsea Leaders available at zero initial charge within an ISA. **For performance statistics please refer to pages 38-39.**

Notes:

We always strive to reduce your costs to a minimum. Units bought with No Initial Charge are described as being bought at the Creation/NAV. You can see from our table of funds that we have secured this Creation/NAV on all of the funds highlighted in the tables.

†The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk. All data sourced from Financial Express, 19/1/11.

These discounts apply to new ISA purchases only. ISA transfers will also attract the same discounts. Please telephone 020 7384 7300 for further details.

The benefits of our

FUNDS SUPERMARKET

Our fund supermarket, the Chelsea Portfolio, is administered by Cofunds, which is a separate, independent company. We strongly believe that holding all your investments on one platform is the best way to invest. It's not just what we recommend to you, the staff at Chelsea Financial Services also invest via the Chelsea Portfolio. Once you have looked through the following advantages, we think you'll agree that, whether you are starting out with £50/month into your first ISA or you have a large portfolio, using our fund supermarket is the easiest way to manage your investments.

Monthly investing made easy and cost-effective: it attracts the same leading discounts as lump sum investing (often not the case outside the Chelsea Portfolio), with a minimum of just £50/month.

Large fund selection: access to more than 1,600 funds from over 90 different providers.

Fund Review: we are now providing fund commentary on over **500** of the most popular funds within the Chelsea Portfolio. If you hold any of these funds, our commentary, Chelsea Risk Rating (from 1 to 10) and the buy/hold/switch rating will be enclosed with your statement. If you register on our website you can read every individual review of the top 500 funds.

Less paperwork: you receive one statement, every six months, detailing all your investments during that period. **Investments outside an ISA will receive a consolidated tax voucher in June each year.**

Cash Reserve: Our supermarket offers a temporary Cash Reserve facility (currently paying interest 0.4% below the Bank of England base rate) for ISAs. Whilst the interest rate is currently low, this is a valuable facility which allows you to switch in and out of cash without losing your ISA status. It is also free to switch to cash. Furthermore, there are a number of cash funds available outside an ISA.

Fantastic discounts: we are able to offer at least the same discount as if you were investing via ourselves with a single provider and in some cases the discount is greater.

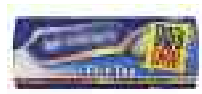
Online access: you are now able to buy, switch, top up and check valuations and transaction histories online. Just go to www.chelseafs.co.uk to register.

Telephone dealing – simply call 020 7384 7300: we can now offer telephone dealing for purchases within the Chelsea Portfolio. You will need to have a valid debit card.

Cheap switching charges: all fund switches are charged at a maximum of creation/NAV + 0.25%. Switches into the Cash Reserve are free. Switches can be conducted online or via post.

Income reinvested for free: all income and dividends can be either paid out or reinvested for **free**. Many fund managers **charge** for this service **outside the supermarket**. This can make a big difference over time, especially on income funds.

Independence: unlike its closest rival, our fund supermarket is independent, with six major shareholders – Jupiter, Legal & General, Newhouse Capital, Prudential, Threadneedle and IFDS.



No added costs via the Chelsea Portfolio: for re-registration and no double charging.

Annual ISA allowance: can be invested across different funds and fund providers in the same tax year, giving you more choice and enabling you to spread the risk of your investments.

SIPP/Pension: you can now manage your pension as you do your ISA on the same platform. See page 31 for further details.

Cash Account: for those looking to switch non-ISA monies into cash, currently paying 0.4% below the Bank of England base rate. Please note, the only way to switch into the Cash Account is via postal applications.

Is there a downside? You will not receive the annual reports for the underlying funds (though these are available on our website) and income payment dates will vary slightly from those of the underlying fund providers.

How can I move my current holdings into the Chelsea Portfolio fund supermarket?

Re-registration is the process of consolidating all your investments under one umbrella. Administration is by the Chelsea Portfolio, in association with Cofunds, but your funds are managed in exactly the same way by each fund manager. There are no charges from us, or from Cofunds, for re-registration and your funds are not sold, so you are never out of the market.

How do I re-register?

Please fill in the re-registration form overleaf with details of all your holdings and return it to us. We will then send you completed forms, which you merely need to sign and date. In most circumstances, the process will take approximately six weeks.

Consolidate your portfolio

CHELSEA

Re-registration Form

Move all your fund investments to ONE account. This will reduce the amount of paperwork you currently receive, provide you with ONE valuation statement twice yearly, and give you the information necessary to CONTROL your portfolio.

Please list below all your ISA and/or unit trust/OEIC investments that were purchased outside Cofunds and return to Chelsea Financial Services. We can then print the necessary transfer forms and send them to you for your review and signature.

Personal Details – Please complete this section in full and in block capital letters

Full name of unit holder(s)		Title	
Current address			
		Postcode	
e-mail address		Male	Female
Date of birth		National Insurance number	
Daytime telephone		Existing Cofunds number (if applicable)	

ISA investments – Please complete in block capital letters

Fund Provider	Fund Name	Account Number/ Plan Reference	Unit Type ACC/INC	Tick if current tax year	Tick if saving monthly
SAMPLE FUND MANAGERS LIMITED	SAMPLE HIGH INCOME FUND	12345	INC		

Unit Trusts/OEICs outside an ISA wrapper – Please complete in block capital letters

Fund Provider	Fund Name	Account Number/ Plan Reference	Account designation (if applicable)	No of Units	Unit Type ACC/INC
SAMPLE FUND MANAGERS LIMITED	SAMPLE UK GROWTH FUND	56789		ALL	ACC

Please photocopy this form if you require additional space.

CFSFLF 08.03

Issued by Chelsea Financial Services, which is authorised and regulated by the Financial Services Authority.
Registered Office: St James' Hall, Moore Park Road, London SW6 2JS. Registered in England No. 1728085.

The Chelsea Portfolio, in association with cofunds

Investment ISA (stocks and shares) Dual Tax Year (2010/2011 & 2011/2012)

The Key Features of the Cofunds Platform and Fund Key Features that accompanies this application form is: 0 2 1 0

Cofunds Intermediary Authorisation Code 7 7 | Intermediary Client/Deal Ref. **VP28** | % Initial Commission waived **100%**

I wish to subscribe to an

Investment ISA (stocks and shares) For the tax year 2010/2011 ☐ and or 2011/2012 ☐ and for each subsequent tax year until further notice.

If you are investing in both tax years, you must include two separate cheques. For 2011/2012 tax year, your cheque must be dated 6 April 2011 or later.

This application form is used to subscribe to a stocks and shares ISA with Cofunds. By completing this application, you agree to subscribing to a 2010/2011 and/or 2011/2012 tax year stocks and shares ISA and each subsequent year until further notice. You are not obliged to invest in subsequent tax years unless you choose to do so.

New ISA limits
The ISA limit for all investors is £10,200 for the year 2010/2011 and £10,680 for the year 2011/2012.

Please complete using black ink and BLOCK CAPITALS and return to: Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS.

1 Personal Details Please complete this section in full

Existing Cofunds Client Reference

Did you receive advice from an Intermediary in relation to this investment?

☐ Advised ☑ Not Advised

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Email Address

Daytime Tel No.

Male ☐ Female ☐ Date of Birth __ __ / __ __ / __ __ __ __ (D D M M Y Y Y Y)

National Insurance Number __ __ / __ __ / __ __ / __ __ / __

If you do NOT have a National Insurance Number, please tick here. ☐

You should be able to find your NI number on a payslip, form P45 or P60, a letter from the HM Revenue & Customs, a letter from the DWP, or pension order book.

Current Permanent Residential Address

Postcode

Time at this Address ____ yrs ____ mths

If at current address for less than 2 years, please supply previous address and time there

Postcode

Time at this Address ____ yrs ____ mths

(If more than one previous address in the last 2 years, please provide full details including the time at each address on a separate sheet of paper and staple securely to this application form.)

2 Investment Selection

Your total ISA subscription for each tax year must not exceed your ISA allowance. For details refer to the Key Features of the Cofunds Platform on pages 42-55.

I wish to invest in the Chelsea Easy ISA (please choose one of the portfolios below). **See pages 6 & 7 for details.**
Minimum Portfolio investment lump sum £2,100; Minimum regular savings £150 per month.

		Lump Sum Min portfolio investment £2,100	Monthly Min investment £150 per month
Either	Cautious Growth Easy ISA	£	£
Or	Balanced Growth Easy ISA	£	£
Or	Aggressive Growth Easy ISA	£	£
Or	Income Easy ISA (please complete income payment overleaf)	£	£

Or select your own funds and complete this section below:

I wish to invest in the funds indicated (for further details of the funds available, please refer to the Fund Key Features Schedule).
If investing in an OEIC fund, your investment will be made in the Retail Share Class of the fund.

Fund Manager and Fund Name	Type of Unit/Share (Delete as appropriate)*	Lump Sum (Minimum £500 per fund)	Monthly (Minimum £50 per fund)
	ACC / INC	£	£
	ACC / INC	£	£
	ACC / INC	£	£
	ACC / INC	£	£
	ACC / INC	£	£
	ACC / INC	£	£
	ACC / INC	£	£
†Cash Reserve (if required)		£	£
TOTAL INVESTMENT AMOUNT		£	£

*If you do not specify ACC or INC in this column, and/or have not completed Section 3 and, if applicable, Section 4, Cofunds will invest into accumulation units/shares where applicable.
† **Cash Reserve** Monies may be held for short periods in the Cash Reserve. Such holdings are deemed 'destined for investment'.

Cheques must either be drawn on your own or your joint account. The cheque must be made payable to Cofunds Limited.

Investment by Direct Debit for Monthly Savers

Instruction to your Bank or Building Society to pay Direct Debits

Please fill in the whole form and send it to: Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS.

DIRECT Debit

Name and full postal address of your Bank or Building Society

To the Manager Bank or Building Society

Address

Postcode

Name(s) of Account Holder(s)

Branch Sort Code __ __ – __ __ – __ __

Bank/Building Society Account Number

Reference Number (office use only)

Originator's Identification No. (office use only) 6 0 0 2 6 7

Signature X Date

Instruction to your Bank or Building Society

Please pay Cofunds Limited Direct Debits from the account detailed on this instruction subject to the safeguards assured by The Direct Debit Guarantee. I understand that this instruction may remain with Cofunds Limited and, if so, will be passed on electronically to my Bank/Building Society.
Banks and Building Societies may not accept Direct Debit instructions for some types of account.

Investment ISA (stocks and shares) Continued

3 Nominated Bank Account

Complete this section if you have not provided us with your nominated bank account details. If you are an existing customer, only complete this section if you would like to change your nominated bank account details. Any change to your nominated bank account will not be applied to your regular monthly investments.

You can only have one nominated bank account at any given time.

Name(s) of Account Holder(s)

Bank or Building Society Name and Address

Postcode

Branch Sort Code

– –

Bank/Building Society Account Number

Building Society Roll Number

4 Income

Please only complete this section if you have chosen income units/shares ('INC'). The option you choose will be applied to all income units/shares on this application.
You do not need to select an income option if you would like to continue an income instruction previously provided (for ISA and Investment Funds within your platform account).
Please refer to the Questions and Answers section of the Key Features of the Cofunds Platform for more information.
Please tick one option

Income options:

Consolidated Natural Income
Income generated from your platform account will be consolidated into your Cofunds Cash Account and paid to your Nominated Bank Account on a monthly basis.

Cofunds Cash Account
Income generated will be paid to your cash account to be held on platform for withdrawals or future investment.

OR if you wish to reinvest:

Retain in the fund
Income generated will be retained in the fund.

5 Declaration and Authorisation

I declare that:

- All investment subscriptions made now and in the future belong to me.
- I am aged 18 years or over.
- I have not subscribed and will not subscribe to more than my overall subscription allowance in total to a cash ISA and a stocks and shares ISA in the same tax year.
- I have not subscribed and will not subscribe to another stocks and shares ISA in the same tax year that I subscribe to this stocks and shares ISA.
- I am resident and ordinarily resident in the United Kingdom for tax purposes, or, if not so resident, either perform duties which, by virtue of Section 28 of Income Tax (Earnings & Pensions) Act 2003 (Crown employees serving overseas), are treated as being performed in the United Kingdom, or I am married to or in a civil partnership with a person who performs such duties. I will inform Cofunds Limited if I cease to be so resident and ordinarily resident or to perform such duties, or be married to or in a civil partnership with a person who performs such duties.

I authorise Cofunds Limited to:

- Hold my cash subscription, ISA investments, interest, dividends and any other rights or proceeds in respect of those investments and any other cash.
- Make on my behalf any claims to relief from tax in respect of my ISA investments.

I confirm that:

- I agree to be bound by:
  – Terms and Conditions of the Cofunds Platform, including the Cofunds Investment ISA Terms and Conditions
- My signed application form (provided that my application is accepted by Cofunds), together with the Terms and Conditions of the Cofunds Platform, constitute my customer agreement with Cofunds Limited. I understand that the commencement of my ISA may be delayed or rejected if this application form is not complete in all respects. You may undertake a search with a reference agency for the purposes of verifying my identity. To do so, the reference agency may check the details I supply against any particulars on any database (public or otherwise) to which they have access. They may also use my details in the future to assist other companies for verification purposes. A record of the search will be retained as an identity search. I declare that the information contained in this application form is correct to the best of my knowledge and belief.

Signature X Date

Data Protection

Cofunds Limited will use your information for the administration and servicing of your investments and other related activities. We may disclose your information to our agents and service providers for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements.

With the exception of the preceding provisions, we will not pass on your information to any other third party without your permission, but we will disclose information concerning your investment to your Nominated Adviser.

Cofunds may transfer your information to countries outside of the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act.

Email address and telephone number

If you provide your email address and telephone number on this form, Chelsea will keep a record of it. Chelsea may use it to contact you occasionally about products and services, which may be of interest to you. However, if you prefer not to receive such information, you may withdraw your consent by contacting Chelsea client services department on 020 7384 7300.

If you require a fund prospectus, please contact your adviser or Fund Manager directly.

If you wish to attend/vote at unit holder or shareholder meetings, please tick this box.

If you wish to receive reports and accounts, you can download them free of charge at https://investors.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx. If you wish to receive paper copies of reports and accounts please speak to your adviser.

You can also request to receive paper copies of reports and accounts by writing to us at Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.

We will apply a £20 administration charge per fund for each request to attend/vote at unit holder and shareholder meetings, and for each request to receive paper copies.

Your cheque payment Cheques must either be drawn on your own or your joint account. The cheque must be made payable to **Cofunds Limited**. For a Building Society cheque or banker's draft your name must appear on the front of the cheque, or on the back of the cheque accompanied by the Building Society's or bank's official stamp and signature. We do not accept payments from other third parties. We do not accept payment by any other method.

Your monthly savings For monthly savings we will automatically collect on or just after the 25th day of each month. For applications received up until the last day in any month, the first direct debit collection will be made on or just after the 25th day of the following month.

The funds included in the application form represent a selection of funds available in a Cofunds ISA. Neither Cofunds nor Chelsea Financial Services can advise on which funds to choose or whether the funds selected are appropriate for you.

Please note that no advice has been given in this offer. If you are in any doubt about the suitability of this investment for you, please contact an expert adviser.

Issued and approved by Cofunds Limited,
First Floor, 1 Minster Court, Mincing Lane, London EC3R 7AA
Registered in England and Wales No. 3965289.
Authorised and regulated by the Financial Services Authority (FSA) under FSA Registration No. 194734

6 Completed Application Forms Check List

Completed Application Forms should be returned to: Chelsea Financial Services PLC, St. James' Hall, Moore Park Road, London SW6 2JS.

Have you:

- Completed your National Insurance number?
- Completed your date of birth? (This will be necessary to validate your Plan)
- Completed the investment selection section?
- Completed the Direct Debit mandate if saving monthly?
- Completed your Bank/Building Society details if you have chosen to receive income payments?
- Enclosed your personal cheque(s) made payable to Cofunds Limited if investing a lump sum? – for full details of acceptable forms of payment please refer to the Cofunds Key Features.
- Signed the declaration?

CO 198\CFS001 01/11

The Chelsea Portfolio, in association with cofunds

Investment ISA (stocks and shares) Transfer Application

The Key Features of the Cofunds Platform that accompanies this application form is: 0 2 1 0

Cofunds Intermediary Authorisation Code 7 7 | Intermediary Client/Deal Ref. **VP28** | % Initial Commission waived **100%**

New ISA limits The ISA allowance for all investors is £10,200 for the 2010/2011 tax year and £10,680 for the year 2011/2012.

Please ensure you have read the accompanying ISA Terms & Conditions and Key Features document (see pages 42-55 of the Chelsea Viewpoint) before completing this application form.
Please complete using black ink and BLOCK CAPITALS and return to: **Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS.**

1 Personal Details Please complete this section in full

Existing Cofunds Client Reference

Did you receive advice from an Intermediary in relation to this investment?

☐ Advised ☑ Not Advised

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Daytime Tel No.

Male ☐ Female ☐ Date of Birth __ __ / __ __ / __ __ __ __
D D M M Y Y Y Y

National Insurance Number __ __ / __ __ / __ __ / __ __ / __

If you do NOT have a National Insurance Number, please tick here. ☐

You should be able to find your NI number on a payslip, form P45 or P60, a letter from the HM Revenue & Customs, a letter from the DWP, or pension order book.

Current Permanent Residential Address

Postcode

Time at this Address yrs mths

If at current address for less than 2 years, please supply previous address and time there

Postcode

Time at this Address yrs mths

(If more than one previous address in the last 2 years, please provide full details including the time at each address on a separate sheet of paper and staple securely to this application form.)

2 Nominated Bank Account

Complete this section if you have not provided us with your nominated bank account details. If you are an existing customer, only complete this section if you would like to change your nominated bank account details. Any change to your nominated bank account will not be applied to your regular monthly investments.

You can only have one nominated bank account at any given time.

Name(s) of Account Holder(s)

Bank or Building Society Name and Address

Postcode

Branch Sort Code __ __ – __ __ – __ __

Bank/Building Society Account Number

Building Society Roll Number

3 Income

Please only complete this section if you have chosen income units/shares ('INC'). Your total ISA subscription for each tax year must not exceed your ISA allowance, For details refer to the Key Features of the Cofunds Platform on pages 42-55 of the Chelsea Viewpoint. You do not need to select an income option if you would like to continue an income instruction previously provided (for ISA and Investment Funds within your platform account). Please refer to the Questions and Answers section of the Key Features of the Cofunds Platform for more information.
Please tick one option

Income options:

☐ **Consolidated Natural Income**
Income generated from your platform account will be consolidated into your Cofunds Cash Account and paid to your Nominated Bank Account on a monthly basis.

☐ **Cofunds Cash Account**
Income generated will be paid to your cash account to be held on platform for withdrawals or future investment.

OR if you wish to reinvest:

☐ **Retain in the fund**
Income generated from this investment will be retained in the fund.

4 Declaration and Authorisation

I declare that:

- All investment subscriptions made now and in the future belong to me. (Delete if you will not be subscribing to this ISA).
- I am aged 18 years or over.
- I have not subscribed and will not subscribe to more than my overall subscription allowance in total to a cash ISA and a stocks and shares ISA in the same tax year.
- I have not subscribed and will not subscribe to another stocks and shares ISA in the same tax year that I subscribe to this stocks and shares ISA. (Delete if you will not be subscribing to this ISA).
- This application is to transfer my existing ISA and, if applicable, entitles me to subscribe to a stocks and shares ISA in the current tax year and each subsequent year until further notice. I understand that this does not mean that I am obliged to invest with Cofunds in the following or future tax years. However, if I wish to do so, I may not be required to complete a further application form.
- I am resident and ordinarily resident in the United Kingdom for tax purposes, or, if not so resident, either perform duties which, by virtue of Section 28 of Income Tax (Earnings & Pensions) Act 2003 (Crown employees serving overseas), are treated as being performed in the United Kingdom, or I am married to or in a civil partnership with a person who performs such duties. I will inform Cofunds Limited if I cease to be so resident and ordinarily resident or to perform such duties, or be married to or in a civil partnership with a person who performs such duties. (Delete if you will not be subscribing to this ISA).

I authorise Cofunds Limited to:

- Hold my cash subscription, ISA investments, interest, dividends and any other rights or proceeds in respect of those investments and any other cash.
- Make on my behalf any claims to relief from tax in respect of my ISA investments.

I confirm that:

- I agree to be bound by:
  - Your guide to investing with Cofunds, including the Key Features of the Cofunds Investment ISA
  - Fund Key Features
  - Terms and Conditions of the Cofunds Platform, including the Cofunds Investment ISA Terms and Conditions

- My signed application form (provided that my application is accepted by Cofunds), together with the Key Features and Terms, constitute my customer agreement with Cofunds Limited. I understand that instructions may be delayed or rejected if this application form is not complete in all respects. You may undertake a search with a reference agency for the purposes of verifying my identity. To do so, the reference agency may check the details I supply against any particulars on any database (public or otherwise) to which they have access. They may also use my details in the future to assist other companies for verification purposes. A record of the search will be retained as an identity search. I declare that the information contained in this application form is correct to the best of my knowledge and belief.

Signature X Date

Data Protection

Cofunds Limited will use your information for the administration and servicing of your investments and other related activities. We may disclose your information to our agents and service providers for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements.

With the exception of the preceding provisions, we will not pass on your information to any other third party without your permission, but we will disclose information concerning your investment to your Nominated Adviser.

Cofunds may transfer your information to countries outside of the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act.

If you require a fund prospectus, please contact your adviser or Fund Manager directly.

If you wish to attend/vote at unit holder or shareholder meetings, please tick this box ☐

If you wish to receive report and accounts, please tick this box ☐

To receive report and accounts or attend/vote at unit holder or shareholder meetings, these services are subject to a charge of £20.00 per communication. However, report and accounts can be obtained free of charge from the Cofunds website at www.cofunds.co.uk.

Number of attached Transfer Authority Forms ☐

ISA Transfer Authority

This transfer authority should only be used for either the transfer of a stocks and shares ISA or a cash ISA into a Cofunds stocks and shares ISA. **Please note that a separate authority will be required for each Plan/Account Manager. If transferring from more than one Plan/Account Manager, please request more Transfer Authority Forms from your Intermediary. Please ensure that you have signed both the Transfer Application Form and the Transfer Authority Form.**

Existing Client reference

Please complete all details requested

Name of Plan/Account Manager (from whom you wish to transfer)

Address

Postcode

I hereby instruct my current ISA Manager to either transfer my holdings to Cofunds Nominees Limited or liquidate the assets within my ISA with immediate effect, and forward the proceeds as specified below to my new Plan/Account Manager at **Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY. This transfer should include, where relevant, all former ISA and PEP investments.** I confirm that the re-registration of the funds listed will not change the beneficial ownership from the current holder. I confirm that this transaction is exempt from SDRT by virtue of paragraph 6 of Schedule 19 of the Finance Act 1999.

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Signature X

Date

1 Funds that you wish to KEEP via re-registration (stock transfer)

Please list all funds that you hold with the above Plan/Account Manager that you wish to retain when you transfer your investment to Cofunds.

Fund Manager and Fund Name	A/C or Plan Nos. (This must be completed)	Type of Unit/Share (delete as appropriate)*	Please tick if subscriptions made this tax year
		ACC / INC	
		ACC / INC	
		ACC / INC	
		ACC / INC	
		ACC / INC	

*If you do not specify ACC or INC in this column, Cofunds will not be able to process your application. If you have chosen income units/shares, please ensure you complete Section 2 and, if applicable, Section 3 of the ISA Transfer Application Form if you wish the income to be paid to you.

2 Funds that you wish to SELL (cash transfer)

Please list all funds that you hold with the above Plan/Account Manager that you wish to sell and transfer the proceeds to Cofunds. Please also complete Section 3 and, if applicable, Section 4 to tell us which funds you wish to reinvest into. **Please ensure the funds you choose are available through Cofunds.**

Fund Manager and Fund Name	A/C or Plan Nos. (This must be completed)	Please tick if subscriptions made this tax year

3 Cash ISA Transfer

If applicable, please indicate either of the following to be transferred into your Cofunds stocks and shares ISA:

A/C or Plan Nos. (This must be completed)

All my cash ISA ☐ **OR** An amount of my cash ISA £ .

Is there any notice period for you to transfer your cash ISA? Days

4 Transfer Investment Choices Please refer to the fund charge schedule and complete in full

I wish to transfer the proceeds of my existing ISAs into the Chelsea Easy ISA (please tick one of the portfolios below).
Minimum Transfer of £2,100. See pages 6 & 7 of the Chelsea Viewpoint for details.

	(✔)
Cautious Growth Easy ISA	
Balanced Growth Easy ISA	
Aggressive Growth Easy ISA	
Income Easy ISA (please complete income payment overleaf)	

Or select your own funds and complete this section below: (Minimum Transfer of £1,000 per fund)

Fund Manager and Fund Name	Type of Unit/Share (ACC/INC)*	Transfer %
	ACC / INC	
	ACC / INC	
	ACC / INC	
	ACC / INC	
	ACC / INC	
† Cash Reserve (if required)		
		Total 100%

* If you do not specify ACC or INC in this column, and/or have not completed Section 2 and, if applicable, Section 3 of the ISA Transfer Application form, Cofunds will invest into accumulation units/shares where applicable.

† **Cash Reserve Monies** may be held for short periods in the Cash Reserve. Such holdings are deemed 'destined for investment'.

CO 289\CFS002 12/10

The Chelsea Portfolio, in association with cofunds

Investment Funds Application Form (non-ISA)

The Key Features of the Cofunds Platform and Fund Key Features that accompanies this application form is: 0 2 1 0

Cofunds Intermediary Authorisation Code 7 7 Intermediary Client/Deal Ref. **VP28**

Please ensure you have read the accompanying Customer Agreement for Investment Funds and Key Features document (see pages 42-55 of the Chelsea Viewpoint) before completing this application form.
Please complete using black ink and BLOCK CAPITALS and return to: **Chelsea Financial Services PLC, St. James' Hall, Moore Park Road, London SW6 2JS.**

1 Personal Details Please complete this section in full

First named ('Primary') holder. (Please see section 7 to add an additional holder)

Existing Cofunds Client Reference

Did you receive advice from an Intermediary in relation to this investment?

☐ Advised ☑ Not Advised

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Email Address

Daytime Tel No.

Male ☐ Female ☐ Date of Birth D D / M M / Y Y Y Y

(If more than one previous address in the last 2 years, please provide full details including the time at each address on a separate sheet of paper and staple securely to this application form.)

Current Permanent Residential Address

Postcode

Time at this Address yrs mths

If at current address for less than 2 years, please supply previous address and time there

Postcode

Time at this Address yrs mths

(If more than one previous address in the last 2 years, please provide full details including the time at each address on a separate sheet of paper and staple securely to this application form.)

2 Designations You can designate an account here using a maximum of 8 alpha/numeric characters

If you wish to specify a unique designation for this account, please ensure that the designation reference does not make a meaningful word.
Only the named applicants of this investment will be recognised as owners. If this section is not completed we will not designate this account.
If you are funding this investment from a Cofunds Cash Account please ensure this designation is identical to that of the Cash Account.

3 Funding your investment

I will be funding my investment by (tick all that apply):

☐ **Cheque** £ . Amount

☐ **Cofunds Cash Account** £ . Amount

Please ensure that all the joint holders and the designation (if specified) on this application form match this Cash Account.

☐ **Monthly Direct Debit** (please ensure you complete the 'Investment by Direct Debit for Monthly Savers' on below).

4 Investment Selection

I wish to invest in the fund(s) indicated (for further details of the funds available, please refer to the Fund Key Features Schedule). **Minimum Lump Sum Investment £500 per fund. Minimum Monthly Investment £50 per fund.** If investing in an OEIC fund, your investment will be made in the Retail Share Class of the fund.

Fund Manager and Fund Name	Type of Unit/Share (Delete as appropriate)*	Lump Sum (Minimum £500 per fund)	Monthly (Minimum £50 per fund)
	ACC / INC	£	£
	ACC / INC	£	£
	ACC / INC	£	£
	ACC / INC	£	£
	ACC / INC	£	£
	ACC / INC	£	£
	ACC / INC	£	£
TOTAL INVESTMENT AMOUNT		£	£

*If you do not specify ACC or INC in this column, and/or have not completed Section 5 and, if applicable, Section 6, Cofunds will invest into accumulation units/shares where applicable.

Your cheque Cheques must be drawn on your own or your joint account. The cheque must be made payable to **Cofunds Limited**. For a Building Society cheque or bankers draft your name must appear on the front of the cheque, or on the back of the cheque accompanied by the Building Society's or bank's official stamp and signature. We do not accept payments by any other method. If joint holder, cheques should be drawn by the individual joint primary holder or a named additional holder. We can only accept direct debit forms from the primary holder's account.

Your monthly savings For monthly savings we will automatically collect on or just after the 25th day of each month. For applications received up until the last day in any month, the first direct debit collection will be made on or just after the 25th day of the following month.

Direct Debit Guarantee Please refer to the Key Features document for details of the Direct Debit Guarantee.

DIRECT Debit

Issued and approved by Cofunds Limited, First Floor, 1 Minster Court, Mincing Lane, London EC3R 7AA Registered in England and Wales No. 3965289. Authorised and regulated by the Financial Services Authority (FSA) under FSA Registration No. 194734

Investment by Direct Debit for Monthly Savers

Instruction to your Bank or Building Society to pay Direct Debits

Please fill in the whole form and send it to: Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS.

DIRECT Debit

Name and full postal address of your Bank or Building Society

To the Manager Bank or Building Society

Address

Postcode

Name(s) of Account Holder(s)

Branch Sort Code – –

Bank/Building Society Account Number

Reference Number (office use only)

Originator's Identification No. (office use only)

6 0 0 2 6 7

Signature X Date

Instruction to your Bank or Building Society

Please pay Cofunds Limited Direct Debits from the account detailed on this instruction subject to the safeguards assured by The Direct Debit Guarantee. I understand that this instruction may remain with Cofunds Limited and, if so, will be passed on electronically to my Bank/Building Society.
Banks and Building Societies may not accept Direct Debit instructions for some types of account.

5 Nominated Bank Account

Complete this section if you have not provided us with your nominated bank account details. If you are an existing customer, only complete this section if you would like to change your nominated bank account details. Any change to your nominated bank account will not be applied to your regular monthly investments.

You can only have one nominated bank account at any given time.

Name of Account Holder

Branch Sort Code – –

Bank or Building Society Name and Address

Bank/Building Society Account Number

Building Society Roll Number

Postcode

6 Income

Please only complete this section if you have chosen income units/shares ('INC'). Your total ISA subscription for each tax year must not exceed your ISA allowance. For details refer to the Key Features of the Cofunds Platform on pages 42-55 of the Chelsea Viewpoint.
You do not need to select an income option if you would like to continue an income instruction previously provided (for ISA and Investment Funds within your platform account).
Please refer to the Questions and Answers section of the Key Features of the Cofunds Platform for more information.
Please tick one option:

Income options:

☐ **Consolidated Natural Income**
Income generated from your platform account will be consolidated into your Cofunds Cash Account and paid to your Nominated Bank Account on a monthly basis.

☐ **Cofunds Cash Account**
Income generated will be paid to your cash account to be held on platform for withdrawals or future investment.

OR if you wish to reinvest:

☐ **Retain in the fund**
Income generated will be retained in the fund.

7 Joint Holders You can nominate one additional holder

Please include the full name and address of this additional holder. All Correspondence will be sent to the 'Primary' holder.

Second named holder

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Current Permanent Residential Address

Postcode

Time at this Address yrs mths

Date of Birth __ __ / __ __ / __ __ __ __
D D M M Y Y Y Y

Male ☐ Female ☐

If at current address for less than 2 years, please supply previous address and time there

Postcode

Time at this Address yrs mths

(If more than one previous address in the last 2 years, please provide full details including the time at each address on a separate sheet of paper and staple securely to this application form.)

8 Declaration and Authorisation

I/We confirm that:
I/We agree to be bound by:
– Your guide to investing with Cofunds, including the Key Features of Investment Funds
– Fund Key Features
– Terms and Conditions of the Cofunds Platform, including the Investment Funds Customer Agreement

My/Our signed application form (provided that my/our application is accepted by Cofunds), together with the Key Features and Terms, constitute my/our Agreement with Cofunds Limited.
I/We understand that instructions may be delayed or rejected if this application form is not complete in all respects.
You may undertake a search with a reference agency for the purposes of verifying my/our identity. To do so, the reference agency may check the details I/we supply against any particulars on any database (public or otherwise) to which they have access. They may also use my/our details in the future to assist other companies for verification purposes. A record of the search will be retained as an identity search.
I/We declare that the information contained in this application form is correct to the best of my/our knowledge and belief.
I am/We are aged 18 or over.

Please note that all joint holders must sign this application.
Where there are two signatories for a corporate investor, please delete reference to primary and second holder.

Data Protection
Cofunds Limited will use your information for the administration and servicing of your investments and all other related activities. We may disclose your information to our agents and service providers for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements.
With the exception of the above provisions, we will not pass on your details to any other third party without your permission, but we will disclose information concerning your investment to your Nominated Adviser.
Cofunds may transfer your information to countries outside the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act.

Email address and telephone number
If you provide your email address and telephone number on this form, Chelsea will keep a record of it. Chelsea may use it to contact you occasionally about products and services, which may be of interest to you. However, if you prefer not to receive such information, you may withdraw your consent by contacting Chelsea client services department on 020 7384 7300.
If you require a Fund prospectus, please contact your adviser or Fund Manager directly.

Primary Holder Signature X Date

Capacity (if applicable)

Second Holder Signature Date

Capacity (if applicable)

CO 289\CFS003 12/10

If you are completing this as a company you must include a copy of the Articles of Association.

Fund Focus

Gartmore acquisition:
what does it mean for unit holders?

Henderson has removed the uncertainty over the future of Gartmore. Making an announcement to the stock market, the UK retail house stated that it seeks to acquire (subject to shareholder and regulatory approval) the entire share capital of Gartmore.

Crucially, the takeover will provide unit holders with more clarity and we are comfortable with Henderson as a recognised UK retail investment house. The successful integration of troubled asset manager New Star by Henderson last year further strengthens their case.

The fact that 84% of Gartmore's fund managers have already signed up to joining Henderson is very positive. China Opportunities, managed by Charlie Awdry, and Gartmore UK Absolute Return, run by Ben Wallace, which feature on our buy list, will retain their buy ratings, as they have committed to move to Henderson. We would urge unit holders of these funds not to push the panic button.

Subject to conditions being satisfied, the acquisition is expected to take three months to be completed.

Is my money safe?

Yes. If you have money in a fund run by a management firm such as Gartmore – as opposed to owning shares in the company itself – your investment is not directly affected by the takeover. In fact, your funds would be safe even if the manager went bust; it is a custodian for the underlying assets and can pass them on to a new manager.

That's not to say that the value of the investments cannot fall, of course, in response to the normal activity of the markets.

Do I need to do anything?

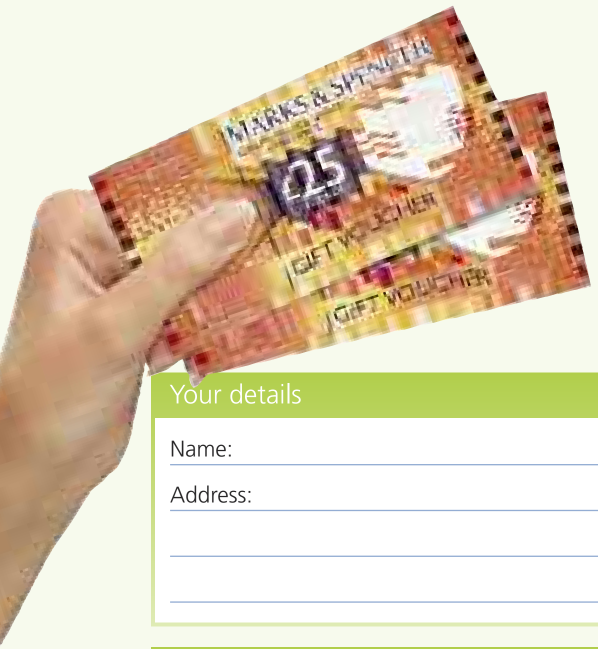
Not immediately – and perhaps not ever, depending on what happens to your funds and their managers.

Investors in Gartmore funds are not directly involved in the takeover and do not get a vote on it. All that happens is that the fund management business gets a new owner.

At this stage there is nothing investors need to do, other than determine whether they wish to continue holding Gartmore funds.

However, Henderson may make changes at the combined company and this could affect your funds. It could, for example, merge Gartmore funds with its own equivalents.

No details of Henderson's plans for this kind of change have been announced, so investors will have to wait. In the meantime, keep an eye out for further announcements.



Would you recommend us?

If you recommend us to a friend, we'll send you up to £50 worth of Marks & Spencer vouchers to say thank you.*

Your details

Name:

Address:

Postcode:

Friend's details

Title: First name:

Surname:

Address:

Postcode:

Friend's details

Title: First name:

Surname:

Address:

Postcode:

*£50 worth of vouchers when over £25,000 is invested. £25 worth of vouchers when over £5,000 is invested. Must be held for 12 months.

Strategic thinking: bond-

Bonds have had a tremendous rally over the last couple of years. They were so unloved towards the end of 2008, that anyone who invested then has made a considerable capital gain. This is highly unusual, as fixed interest has the reputation of being the tortoise to equities' hare. However, these heady days are over and the outlook for bonds is more opaque. So Old Mutual's head of fixed income, Stewart Cowley, has given us an overview of the potential threats lurking on the horizon that could topple this king of asset classes.

STEWART COWLEY
Fund Manager, Old Mutual Global Strategic Bond

Bond fund investors currently face a number of important challenges. The recent crises in Ireland and Greece have thrown the future of the euro into doubt. The US continues to expand its public deficit, with no end in sight. China marches on inexorably, expanding its economy, intensifying demand for basic resources and gradually becoming banker to the world.

As bond investors, our task is to turn these insights into strategies that will provide ongoing positive returns. In order to do so, we need to think carefully about the three areas of risk which impact bonds: credit, inflation and currency.

Credit risk

Credit risk is the risk that the issuer of the bond will become insolvent and unable to meet repayments. In the old world, bonds issued by the governments of large developed states – in particular, the G5 states: the US; the UK; Germany; Japan and France – were thought to be 'risk free' as there was no practical likelihood of default. As Germany and France become entangled in sustaining the euro, as the US and Japanese public deficits continue to mount, these certainties may no longer be so simple.

The risk of a G5 government defaulting is still minimal, but we need to keep this in the context of very low yields. A UK government bond maturing in 10 years, for example, with a AAA rating, currently pays an interest rate of around 3.5%. This implies that if you have a capital base of £1,000,000, you can expect a gross income of £35,000. Clearly, it doesn't go far.

In order to capture higher yield, we need to go to higher risk bonds. The first step along is 'investment grade' corporate bonds. These remain relatively safe, though as we have seen over the past 2–3 years, they are not immune to problems. The 'credit risk' is higher than for a G5 government bond, and the yield is correspondingly higher, too. A corporate bond with an A rating and a maturity of 7–10 years, will pay an interest rate of around 6%.

We can continue in this vein, increasing credit risk for a concomitant increase in the yield. We can now choose between 'high yield' and 'emerging market debt'. The former comprises lower rated bonds issued by companies in developed economies. Again as an example, a bond with a 10-year maturity and BB- rating, denominated in euro, will have an interest rate of 7.5% – more than double the return on our original UK government bond. Emerging market debt comprises bonds usually issued by governments of emerging markets, though sometimes by larger corporations. They are usually in US dollars, sometimes in euro and sometimes in local currency.

A bond presently in issue from the government of Turkey, maturing in 2016, denominated in euro and rated BB+ is currently yielding 4%. This is only 0.4% more than the UK government bond, which some might say is not enough to warrant the extra risk.

Each of these types of bond has its time and place in a well run, strategic portfolio. When the economy is strong and businesses are profitable, it is usually worth taking extra credit risk for greater return. In the same way, in difficult times, as during the credit crunch in 2007–2008, investors were by and large better off with G5 government bonds.

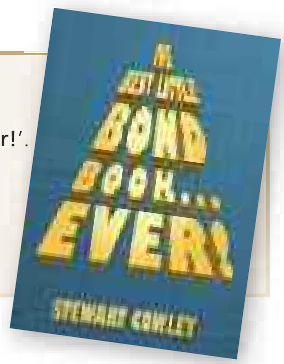
We will discuss inflation risk below, but another type of bond is 'inflation linked'. These match the yield on a government bond with the rate of inflation. Because they tend to be expensive, inflation needs to be fairly strong before they become worthwhile.

Inflation risk

Inflation is especially corrosive to bonds because they consist of a number of fixed instalments. Since the payments cannot be altered to take account of inflation, as inflation rises investors insist on a higher yield. The yield is the inversion of the price – so a higher yield means a lower price. As a result, inflation has a devastating effect on bond values. For instance if yields rise by 1%, a five-year maturity bond will decline in value by about 3.5%. A bond maturing in 10 years will fall in value by about 7% – while a 30-year bond will lose an astonishing 18%!

The first thing we notice in the above figures is that the further away the maturity date, the worse the effect. This sensitivity of a bond's price to both the yield and the maturity date is measured by what is called its 'duration'. Traditionally, as inflation loomed, and yields rose, bond investors reduced duration in order to reduce their prospective losses. The problem with this is that a loss is still a loss. Where credit risk can be managed to make a profit in different economic conditions, inflation risk has always been negative. If you are counting on the income from your investments, you are in a difficult position.

Stewart Cowley has written an excellent guide to bonds entitled **'The Best Little Bond Book...Ever!'**. It is available to purchase from bookshops, but we have 50 **free** copies for the first 50 clients to contact us requesting a copy.



-investing basics

As a counter to this problem, in the Old Mutual Global Strategic Bond fund we have employed a technique called 'negative duration'. By using standard futures, we are able to make a profit from falling bond prices. It is not a lot different to the way exporters manage exchange risk – but it has the potential to make a very big difference to the returns we bring to our investors.

Currency risk

We saw above that some of the bonds we might wish to buy are denominated in US dollars, others in euro. As with any business buying and selling in a global market, we need to take account of currencies. We see this positively, giving us an added level of opportunity. From the perspective of a sterling-based investor, we want to own currencies that we expect will appreciate against the pound. Working this out is a function of our investment process.

Investment process

We have the tools we need to achieve positive returns in a range of market conditions. Clearly we still need to work – and work hard – to see how events are likely to unfold so that we can use them responsibly.

We start by organising our thoughts into themes that seek to define the important issues affecting the world. These themes develop and change, but each one is designed to guide us over a couple of years and help us to understand the consequences for the bond and currency markets.

One of our current themes is 'Discriminating Capital'. This derives from the view that whilst Europe (including the UK) is wearing the hair shirt of deficit reduction, the US is spending $1.5tn of other people's money each year propping up its economy. To us, this is an accident waiting to happen and, without reform, bond yields will rise – which means prices falling. This tells us to avoid the US dollar. It is also a signal that we may need that negative duration we were talking about earlier.

Another theme is 'Peak Oil'. Here we take the view that energy prices are high and likely to stay high, if not climb. This leads us to buy corporate bonds in the energy and utility sectors, and to seek exposure to resource-related currencies such as the Canadian dollar. Our 'New America' theme focuses on China and how it is increasingly dominating the energy markets, drawing natural resources from places like Australia, which is why we own Australian dollars.

Each of these themes informs what we do, but the positioning of the fund is entirely a response to the overall picture that emerges.

I hope this gives a sense of how the Old Mutual Global Strategic Bond fund works.

OLD MUTUAL GLOBAL STRATEGIC BOND

- A strategic, flexible bond fund that invests in fixed interest globally
- Aims to produce income with capital appreciation
- Income paid quarterly in January; April; July and October
- AA rated by Standard & Poor's and A rated by OBSR
- Yield 1.5%
- Extensive and experienced fixed interest team

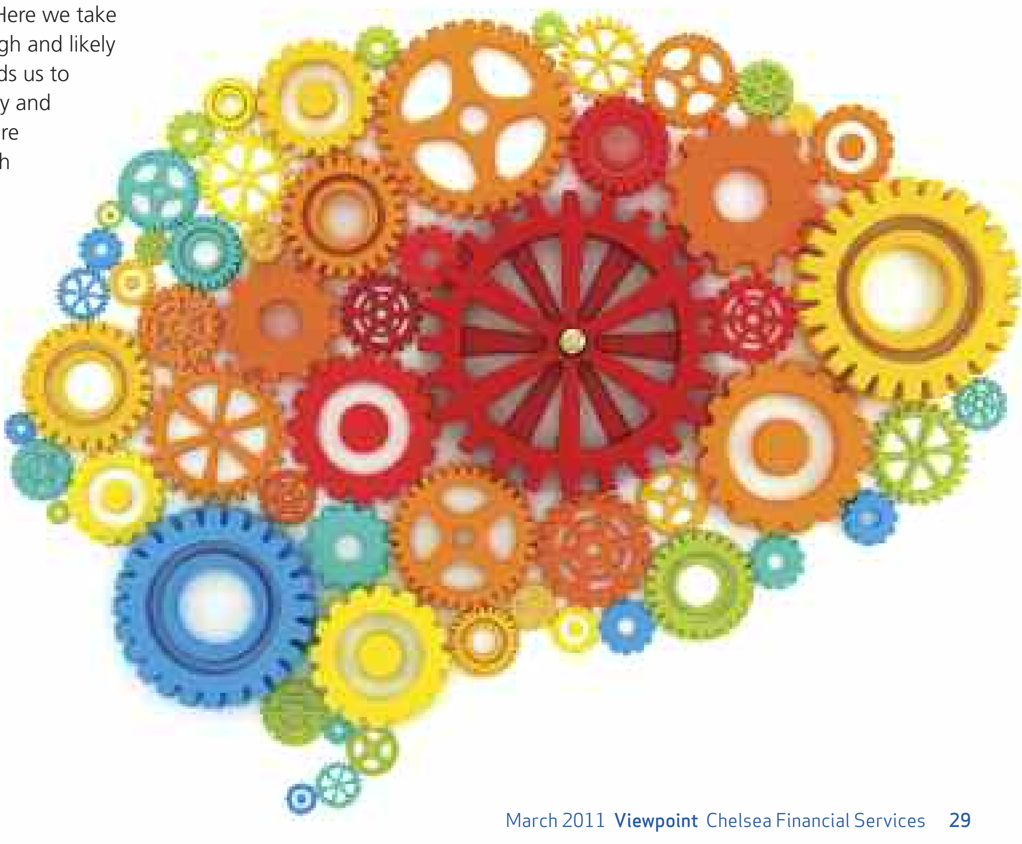
Personally, I don't believe the investment needs of our clients are complicated. My role is to focus on achieving what our clients want, using all of the tools available to us to cope with the difficult challenges that face us. We aren't promising that clients will make a profit every day, every week or every month for that matter. But given the uncertainties we face we hope that the inclusion of the Old Mutual Global Strategic Bond fund will help reduce volatility in a balanced portfolio.

Chelsea View

We strongly advocate the strategic bond approach and we like the flexibility that Stewart has with this fund. He has considerable experience in assessing the macroeconomic environment, which is essential in managing a fund such as this.

Chelsea Risk Rating: 1.5

Standard initial charge: 3.5%
ISA initial charge after discount: 0%
Annual management charge: 1%



Investing for children

DARIUS McDERMOTT
Managing Director

The financial demands of raising children are increasing dramatically. In 2007* a survey showed the cost of bringing up a child from 0-18 is now over £150,000. Furthermore the marked increase in university fees to an unprecedented £9k per year, coupled with high housing prices, suggests that the financial burden upon young people is increasing. Therefore, it often falls to parents and grandparents to fund their education and first home deposits.

With the government abolishing the Child Trust Fund in 2011 and the removal of child benefit for families where one parent is a 40% tax payer, there is even less help from the state in funding our children's upbringing and education.

What can you do about it?

The one thing I have learned in my 15 years dealing with funds/stock markets is that the longer you invest for, the much greater chance you have of making good returns. This is due to the fundamental principle of saving and investing – compounding. You have 18 years in which to save towards your children's or grandchildren's university education and this length of time should enable you to ride out the volatility of markets. Also by saving monthly you are not trying to time the markets but taking advantage of pound cost averaging.

Many in the press are not in favour of equities because of the 'lost decade' between the peak in the tech bubble at the turn of 2000 and the credit crunch and subsequent recession at the end of the decade. Although the index was down 22% in capital terms, over the time period the vast majority of active managers on our Chelsea Leaders buy list greatly outperformed the index and would have given a strong positive return. Invesco Perpetual High Income, which is still one of the most popular funds with our clients, gave a return of 138.6%** over that 10-year time period.

How to save?

You can of course save into cash via the banks and building societies, but with the current rate of inflation and low interest rates you will almost certainly only receive a negative real rate of return. Another option is to set up a simple investment savings plan. This is done in the parents'/grandparents' name and then designated to the child, for example Mr John Smith A/C ABSmith. You can then save into one or several unit trusts from as little as £50 per month. Please feel free to call the office on 0207 384 7300 if you have any questions about how to set one up.

Tax treatment

Parents (not grandparents) need to be aware that any income earned over £100 per year will be added to their own income tax position. As the funds are held in the adult's name any capital gains made (above the annual allowance) will be subject to CGT at the adult's own rate.

Strategies for long-term investing.

It is generally better to opt for growth funds (or funds that do not produce a yield) as any income earned on the designated account (over the £100 allowance) is added to a parent's income tax position. Also you can afford to take higher risks as you have a long time period until you may need the money. Length of time until money is needed is a key factor you should consider when selecting funds. Most people would start with a UK-based fund and then maybe add a global fund or specialist fund. I save into the Gartmore UK Absolute Return fund, Rathbone Global Opportunities and CF Eclectica Agriculture (a high risk theme I am currently keen on) for my children. I will of course monitor these funds and may switch them at some stage in the future (which is easy to do on our fund supermarket).

Funds you may wish to consider are on our Chelsea Leaders list of selected funds on pages 11-18, but you may also like to look at our Premier League table on pages 38/39 as it has a wider range of specialist growth funds.

How to apply

You can use the application form on page 25 of Viewpoint but please add the designation in section 2.

*Source: Source LV, end 2007. **Source: Financial Express.

Chelsea funds-only SIPP:

Get wise with a flexible pension

A startling research study* conducted by Barings Asset Management indicated that almost half of British workers (48%) had never reviewed their pension plans. Of those who had reviewed their pension, 38% (the equivalent of seven million people) went with the default option available to them.

Perhaps now is the time to review your pension and decide whether your retirement fund could be better served elsewhere?

Imagine a simpler way to control your pension fund. Shouldn't it be treated just like any other investment vehicle?

We believe so and that's why we introduced the **Chelsea Flexible Retirement Plan**, giving you flexibility and control over your pension. Online access means you can check your pension's value each day and make changes if required.

WHY CHOOSE THE CHELSEA FLEXIBLE RETIREMENT PLAN?

- NO initial charges on all funds, saving you up to 5.5%
- NO charge for switching between funds
- NO set-up charge (usually £120)
- Low annual charge
- Online access via the Chelsea Financial Services website – ability to view your pension online and switch between funds
- Ability to consolidate – you may have personal pensions with more than one provider
- Likely to be a wider choice of funds available than within your existing contract
- Consolidated bi-annual statements together with your ISAs and investment funds (if held within the Chelsea Portfolio)
- Reduced paperwork and time taken to monitor performance
- Opportunity to invest in the Chelsea Easy Retirement Portfolios – carefully constructed by our research team
- Access to the Chelsea Fund Review – commentary on funds held by you in the Chelsea Portfolio with Buy/Hold/Switch recommendations

Naturally, many of you will have accumulated several private pensions over your working life, often run by different insurance companies. In many cases these will offer just a limited range of funds, often with higher charges. Before you decide to transfer into the Chelsea Flexible Retirement Plan, do check that there isn't a comparable investment choice for the same cost where your Protected Rights are, or indeed a stakeholder plan that may suit your needs better. In addition, please consider any guarantees you may be giving up by moving the plan(s) as well as any surrender penalties your current provider may levy. If you are still unsure of whether to make a transfer after making these checks give us a call on 020 7384 7300 to see if we can help.

To apply for the Chelsea Flexible Retirement Plan, please call 0800 071 3333 for an application form and key features.

Alternatively, if you have over £50,000 worth of assets in Cofunds and are looking to consolidate your personal pensions into one place OR you simply wish to make a lump sum payment of £20,000 or more, **please call us on 020 7384 7300 for information about a new Cofunds pension.**

**Research conducted online by ICM research on behalf of Barings Asset Management in July 2010.*

Lower risk emerging ma

We are all aware, by now, of the recent strong performance of emerging markets though some of us may be put off by the level of risk associated with these countries. But, as an increasingly large sector, emerging markets cannot be ignored, so here we draw your attention to two global funds which offer both direct and indirect exposure to emerging countries and currencies, thus mitigating and diversifying risk.

CHRISTOPHER LEES
Fund Manager,
J O Hambro Global Select

NUDGEM RICHYAL
Fund Manager,
J O Hambro Global Select

Currency matters. Investors regularly think about which countries to invest in, but they do not always give their currency exposure enough consideration. One of the biggest secrets of investing in global stock markets is that an average stock in a good currency often makes you more money than a good stock in a bad currency.

Look East

So, what currencies should long-term investors who want to invest globally be looking at? The answer lies in the East. Our highest conviction money-making idea this decade is to own Asian currencies. All the major G7 currencies have poor fundamentals, valuations and momentum; the Canadian and Australian dollars are the best of a bad bunch. Meanwhile, the superior public finances and growth prospects for most Asian economies make their domestic currencies a far more attractive proposition.

As a personal anecdote, most of my investments that are not in the JOHCM Global Select fund are held in Thai baht-denominated assets. The Thai baht was so mispriced that it actually rose in value during the various military coups and riots of early 2010! My co-manager, Nudgem Richyal, recently opened a yuan savings account at the Bank of China in London (two days after the Chinese authorities first allowed this to be done). The curious smiles of the Chinese cashiers that served him were accompanied by the following dialogue: "You are the first non-Chinese to open this account. Are you relocating to China? Are you doing business in China?" Nudgem's response: "No, I'm just a professional investor with a preference for a savings account in a strong currency!" Investors reading this article can also get exposure to what we believe will be a decade-long appreciation of Asian currencies by investing in Asian bonds, equities and property directly or via dedicated funds, or through multi-currency savings accounts available from certain UK high street banks.

At the heart of this currency story is what we expect to be a rolling sovereign debt problem that will dominate Western markets this decade. We think a decade-long bond bear market has just begun (after a bull run of more than 20 years), so our global equity portfolio has zero exposure to peripheral Europe (Greece, Spain, Portugal, Ireland etc) and nothing in what we call 'bond proxies', namely large Western utilities, telecoms and banks. Instead, we have focused our fund on what we see as this decade's attractively valued winners: companies with great balance sheets whose shares are denominated in strong currencies. Here we like Asian/emerging markets domestic consumption stocks that benefit from a rising currency, companies like Indonesia's Kalbe Pharmaceutical and Hengdeli in Hong Kong, the fastest growing multi-brand watch and jewellery retailer in China and the biggest watch retailer in the world.

JOHCM GLOBAL SELECT FUND

- A truly flexible global fund unconstrained by benchmarks
- Utilises the best ideas of the in-house fund managers to aid stock selection
- Current geographic positioning: US 33.4%; emerging markets 21.8%; Europe 14.1%; Pacific ex Japan 13.4%; Japan 7.9%
- Managed by Christopher Lees, based in Zurich, and Nudgem Richyal, based in the UK, who have worked together for eight years
- 4-dimensional investment process with a rigorous sell discipline
- Launched September 2008

So, Asian/emerging markets domestic stocks are our biggest regional position, due to their attractive fundamentals and currency. We are also focusing on European/Japanese/US bottom-up stock ideas (i.e.not part of any macro trade). Gold stocks are a useful hedge because they have a history of doing well in both deflationary and inflationary environments. When put together, these different high conviction investment ideas are not totally correlated to each other and ensure we largely avoid sovereign debt worries and benefit from concerns about the euro, US dollar and sterling.

Investing in four dimensions

We have a distinct '4-Dimensional' investment process (stocks, sectors, countries, time/change), where we look at the behaviour of each share price to determine whether the most important influence on a prospective investment is stock specific, the sector effect (typical of many Western world stocks), or the country effect (typical of many Asian stocks).

The fourth dimension is forward looking and anticipates how these relationships and correlations will change or evolve over time. Portfolio construction and risk control involves equally-weighting the stock positions (so we have a high conviction in every stock we hold, but we do not commit 'over-confidence bias' and risk the portfolio on several big positions), then trimming the winners back to equal weight position sizes while ruthlessly selling the losers to make room for new higher conviction stocks.

Chelsea View

We like the total flexibility of this fund to go under- or over-weight in any region compared with the benchmark. These two experienced fund managers formulate a macroeconomic overview to determine the geographic weightings.

Chelsea Risk Rating: 7.5

Standard initial charge: 5%
ISA initial charge after discount: 0%
Annual management charge: 1.5%

arkets investing

GRAHAM FRENCH
Fund manager,
M&G Global Basics

Global economic power is shifting Eastwards. That the structural and demographic shifts taking place in so-called emerging markets (EMs) are transforming the structure of the world's economy, there appears to be broad consensus among investors.

Initially and most dramatically this transformation was characterised by China's re-emergence from its multi-decade slumber to participate in an unprecedented era of economic and industrial development. This trend has extended to a range of vibrant, fast-growing economies throughout Asia, Latin America, Africa and the Middle East. While the early stages of this development focused on building the infrastructure needed as hundreds of millions of people moved to cities from rural areas, this resources-intensive growth is now broadening out. Job creation and rising household incomes have established a class of affluent consumers willing to spend more to improve their quality of life.

How can I participate in the rise of the East?

What is less clear for equity investors is how best to participate in this scenario. The 'normal' option is to invest directly in emerging market-listed companies, a route that has its obvious merits but also, in general, greater risk. The alternative, and one we have endorsed in M&G Global Basics over the past 10 years, is to invest in companies 'over here' that are producing goods and services for consumers 'over there', in other words, Western-listed businesses that derive a substantial and growing portion of their revenues from emerging markets.

These large multinationals tend to have world-class management teams, globally recognised brands, highly developed distribution networks and huge investment in research & development to keep them ahead of the competition. Investing in these businesses represents a conservative, but no less compelling, alternative for participating in the enormous potential of EMs, but with fewer of the risks (political and company related) associated with investing directly.

In contrast to the high saturation levels for many of the developed Western markets, penetration for many basic consumer goods is relatively low in many emerging countries. Less than a quarter of India's inhabitants, for example, use toothpaste to brush their teeth twice a day. For a company such as US-listed Colgate-Palmolive, the oral care giant with huge market shares throughout Asia and Latin America, the opportunities are hugely exciting. The prospects are no less mouth-watering for consumer-oriented businesses such as coffee chain Starbucks and owner of the Pizza Hut and KFC franchises Yum! Brands, both expanding rapidly in relatively untapped markets such as India and China.

How to pick the winners

While the outlook is promising for globally-established Western brands such as Colgate, Starbucks and KFC, the 'we know what's best for you' attitude of some of the world's largest consumer businesses can be counter-productive if it overlooks the cultural sensitivities and disparate tastes of these new consumers. Companies like Unilever and PZ Cussons, which have been established in some developing markets for more than a century, have the range and adaptability to produce local products for local markets. As this decade progresses, we believe this flexibility will be one of the determining factors to differentiate the winners from the rest of the field.

Another advantage is that the indirect route enables investors to access the growth of emerging markets without paying an EM premium. We have recently made investments in Japanese-listed consumer businesses where valuations have been depressed by negative sentiment towards the domestic economy but where company-specific opportunity is hugely compelling.

It is worth mentioning that, while the indirect route will remain the fund's focus over the long term, EM-listed companies are not off the agenda. We are willing to take direct exposure when companies adhere to the high standards of corporate governance that we look for in all our investments, whether developed or emerging, and also when, crucially, valuations are attractive. Identifying value normally involves taking a contrarian stance, a stance exemplified by our decision to build a position in Dubai-listed global port operator DP World during the 2009 crisis, a time when overwhelmingly negative sentiment had overridden the fundamental value of the company's first rate portfolio of global ports. Such decisions are not easy to make, but a willingness to go against popular sentiment, coupled with a healthy dose of patience, normally pays off over the long term.

I believe strongly that the structural shifts described above have many years to run and will have far-reaching consequences for many businesses. Our job as fund managers is straightforward: to identify the companies that will be providing the materials, goods and services to the billions of individuals living in the world's developing economies. The fund's well-established approach represents a conservative, valuation-driven approach to accessing the world's future growth.

M&G GLOBAL BASICS

- An entirely flexible fund investing in global equities
- Invests in companies operating in basic industries and those that serve them
- Current geographic positioning: US 22%; UK 16.5%; Australia 16%; Singapore 7.4%; France 6.5%; Germany 5.4%; Canada 5%; Austria 2.9%
- Identifies structural economic shifts and the companies that will prosper from them
- Managed by Graham French since launch
- AAA rated by OBSR, AA rated by Standard & Poor's

Chelsea View

This fund has been on our Premier League for many years. We like Graham's thematic investment approach and the flexibility of this fund.

Chelsea Risk Rating: 7.5

Standard initial charge: 4%
ISA initial charge after discount: 0%
Annual management charge: 1.5%

Regional emerging

For those investors who prefer to make a direct investment into emerging markets, we focus on two funds that each cover different emerging market regions. A regional fund will offer greater diversification than a single country one. Firstly we take a look at Latin America, a region in which there is increasing interest. Following the recent launch of Aberdeen Latin American Equity, Devan Kaloo, head of global emerging markets at Aberdeen Asset Management, talks to us about why he believes the region deserves a second look.

DEVAN KALOO
Fund Manager, Aberdeen Latin American Equity

Once perceived as plagued by economic, financial, and political volatility, Latin America has made huge strides over the last decade, becoming an important contributor to global growth.

A commitment to orthodox fiscal and monetary policies from governments and central banks has seen a long-term trend of falling inflation in countries such as Brazil, Chile and Mexico, creating an environment conducive to domestic growth and investment.

Meanwhile, strengthened financial systems and prudent banking practices have allowed many countries to come through the credit crisis relatively unscathed.

Tax reforms and sensible government spending policies have led to current account surpluses in many countries, and economies are now more stable and less dependent on foreign inflows of capital. Indeed, fiscal deficits are lower in many cases than in the eurozone, Japan, UK and US.

The region has blossomed thanks to its status as the world's leading supplier of commodities, but it would be wrong to view it purely as a play on the world's thirst for raw materials.

Of more interest to us is the rise of domestic consumption. Growing, youthful populations with burgeoning workforces are enhancing earning and spending power, and this in turn is driving domestic growth, urbanisation and industrialisation. In terms of equity investments, we believe local retailers, banks, and consumer companies are of particular long-term appeal.

A growing number of well-managed companies

Indeed, after years of research into Latin America companies (we've been investing there since the 1980s), we're finding that the pool of quality businesses is growing year by year, with a steady flow of well-managed companies coming to the market.

Many have restructured and cut debts, resulting in improved profitability and earnings. Furthermore, corporate governance, disclosure and transparency have improved dramatically, with companies adopting global best practice.

It's worth noting that while valuations based on consensus estimated earnings are mixed in the region, shares are generally looking a little more expensive than the average for global emerging markets. In the case of many companies, we feel that a slight premium is justified given corporate quality, the strength of the investment environment, and the potential for growth.

A simple investment process

As with all emerging regions, there are of course, risks at economic, political and company levels. For equity investors, meticulous due diligence remains the best way to minimise risk.

Our approach to investment is simple. We believe that companies with proven, trustworthy management, sound business models and healthy cashflow will perform well in the long run, regardless of location or benchmark weighting. So we focus on buying quality companies at attractive valuations, and we hold onto them for the long term.

To identify those companies we carry out our own detailed research, never buying shares in a company unless we have met with its management (it helps that we have investment managers on the ground in São Paulo, Brazil). And of course, this process doesn't end once we have bought into a company. Our team continues to research into its holdings, with the result that, as a team, we know our holdings inside out.

These uncertain times highlight the need to focus on the basics, and invest only in quality businesses. We believe that Latin America offers increasing opportunities to invest in companies, with the potential for long-term share price and dividend growth, and that improved economic fundamentals, favourable demographics, and a large population of consumers are factors which strengthen the investment case. Certainly, the region should not be overlooked in a well-diversified global portfolio.

ABERDEEN LATIN AMERICAN EQUITY

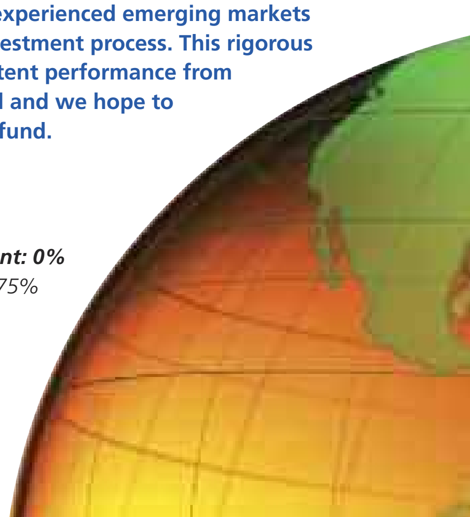
- Managed by Aberdeen's highly regarded emerging markets equity team, based in London and São Paulo
- Launched 9 February 2011
- Employs Aberdeen's disciplined bottom-up equity investment process
- No investment is bought without the team having met with company management
- A focused portfolio of approximately 40 stocks

Chelsea View

We like Aberdeen's strong, experienced emerging markets team and their thorough investment process. This rigorous process has produced consistent performance from their emerging markets fund and we hope to see the same from this new fund.

Chelsea Risk Rating: 10

Standard initial charge: 4.25%
ISA initial charge after discount: 0%
Annual management charge: 1.75%



markets investing

STUART RICHARDS
Fund Manager, Ignis HEXAM Emerging Europe

Stuart Richards, of investment boutique HEXAM, talks about the opportunities for investment into emerging Europe.

In the post credit crisis environment global emerging markets (GEM) have been a favoured destination for investors. In sterling terms many GEMs have comfortably surpassed their pre-crisis highs, with upward momentum set to continue. However, emerging Europe, and Russia in particular, has been the forgotten child. Asset flows to the region have lagged, while many global managers have maintained a structural underweight to the region. As a result, valuations are amongst the cheapest globally, with Russia in particular 40% below its peers.

We believe that in 2011 the negative sentiment towards emerging Europe and Russia will reverse. Although the central European countries and Turkey will have some influence, the main driver will be Russia.

Following the crisis, the Russian economy has taken its time to recover. The momentum is, however, now changing. 2011 is likely to be a year of solid global growth, probably dominated by emerging countries, this will obviously be supportive of commodity demand and in turn positive for Russia, given its significant share in global reserves of commodities.

A domestic story

GDP growth in Russia is likely to accelerate to +5% this year. Global demand for commodities is an obvious driver, but the Russian government has already begun to take steps to accelerate structural reform to give additional momentum to domestic economic growth. There is an ambitious programme aimed at modernising the economy and emphasising the development of new technologies. Already the signs are positive, from 2005 to 2009 mining's share of GDP fell from 7.0% to 5.4%, while services and construction rose from 47.8% to 55.1% and 6.5% to 6.9% respectively. This trend is set to continue in the long term but also in a shorter horizon there is clear evidence that the pace of domestic recovery is accelerating. Retail spending and loan growth are on sustainable growth paths, as wealth levels continue to grow throughout the economy.

Positive momentum will also be generated by capital investment, not just domestically but also through foreign direct investment (FDI).

IGNIS HEXAM EMERGING EUROPE

- Small fund invested, utilising both top-down and bottom-up analysis, across emerging Europe
- Managed by an experienced small team of emerging markets specialists
- Current approximate geographic split: Russia 64%; Turkey 19%; Poland 9%; Kazakhstan 4% and Czech Republic 2%
- A concentrated portfolio of 30-50 stocks (currently 32), invested with high conviction
- AA rated by Standard & Poor's

Many in the West cite corporate governance issues as a reason not to invest in Russia, but the environment is changing. BP has had well-documented issues in Russia, but the resolution of these has given them the confidence to sign a significant long-term partnership with the partially state-owned oil giant, Rosneft, to develop reserves in the Russian Arctic Circle. Further evidence of improvement is the deal, late in 2010, for PepsiCo, to purchase a 66% stake in the juice and milk producer Wimm-Bill-Dann for $3.8bn. The climate for FDI is improving.

Russia joining WTO

A further sign of Russia's global integration is their accession towards membership of the World Trade Organisation (WTO) which has been 'statically' pending since their initial application in 1993. However, in-depth agreements with both the US and EU towards the end of 2010 are a significant step towards accession in the second half of this year. This will reap significant benefits in the longer term as it will further enhance Russia's reputation, liberalise barriers for further significant FDI, eliminate tariffs and improve access of Russian companies to overseas markets.

While Russia clearly possesses many catalysts for a global re-rating and hence is likely to get all the headlines in 2011, we believe the rest of the region will also contribute to emerging Europe outperforming the wider global emerging universe for the first time since 2005. Turkey in particular will continue its internal convergence of wealth levels, as well as its national convergence with Europe, to the benefit of economic growth, which should be further enhanced by seeing its sovereign debt upgraded to investment grade. Although Central Europe is more geared to a benign EU there will also be stock selective opportunities that can add to regional investments returns.

2011 will be a year of increased flows to emerging European funds, enhanced allocation levels in wider GEM funds and investment opportunities for many. The risk in 2011 may well not be investing in Emerging Europe but not investing in the region.

Chelsea View

We like the HEXAM boutique, which aligns managers' interests with those of the investors. The manager has considerable experience and is happy to take sizeable bets at both stock and country level in this concentrated fund.

Chelsea Risk Rating: 10

Standard initial charge: 5%
ISA initial charge after discount: 0%
Annual management charge: 1.5%

VCTs: a wrapper that's looking even more attractive

MATTHEW WOODBRIDGE
Head of Investment Products

With the increasing burden of taxation, combined with rising inflation, we are all looking for ways to mitigate tax. For sophisticated investors who haven't bought a Venture Capital Trust (VCT) before, this could be the year to pay these tax-efficient wrappers closer attention.

Banks are still unwilling to lend money to small businesses, which means these firms have very limited options should they require development capital. One of the few sources of funding is VCTs which means they can usually invest in these companies on attractive terms. However, this opportunity won't be around for long as banks will start to lend again at some stage.

Moreover, it may surprise some of you that many VCTs pay out a solid level of income on a regular basis and some of those are offering shares in what are called 'top-up' offers, where you get to invest in an existing portfolio of companies. The main benefit is that you can see what you are investing in, the portfolio has already been constructed and in some cases is just coming to the boil. Furthermore, you gain access to what could be a steady, tax-efficient yield as dividends paid by VCTs are free of income tax, which is very attractive, especially for those of you paying the new top rate of income tax.

As a reminder, here are the current tax benefits of VCTs for subscriptions of up to £200,000 per tax year:

TAX BENEFITS OF VENTURE CAPITAL TRUSTS

- Initial income tax relief of 30% (subject to the investment being held for a minimum of five years)
- Tax-free dividends
- Capital gains tax exemption of sale of VCT shares

Take the example of the **ProVen Growth & Income VCT**. This VCT is ranked 2nd out of all VCTs with a track record of two years or more, having returned over 146p for every 100p invested in tax-free dividends since launch in 2001. This is equivalent to average annual dividends of over 16p per share (free of tax) over the past nine years, which includes the recent stock-market troubles of 2008 and the banking crisis. Although part of the extraordinary returns are attributable to a couple of stellar realisations, there are some very exciting opportunities in the current mature portfolio and we expect further significant dividend payments in the near future (although this is not guaranteed). The ProVen Growth & Income VCT is currently offering investors the opportunity to invest in new Ordinary shares with 30% income tax relief, so if you are interested in making an investment please contact us on 020 7384 7300 for a copy of the Securities Note or alternatively download it from our website, www.chelseafs.co.uk/vcts.

Other generalist VCTs that are offering Ordinary share top-ups to existing portfolios and worth close consideration are:

Albion VCTs Linked Offer: Provides exposure to their seven generalist VCTs with a view to paying a monthly dividend (see feature opposite).

British Smaller Companies VCTs Linked Offer: Half of your subscription will be invested in BSC1 which has been one of the most consistent VCTs of the past five years, paying an annual dividend of over 5p per share whilst growing the capital.

Matrix VCTs Linked Offer: We have long been supporters of the well-established team at Matrix PEP. This Offer gives exposure to three VCTs which follow a strategy of investing in unquoted profitable cash-generative businesses via later-stage management buy-outs (MBOs).

Maven VCTs Linked Offer: Your investment will be split between four VCTs where performance has been strong with some interesting recent deals in the oil and gas sector.

Furthermore, this tax year some VCTs are looking to take advantage of the Feed in Tariffs (FITs) introduced by the UK Government in April last year to support small scale renewable energy projects. At first glance these VCTs represent a very attractive (and tax-efficient) opportunity to gain access to long-term, index-linked income streams backed by the Government for 20 years in the case of wind projects and 25 years in the case of solar projects. However, it would be wise to back operators who firstly, are experienced VCT managers and secondly, have experience of the renewables sector and doing deals in this area. With this in mind, it is no surprise that **Foresight** has raised a good sum already for their Solar VCT and I would expect **Downing** to do the same with the 'Low Carbon' share class of their Planned Exit VCT which will invest in both solar and wind projects. The **Matrix Clean Energy VCT** has also generated a lot of investor interest.

Please check our website for details of the VCT discounts which help to lower the cost of investing, (www.chelseafs.co.uk/vcts) or call our office on 020 7384 7300 for more details.

Focus on ...Albion Ventures

One of the most successful and long-standing VCT managers is Albion Ventures, who were previously known as Close Ventures until their management buy-out in January 2009. Albion is one of the founding fathers of the VCT industry and has managed VCTs since 1996 so investors in their top-up offer will gain access to an experienced management team and one with a strong track record.

The investment strategy employed by Albion is to invest around half of the monies in asset-backed businesses, such as health clubs, pubs, hotels and cinemas, where the VCT has control of the asset should the business fall into difficulty. A quarter is invested in high growth companies, where the risk is greater, but so are the potential rewards, with the remainder in cash.

One of the most attractive features of their top-up offer is that all seven VCTs aim to pay half-yearly dividends, so 14 a year in total. This means a dividend will be payable monthly which is unique among VCTs and should appeal to retired high-net worth investors looking for an alternative source of income. The dividend targets across the seven trusts do vary, but the target tax-free yield will be around 5% pa which is equivalent to 7% pa on the net cost of investment after the 30% income tax relief.

CURRENT VCT OFFERS:

NAME OF VCT	TYPE OF VCT	MINIMUM INVESTMENT	AMOUNT RAISING	FUNDS RAISED	TOTAL DISCOUNT*
Albion Linked (Top up)	Generalist	£10,000	£15m	£5m	2%
Amati (Top up)	AiM	£2,000	£18m	New	3%
Baronsmead 5 (Top up)	Generalist	£3,000	£20m	New	3%*
British Smaller Companies 1 & 2 (Top up)	Generalist	£5,000	£15m	£3m	4.25%*
Committed Capital	Generalist	£5,000	£25m	New	5.25%*
Downing Absolute Income 1 (C share)	Generalist	£5,000	£20m	£1.7m	2.50%
Downing Planned Exit – General	Limited Life	£5,000	£10m	£1.5m	2.50%
Downing Planned Exit – Structured shares	Limited Life	£5,000	£10m	£0.5m	2.50%
Downing Planned Exit – Low Carbon shares	Limited Life	£5,000	£20m	£0.8m	2.50%
Edge Performance (G Shares)	Limited Life	£5,000	£20m	£6.6m	3.50%*
Foresight 3 & 4 (Top up)	Generalist	£5,000	£20m	£6.5m	3%
Foresight Clearwater	Generalist	£3,000	£20m	£0.5m	5%*
Foresight Solar	Limited Life	£3,000	£40m	£17m	3%
Hargreave Hale 1 & 2 (Top up)	AiM	£3,000	£10m	£2m	2.25%
Ibis Media 1 (Top up)	Specialist	£5,000	£5m	New	4.5%*
Ingenious Entertainment 1 & 2	Limited Life	£3,000	£20m	£1.3m	2.50%
Ingenious Solar 1 & 2	Limited Life	£3,000	£20m	£3.7m	2.50%
Investec Structured Products	Limited Life	£5,000	£25m	£0.2m	2.50%
Longbow Growth & Income	Generalist	£5,000	£10m	New	3%
Matrix Clean Energy	Limited Life	£5,000	£25m	New	3.5%
Matrix Linked Offer (Top up)	Generalist	£5,000	£15m	£5.5m	2.75%
Maven Linked Offer (Top up)	Generalist	£5,000	£6.4m	£1.5m	3%
Northern Venture Trust (Top up)	Generalist	£5,000	£15m	£12.9m	2.50%
Octopus 2	Generalist	£3,000	£30m	New	2.50%
Octopus AiM (Top up)	AiM	£3,000	£10m	£5m	2.50%
Octopus Second AiM (Top up)	AiM	£3,000	£10m	£2m	2.50%
Octopus Titan 5	Generalist	£3,000	£30m	£1m	2.50%
ProVen Growth & Income (Top up)	Generalist	£5,000	£15m	£2m	3%
ProVen Planned Exit	Limited Life	£5,000	£25m	£1m	3%
Puma VII	Limited Life	£5,000	£30m	£1m	2.25%
Triplepoint TP11	Limited Life	£25,000	£50m	£3m	1.75%
Unicorn (Top-up)	AiM	£5,000	£15m	£1m	3%

Source: Chelsea Financial Services (www.chelseafs.co.uk). *Discount includes early bird terms from VCT manager. Amounts raised are correct as at 01/02/2011. For details of the latest totals, please visit the VCT page on our website (www.chelseafs.co.uk/vcts) where application forms can be downloaded before being sent to our offices.

Risk Factors

Please be aware that VCTs are long-term investments. VCTs typically invest in portfolios of small companies and are therefore higher risk than many other forms of investment. In addition, the level of charges for VCTs are often greater than units trusts and OEICs.

Chelsea Financial Services offers discounts on all VCT investments, usually in the form of extra shares. If you have any questions about any of the current offers or wish to receive a securities note, please telephone us on 020 7384 7300.

The Chelsea Premier League

All these funds are available at 0% initial charge within an ISA. Saving you up to 5.5% or £561 within your 2010/11 ISA allowance.†

	Fund size*	Yield %	6 MONTHS % Growth	6 MONTHS Position	1 YEAR % Growth	1 YEAR Position	3 YEAR % Growth	3 YEAR Position	5 YEAR % Growth	5 YEAR Position	10 YEAR % Growth	10 YEAR Position
UK ALL COMPANIES												
Artemis UK Special Situations	1097.4	1.48	22.95	118	19.48	85	7.84	84	33.13	71	129.81	8
AXA Framlington UK Select Opps	2149.5	1.6	27.65	36	26.94	32	19.8	27	46.59	26	106.21	14
BlackRock UK Special Situations	1306.9	0.79	32.84	10	35.12	10	27.78	11	53.13	17	131.89	6
Fidelity Special Situations	2970	-	13.22	309	14.08	201	10.29	72	33.72	69	153.85	3
J O Hambro UK Opportunities	660.1	3.14	13.26	308	13.24	237	8.17	82	41.39	38	-	-
Jupiter UK Growth	843	0.7	24.53	71	21.67	58	0.3	194	31.9	77	47.78	52
Legal & General UK Alpha	126.9	-	38.67	5	35.73	9	62.75	2	122.93	1	-	-
Legal & General UK Index	4299.1	2.4	21.38	188	14.39	189	4	135	26.46	102	37.51	72
M&G Recovery	6012.8	0.54	25.26	58	16.49	125	18.93	29	61.46	10	116.52	12
Marlborough UK Leading Companies	46	0.18	34.62	7	37.46	7	26.78	13	61.75	9	127.8	9
Newton Income	1338.6	3	17.99	282	14.66	180	4.74	126	36.14	57	59.66	33
Schroder UK Alpha Plus	2296.7	0.49	24.07	77	21.22	62	15.69	40	52.26	18	-	-
Sector average and number in sector	-	-	22.71	311	17.53	306	4.28	290	24.68	251	36.25	164
UK EQUITY INCOME												
Artemis Income	3440.3	4.12	15.35	83	11.74	71	4.19	24	26.23	27	88.33	10
BlackRock UK Income	633.3	3.2	19.6	42	16.39	28	16.95	4	34.89	6	83.12	11
Invesco Perpetual High Income	9943.8	3.93	12.72	96	10.94	77	-1.84	56	33.62	9	124.85	2
J O Hambro UK Equity Income	588.4	4.15	23.21	13	16.25	30	24.43	2	35.53	5	-	-
Neptune Income	1060.7	4.14	21.41	26	13.6	52	2.89	29	29.04	19	-	-
Rathbone Income	448.2	4.15	20.67	33	18.71	15	-3.98	65	13.15	56	97.07	8
Schroder Income Maximiser	712.6	7	11.19	101	8.8	96	9.81	13	31.17	15	-	-
Standard Life UK Equity High Income	908.3	3.18	26.48	5	12.91	60	-0.76	50	20.14	34	79.83	12
Threadneedle UK Equity Alpha Income	187.4	5	19.64	41	15.27	38	0.13	42	-	-	-	-
Sector average and number in sector	-	-	18.96	102	14.58	102	0.61	88	17.48	79	56.87	56
UK SMALLER COMPANIES												
BlackRock UK Smaller Companies	449.8	0.46	40.63	3	45.29	4	31.41	12	53.78	9	182.18	3
Investec UK Smaller Companies	229.4	0.28	36.02	10	40.69	7	46.54	3	81.73	3	227.72	2
Marlborough Special Situations	301.9	0.22	35.68	11	42.35	5	32.58	11	75.5	5	296.24	1
Old Mutual UK Select Smaller Companies	487.2	0.1	32.62	21	34.06	23	25.51	18	73.35	6	-	-
Standard Life UK Smaller Companies	954.2	0.45	34.07	13	47.19	3	41.77	4	98.46	1	165.26	5
Sector average and number in sector	-	-	29.87	58	31.08	58	16.42	56	36.02	48	64.85	36
CORPORATE BOND												
AEGON Investment Grade Bond	207.1	4.45	2.73	27	6.6	65	13.7	30	-	-	-	-
AEGON Sterling Corporate Bond	390.8	4.48	3	19	9.71	13	7.7	57	6.09	55	51.7	13
Invesco Perpetual Corporate Bond	5925.5	5.3	3.4	10	6.99	54	20.44	6	24.59	5	76.55	1
M&G Strategic Corporate Bond	3205.9	4.1	2.79	26	8.24	30	36.92	1	40.42	1	-	-
Old Mutual Corporate Bond	780.3	4.8	5.41	2	14.55	1	7.46	60	7.3	50	56.77	7
Sector average and number in sector	-	-	2.09	93	7.57	88	11.07	83	9.95	75	44.95	47
HIGH YIELD BOND												
AEGON High Yield Bond	317.6	6.83	9.27	5	15.84	1	28.93	1	35.21	2	-	-
Threadneedle High Yield Bond	680.9	7.9	7.98	16	11.96	12	22.61	7	34.69	3	87.28	1
Sector average and number in sector	-	-	8.08	22	12.38	22	22.99	21	30.65	21	78.46	15
STRATEGIC BOND												
AEGON Strategic Bond	383.8	4.09	3.85	38	7.84	39	22.57	7	23.43	6	-	-
Artemis Strategic Bond	492.8	5.02	7.91	2	11.24	11	16.65	19	24.76	5	-	-
Henderson Strategic Bond	968	7.01	5	26	4.62	61	19.53	12	25.3	3	76.81	4
Invesco Perpetual Monthly Income Plus	3059.7	6.52	7.91	3	12.54	5	22.71	6	36.18	1	102.57	1
Investec Strategic Bond	297.1	4.67	5.28	23	6.55	50	21.92	8	21.15	10	55.47	10
Legal & General Dynamic Bond	1319	5.3	4.83	30	8.39	32	51.45	1	-	-	-	-
M&G Optimal Income	3048.2	4.19	4.99	28	8.33	34	37.5	2	-	-	-	-
Sector average and number in sector	-	-	3.96	67	8.09	64	12.85	54	14.7	44	57	22
EUROPE EX UK												
BlackRock Continental European	387.5	1.04	25.94	15	16.16	15	22.31	4	67.3	4	67.97	8
BlackRock European Dynamic	770.1	0.63	33.46	3	27.52	3	39.7	2	93.59	2	42.33	21
Henderson European Growth	817.8	-	23.29	28	18.37	13	15.17	8	53.51	9	-	-
Ignis Argonaut European Alpha	327.4	0.17	19.3	66	13.47	25	9.94	16	56.2	8	-	-
Ignis Argonaut European Income	418.4	4.9	17.05	90	3.02	88	-8.88	80	24.85	55	-	-
Jupiter European Special Situations	490	0.8	21.24	43	11.9	29	9.44	17	57.5	7	122.03	3
Liontrust European Growth	53.2	1	32.84	4	26.25	6	18.13	7	-	-	-	-
Neptune European Opportunities	1137.4	1.18	11.97	110	7.76	53	3.22	28	60.55	5	-	-
Schroder European Alpha Plus	722.4	0.77	20.63	46	13.54	24	6.34	18	48.27	13	-	-
Sector average and number in sector	-	-	20.79	111	8.57	110	-2.71	99	29.89	83	37.03	62

	Fund size*	Yield %	6 MONTHS % Growth	6 MONTHS Position	1 YEAR % Growth	1 YEAR Position	3 YEAR % Growth	3 YEAR Position	5 YEAR % Growth	5 YEAR Position	10 YEAR % Growth	10 YEAR Position
JAPAN												
GLG Japan Core Alpha	881	0.53	13.34	36	24.2	11	43.49	2	29.51	1	40.16	2
Invesco Perpetual Japan	365.1	0.14	10.27	54	13.75	55	39.77	3	25.39	3	29.05	4
J O Hambro Japan	173.3	-	15.34	14	21.29	19	30.74	7	-5.59	12	-	-
Jupiter Japan Income	334	1.9	14.09	26	22.82	14	20.72	15	5.81	4	-	-
Neptune Japan Opportunities	94.8	-	8.63	57	-0.11	61	93.73	1	26.28	2	-	-
Sector average and number in sector	-	-	13.67	61	19.43	61	12.33	53	-13.84	46	-3.25	36
NORTH AMERICA												
Investec American	804.4	-	16.31	73	13.91	74	15.16	36	23.66	26	-	-
M&G American	1878.2	-	22.71	4	21.23	14	19.69	18	30.48	10	0.9	21
Martin Currie North American	735	-	17.02	59	18.01	41	5.92	67	20.58	31	8.69	8
Neptune US Opportunities	666.9	-	18.59	31	15.77	63	22.46	11	54.46	1	-	-
Schroder US Mid Cap	682.3	-	18.52	33	21.83	12	35.53	2	53.23	2	-	-
Threadneedle American Select	1280.9	-	16.46	71	14.34	71	13.79	41	25.94	18	-2.43	23
Sector average and number in sector	-	-	17.73	92	17.4	92	14.04	78	18.27	64	-5.89	45
ASIA PACIFIC EX JAPAN												
Aberdeen Asia Pacific	2400	0.5	20.77	53	31.39	7	48.57	4	111.46	14	333	3
Fidelity South East Asia	2428	0.14	24.53	23	26.68	16	33.7	15	147.84	4	261.59	7
First State Asia Pacific Leaders	5448	0.52	22.45	38	26.67	17	43.1	8	135.18	7	-	-
Invesco Perpetual Asian	638.6	0.47	23.05	31	25.63	20	37.15	12	104.21	24	237.64	9
Newton Asian Income	682.7	5.04	24.76	21	31.98	5	47.84	6	107.3	18	-	-
Newton Oriental	1116.4	0.56	26.34	16	30.93	9	37.09	13	118.83	12	279.49	5
Schroder Asian Alpha Plus	78.2	0.4	26.87	10	32.81	4	49.16	3	-	-	-	-
Sector average and number in sector	-	-	22.79	73	23.14	72	25.63	67	102.96	60	218.84	48
GLOBAL EMERGING MARKETS**												
Aberdeen Emerging Markets	2200	0.3	21.32	26/46	31.64	4/43	62.04	1/34	149.57	1/29	418.98	2/20
Allianz RCM BRIC Stars	942.4	0.25	16.03	75/144	13.11	86/138	-4.42	77/93	-	-	-	-
Fidelity Emerging Europe Middle East and Africa	70	0.01	29.64	20/144	32.91	18/138	-	-	-	-	-	-
Fidelity India Focus	2056.3	-	14.36	11/32	31.62	5/29	1.92	18/25	94.67	16/16	-	-
First State Greater China Growth	668	0.27	18.8	7/25	25.18	1/23	43.75	2/15	175.52	3/12	-	-
Gartmore China Opportunities	806.6	0.3	18.48	9/25	21.16	4/23	12.93	8/15	185.79	2/12	354.73	3/4
Ignis HEXAM Emerging Europe	26.4	-	26.41	8/29	17.42	24/29	-8.13	12/28	-	-	-	-
Ignis HEXAM Global Emerging Markets	128.1	-	21.44	23/46	16.38	40/43	-	-	-	-	-	-
JPM New Europe	307.8	0.06	26.02	32/144	30.52	26/138	1.13	66/93	89.77	21/58	445.75	9/31
Jupiter Emerging European Opportunities	564	-	19.71	62/144	18.53	68/138	-14.89	87/93	42.3	31/58	-	-
Neptune Russia & Greater Russia	423.2	-	34.84	14/144	34.34	15/138	14.08	41/93	140.71	12/58	-	-
ABSOLUTE RETURN												
BlackRock UK Absolute Alpha	2111.5	-	5.96	13	3.55	24	13.91	11	43.22	3	-	-
Gartmore UK Absolute Return	322	-	3.63	26	3.71	22	-	-	-	-	-	-
Jupiter Absolute Return	657	-	0.46	41	1.48	29	-	-	-	-	-	-
Standard Life Global Absolute Return Strategies	6491.5	0.67	3.42	27	9.82	5	-	-	-	-	-	-
Threadneedle Absolute Return Bond	583.9	-	-0.48	43	-1.17	38	15.72	10	27.27	5	-	-
Sector average and number in sector	-	-	4.55	48	4.32	42	9.23	18	21.04	8	-	-
MISCELLANEOUS**												
Artemis Strategic Assets	701.6	0.66	14.93	98/132	16.68	38/130	-	-	-	-	-	-
AXA Framlington Global Technology	124	-	29.28	2/10	30.81	2/10	55.56	1/9	71.94	1/9	-15.12	3/8
CF Eclectica Agriculture	130.8	-	40.97	10/144	27.41	33/138	0.93	67/93	-	-	-	-
City Financial Strategic Gilt	107.3	1.81	-0.27	31/31	4.9	28/30	18.36	5/27	-	-	-	-
Henderson Global Technology	413.4	-	19.77	6/10	17.78	7/10	32.02	4/9	56.69	2/9	-34.03	7/8
HSBC Open Global Return	136.3	0.27	9.38	84/159	9.58	72/152	13.12	24/116	-	-	-	-
Investec Global Gold	582.5	-	26.56	28/144	52.19	5/138	76.71	3/93	-	-	-	-
J O Hambro Global Select	334.8	-	31.14	3/224	33.71	3/218	-	-	-	-	-	-
JPM Natural Resources	2852.3	-	45.68	4/144	47.45	7/138	38.19	17/93	148.48	11/58	845.54	2/31
Jupiter Financial Opportunities	980.7	-	5.64	127/144	-2.18	134/138	17.49	35/93	38.47	33/58	188.69	15/31
Legal & General UK Property Trust	437.8	3.1	4.07	29/43	9.7	27/43	-5.42	15/39	-	-	-	-
M&G Global Basics	5383.5	-	29.3	6/224	27.68	9/218	26.66	10/190	76.3	6/154	248.48	1/96
M&G Global Dividend	633	3.31	20.47	58/224	19.85	43/218	-	-	-	-	-	-
CF Miton Special Situations Portfolio	562.5	-	2.7	154/155	8.29	141/147	21.95	6/119	39.43	8/98	147.22	1/57
Newton Global Higher Income	1429.7	4.85	16.27	177/224	13.31	149/218	10.78	68/190	51.83	16/154	-	-
Old Mutual Global Strategic Bond	396.8	1.5	1.84	49/63	10.72	20/60	56.29	6/50	56.87	4/40	105.07	5/26
Rathbone Global Opportunities	97.8	-	23.67	24/224	26.59	11/218	5.86	118/190	51.89	15/154	-	-
Schroder Global Property Securities	552.6	0.5	19.02	10/43	19.6	9/43	9.91	8/39	27.82	2/19	-	-

* Fund sizes (£m) are collected one month in arrears

** Position in sector omitted due to sector amalgamation

† Please note that investment outside of the ISA wrapper is Creation/NAV + 1%

Whilst every effort has been made to ensure the accuracy of this information, including discounts, Chelsea Financial Services take no responsibility for any errors, omissions or inaccuracies contained therein.

Please read the Important Notice on page 2. Past performance is not a guide to future returns.

Source: Financial Express Analytics: 1st January 2011. Yield figures as at 19th January 2011.

The Chelsea Relegation Zone

The Relegation Zone has had a staggering rise in assets under management. Since it was last run (August 2010) the number of funds has increased by just one to 86, yet underperforming assets have swelled by 39% – the total now stands at a whopping £18.4bn – up £5.2bn. A cursory explanation would be the recent equities bull run that has seen assets increase; however, over that period the MSCI World is only up 16.94%, the FTSE All-Share 14.4%. So what is contributing to such a marked difference?

Investor inertia

Aside from the obvious rise in markets, there are two key reasons why we have seen this huge spike in assets. The first is the number of large new entrants, which have clearly inflated the table. The Prudential UK Growth fund accounts for £2.278bn worth of assets alone. The largest fund in the Relegation Zone is a tracker, the Halifax UK FTSE All Share Index Tracker (£2.319bn).

However, there is a more insidious trend at work; investor inertia. Unfortunately, despite the availability of better-performing funds, there appears to be little correlation between underperformance and the outflow of client money. This is either because investors are not regularly reviewing their portfolios or they are receiving questionable advice. Take for example Prudential UK Growth; over the last two years it underperformed its peer average by 9.51%, yet it still managed to grow its assets under management by 47% from £1.551bn to £2.278bn.

True to form, there are multiple entries from the same stables. M&S, Insight and Halifax all have three entries and Prudential has two. Scottish Widows/SWIP have the inglorious honour of having the most entries in the red zone, a whopping eight – in terms of assets under management they account for 21% of the entire list. A persistent trend in the Relegation Zone over the years has been the presence of bank and life company investment funds. They typically are very large perennial underperformers that still manage to take in money. Keep an eye firmly on the factsheets of these funds to see if you are receiving true active management in return for your annual management charge.

Lack of Insight?

There are two problems with the inclusion of Insight Diversified Income and Insight Diversified Target Return. Firstly the use of the word 'diversified' in the labelling; secondly that they are located in the cautious managed sector. Given the connotations of this type of labelling, it would be reasonable to assume capital preservation would be high on the agenda. Yet these funds are far from cautious or sufficiently diversified – both took a caning thanks to overweights in financial bonds. As a result the Income fund was down 15.68% during 2008, while Target Return posted a negative return of 16.61%; over three years the funds are down 9.83% and 4.75% respectively. A number of funds in the cautious sector lost over a fifth of their value, underlining the need for the parameters of this sector to be changed. Before choosing any fund from this sector it is important to have a good look under the bonnet.

When M&S decided to branch out into the investment market several brows were caused to furrow in our research department. Launching a new line in salmon and lemon marscarpone terrines is one thing, but getting into the business of investment is quite another. But the diversification of British supermarkets knows no bounds and ergo, we have the range of M&S funds. So have these funds matched up to the established, experienced fund houses? In a word, no. Sixty percent of the range is in the Relegation Zone. This includes their Ethical fund, UK Select Portfolio fund and High Income Strategic Bond fund. In fairness to M&S they have outsourced their management to credible managers in HSBC and Jupiter (ethical fund only), yet the experiment has failed miserably. In 2008, both the Ethical and UK Select portfolios lost over 30% of their value. The High Income fund lags 6.23% behind its peers over three years. Remember these are not just investment funds, these are M&S investment funds.

Never too big to go down

The prevalence of some big name houses such as JPM, with multiple entries, is surprising given the resources and talent to hand, but undoubtedly the biggest shock is the inclusion of highly-regarded Bill Mott, manager of PSigma Income. It is with regret that we see this fund in the Relegation Zone, but Mott has conceded that he took a defensive position far too early, shunning miners. That said his fund is well positioned to ride out the current volatility, so now may not the best time to switch.

The worst relative performance is the UBS Absolute Return Bond fund. This fund has performed abysmally – over three years it has lost 28.81%. A catastrophic return when you consider it markets itself as an absolute return vehicle, i.e. a fund with the ability to produce a positive return in both up and down markets. V

THE RELEGATION ZONE – THE 'DIRTY DOZEN'

Largest funds in the Relegation Zone		Fund size (billions)	Worst Performers		% negative deviation from sector average*
1st	HALIFAX UK FTSE ALL SHARE IDX TRACKER	£2.319bn	1st	UBS ABSOLUTE RETURN BOND	58.24%
2nd	PRUDENTIAL UK GROWTH	£2.278bn	2nd	MFM TECHINVEST SPECIAL SITS.	46.11%
3rd	HALIFAX INTERNATIONAL GROWTH	£1.718bn	3rd	SVM GLOBAL OPPORTUNITIES	31.06%
4th	SWIP MULTIMANAGER UK EQUITY FOCUS	£1.174bn	4th	ELITE HENDERSON ROWE DOGS FTSE 100	28.78%
5th	SCOT WID EUROPEAN GROWTH	£0.488bn	5th	NEWTON JAPAN	28.04%
6th	INVESCO PERP INCOME & GROWTH	£0.461bn	6th	ELITE LJ CAUTIOUS MANAGED PORTFOLIO	21.48%

*Based on three-year cumulative performance

UK ALL COMPANIES

	3 year % growth	Quartile position
CAF UK Equitrack	0.83	3
CF Cornelian British Opportunities	-2.99	4
EFA OPM UK Equity	-11.63	4
Elite Henderson Rowe Dogs FTSE 100	-25.36	4
Family Asset	-9	4
Halifax UK FTSE All Share Idx Tracker	0.87	3
Henderson UK Equity	-8.48	4
HSBC UK Freestyle	-6.1	4
Insight UK Dynamic Managed	-1.39	3
Jupiter Undervalued Assets	-9.32	4
Legal & General (Barclays) MultiManager UK Core	0.01	3
Marks & Spencer Ethical Acc	-5.18	4
Marks & Spencer UK Select Portfolio	-3.23	4
Marlborough UK Large Cap Growth	-12.24	4
Premier Castlefield UK Equity	-0.48	3
Prudential Ethical	-14.76	4
Prudential UK Growth	-1.1	3
R&M UK Equity Unconstrained	-13.77	4
Scottish Widows UK Growth	-2.8	4
Standard Life Investments UK Equity Growth	0.92	3
SWIP MultiManager UK Equity Focus	-5.85	4
UBS UK Select	-10.67	4
Sector Average	**3.42**	

UK EQUITY INCOME

	3 year % growth	Quartile position
IFSL Brooks Macdonald UK Equity	-4.43	3
Invesco Perpetual Income & Growth	-6.03	4
Marlborough UK Equity Income	-9.1	4
PSigma Income	-4.95	4
SWIP UK Income	-10.88	4
T. Bailey Equity Income	-7.07	4
UBS UK Equity Income	-11.41	4
Sector Average	**0.31**	

UK SMALLER COMPANIES

	3 year % growth	Quartile position
Artemis UK Smaller Companies	-12.29	4
CF Canlife UK Smaller Companies	0.43	4
MFM Techinvest Special Situations	-30.35	4
Scottish Widows UK Smaller Companies	1.99	4
SWIP UK Smaller Companies	4.05	4
Sector Average	**15.76**	

CORPORATE BOND

	3 year % growth	Quartile position
Aberdeen Corporate Bond	6.03	4
Clerical Medical Income	3	4
Baillie Gifford Investment Grade Bond	-1.08	4
Sector Average	**10.22**	

STRATEGIC BOND

	3 year % growth	Quartile position
Marks & Spencer High Income	5.73	4
Sector Average	**11.96**	

EUROPE EXCLUDING UK

	3 year % growth	Quartile position
Franklin Templeton Templeton Europe	-14.43	4
Legg Mason Continental European Equity	-14.34	4
Scottish Widows European Growth	-12.34	4
Scottish Widows European Select Growth	-12.53	4
Standard Life Investments European Equity Index Tracker	-8.35	4
SWIP European	-11	4
Sector Average	**-3.24**	

JAPAN

	3 year % growth	Quartile position
Gartmore Japan Opportunities	4.72	3
Halifax Japanese	8.06	3
Ignis Japan Tracker	2.31	4
JPM Japan	-1.14	4
Newton Japan	-14.99	4
Standard Life Investments Japanese Manager Of Managers	3.68	4
Sector Average	**13.05**	

NORTH AMERICA

	3 year % growth	Quartile position
BlackRock US Dynamic	4.4	4
Invesco Perpetual US Equity	7.78	4
Legal & General (Barclays) MultiManager US Alpha S2	-2.5	4
Sector Average	**13.94**	

ASIA PACIFIC EXCLUDING JAPAN

	3 year % growth	Quartile position
Ignis Pacific Growth	15.14	4
Legg Mason Asia Pacific	1.79	4
Neptune Asia Pacific Opportunities	2.2	4
Old Mutual Asian Select	10.24	4
Schroder Pacific	18.32	3
Sector Average	**24.38**	

GLOBAL EMERGING MARKETS

	3 year % growth	Quartile position
Aberdeen Multi Manager Emerging Markets Portfolio	3.74	4
GLG Global Emerging Markets	1.9	4
Sector Average	**21.64**	

GLOBAL GROWTH

	3 year % growth	Quartile position
Architas MM Global Equity Portfolio	-0.08	4
CBF Church of England Investment	0	4
CF Sackville Growth Portfolio	-5.2	4
Clerical Medical International Managed	-1.14	4
Franklin Templeton Templeton Growth	-4.82	4
Gartmore Global Focus	-4.65	4
Halifax International Growth	-1.06	4
JPM Global Equity Income	-5.91	4
Legal & General (Barclays) MultiManager Global Core	-15.68	4
Marlborough Global	-3.69	4
Martin Currie Global Alpha	-13.04	4
SVM Global Opportunities	-24.22	4
Wesleyan International	1.05	3
Sector Average	**6.84**	

GLOBAL BOND

	3 year % growth	Quartile position
BlackRock Invest Mgrs UK Ltd Charinco Common Invest	22.32	4
City Financial Strategic Global Bond	3.51	4
JPM Global Ex UK Bond	2.56	4
UBS Absolute Return Bond	-28.81	4
Sector Average	**29.43**	

CAUTIOUS MANAGED

	3 year % growth	Quartile position
Aviva Inv Manager of Manager Cautious	1.86	3
AXA Defensive Distribution	-6.76	4
Elite LJ Cautious Managed Portfolio	-16.24	4
Insight Diversified High Income	-9.83	4
Insight Diversified Target Return	-4.75	4
Sarasin GlobalSar Cautious	-3.77	4
Thesis Optima Multi Asset Strategy	-2.52	4
Tri Balanced Income	-15.47	4
Tri Cautious	-6.29	4
Sector Average	**5.24**	

Please read the Important Notice on page 2. This is a purely statistical chart, featuring funds which have been 3rd or 4th quartile for three discrete consecutive years.

† The management of the L&G (Barclays) funds is carried out by Barclays Wealth; Legal & General are responsible for the administration only.

All cumulative statistics % change, bid to bid, net income reinvested, three years to 31/12/10.

Source: Financial Express Analytics. Whilst every effort has been made to ensure the accuracy of this information, Chelsea Financial Services takes no responsibility for any errors, omissions or inaccuracies contained therein.

Past performance is not a guide to future returns.

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Fund details explained

This section provides you with guidance on how to read the fund details contained within the next section. Please review the example below along with corresponding explanations.

c•funds

1 **Unit/Share type:** Accumulation ('ACC') units or shares retain all income; income (INC) units or shares pay income out.
2 **Fund Type:** This can be a unit trust, OEIC or ECIV – see 'the 'Questions and Answers' section later in this document for an explanation of these fund types.
3 **Standard Initial Charge:** This is deducted from each lump sum or monthly contribution when it is first invested. The 'standard' initial charge is shown, which means it does not include discounts or commission waivers that may be applied.
4 **Trustee/Depositary:** The party who is legally responsible for the safe custody of the units or shares in the fund; a depositary in the case of OEICs, a trustee in the case of unit trusts.
5 **Annual Management Charge:** This covers the ongoing cost of managing a fund and is charged by the fund manager.
6 **Total Expense Ratio (TER):** This is the total of the Annual Management Charge plus any additional charges and expenses applied by the fund manager. Additional charges might cover, for example, fees paid to trustees. The amount of additional charges and expenses can be found by deducting the Annual Management Charge from the TER.
7 **Reduced Investment Yield (RIY):** This shows by how much charges might reduce the annual growth rate of the investment over a period of 10 years. This assumes an underlying growth rate (UGR) and deduction of standard charges. The actual reduced investment yield will depend on the real growth rate in the fund, how long you remain invested and whether you receive any discounts/waivers on the initial or annual charge. The reduced investment yield reflects standard initial charges and does not take into account any discounts or commission waivers that may be available.
8 **Underlying growth rate (UGR):** This assumes the annual rate of growth for the fund, based on a lump sum investment over 10 years. This growth rate is not guaranteed. The actual rate of growth could be higher or lower, depending on the fund's performance. The Underlying Growth Rate and the Reduced Investment Yield are based on calculations laid down by the Financial Services Authority.

Example Fund

Unit/Share type: **Acc** 1 Fund type: **OEIC** 2

Investment Aims – To achieve capital growth through investment in leading North American companies. 9

Trustee 4 **J.P. Morgan Trustee and Depositary Company Limited**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR** ISA 6%
2,3,8 10	4.00% 3	1.50% 5	0.30% 6	3.78% 7
RIY UT/OEIC based on UGR** UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.82% 8	Single	12:00	11:00	

Notes 11

9 **Fund Objective:** This is the stated investment objective of the fund. The fund manager must invest in line with this objective at all times.
10 **Special Risk Factors:** As well as general risks, a fund may carry risks associated specifically with the type of assets in which it invests. The special risk factors which relate to the fund(s) you have selected are listed in the 'Specific risks' section in numerical order. Check these numbers against the list of Specific risks shown later in this document.
11 **Important information:** From time to time, the fund manager may detail important information specific to a particular fund.

ABERDEEN UNIT TRUST MANAGERS LIMITED

Aberdeen Emerging Markets Class A Fund

Unit/Share type: **Acc** Fund type: **OEIC**

Investment Aims – The Fund aims to provide long term capital growth from direct or indirect investment in emerging stock markets worldwide or companies with significant activities in emerging markets.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,8	4.25%	1.75%	1.88%	4.57%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.59%	Single	12:00	11:00	Global Emerging Markets

AEGON FUND MANAGEMENT UK PLC

AEGON Investment Grade Bond Class A Fund

Unit/Share type: **Acc/Inc** Fund type: **OEIC**

Investment Aims – The primary investment objective is to maximise total return (income plus capital) by investing primarily in investment grade and government bonds denominated in sterling and other currencies. The fund may hold a maximum of 20% in high yield bonds and may also hold cash. A minimum of 80% of the fund will be hedged back to £. The fund may also invest in deposits, money market instruments and forward transactions.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
1,4,6,7,9,11,14	4.50%	1.25%	1.32%	5.12%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
4.14%	Single	12:00	11:00	£ Corporate Bond

Notes: Investors should be aware that their right to sell units may be suspended by the fund manager in situations where there is insufficient uninvested cash or assets which are readily realisable to meet investor demand for the sale of units.

ALLIANZ GLOBAL INVESTORS (UK) LTD

Allianz Global Investors RCM BRIC Stars Class A

Unit/Share type: **Acc** Fund type: **OEIC**

Investment Aims – The aim of the fund is to produce long-term capital growth by investing predominantly in the equity markets of Brazil, Russia, India and China. Up to a third of the fund's assets may be invested in companies based in other countries that are likely to benefit from the BRIC phenomenon.

Trustee **J.P. Morgan Trustee and Depositary Company Limited**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,8	4.00%	1.75%	1.95%	4.52%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.55%	Single	12:00	11:00	Specialist

ARTEMIS FUND MANAGERS LIMITED

Artemis Income Fund

Unit/Share type: **Acc/Inc** Fund type: **Unit Trust**

Investment Aims – This fund aims to provide an increasing income and capital growth from investing mainly in ordinary shares, preference shares, convertible bonds and fixed-interest securities in the UK. We will not be restricted in our choice of investments, either by the size of the company, the industry it trades in, or the geographical split of the portfolio.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
1,5,8,12	5.25%	1.50%	1.55%	4.80%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.82%	Dual	12:00	11:00	UK Equity Income

Artemis Strategic Assets Fund

Unit/Share type: **Acc** Fund type: **Unit Trust**

Investment Aims – This fund aims to achieve long-term growth by investing in a portfolio of UK and international assets. The fund will take a broadly 'multi-asset' approach, with the aim to perform well when markets are favourable, and preserve capital when markets are poor. This fund aims to provide longer-term positive returns under most market conditions, outperforming both cash and equities over three-year periods. We will not be restricted in our choice of investments, either by the size of the company, the industry it trades in, or the geographical spread of the portfolio. We may invest in overseas assets, including currencies.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,4,6,8,9,13,17	5.25%	1.50%	1.58%	4.77%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.79%	Dual	12:00	11:00	Active Managed

Notes: The Fund Manager has highlighted this as a higher volatility fund where there is likely to be significantly greater movements in the price of units. To understand how this may affect your investment please contact your adviser.

Artemis UK Special Situations Fund

Unit/Share type: **Acc** Fund type: **Unit Trust**

Investment Aims – This fund aims to achieve long-term capital growth by exploiting special situations. The fund invests mainly in UK equities and in companies which have their headquarters in the UK or carry out a significant part of their activities in the UK, and are quoted on a regulated stock market outside the UK. We will not be restricted in our choice of investments, either by the size of the company or the industry it trades in.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
3,8	5.25%	1.50%	1.57%	4.78%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.80%	Dual	12:00	11:00	UK All Companies

AXA FRAMLINGTON UNIT MANAGEMENT LIMITED

AXA Framlington UK Select Opportunities Fund

Unit/Share type: **Acc/Inc** Fund type: **Unit Trust**

Investment Aims – To achieve capital growth by investing in companies, primarily of UK origin, where the Manager believes above average returns can be realised.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3	**5.25%**	**1.50%**	**1.55%**	**4.80%**
RIY UT/OEIC based on UGR UT/OEIC 6%	**Single/Dual Priced**	**Valuation Pricing Time**	**Dealing cut Off time**	**Sector**
3.82%	**Dual**	**12:00**	**11:00**	**UK All Companies**

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED

BlackRock Continental European Class A Fund

Unit/Share type: **Acc/Inc** Fund type: **Unit Trust**

Investment Aims – To achieve long-term capital growth for investors. The Fund invests primarily in the shares of larger companies incorporated or listed in Europe excluding the UK. The Fund may also invest in collective investment schemes.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,8 (Acc) 2,3,6,8 (Inc)	**5.00%**	**1.50%**	**1.69%**	**4.68%**
RIY UT/OEIC based on UGR UT/OEIC 6%	**Single/Dual Priced**	**Valuation Pricing Time**	**Dealing cut Off time**	**Sector**
3.70%	**Dual**	**12:00**	**11:00**	**Europe Excluding UK**

BlackRock UK Absolute Alpha Class P

Unit/Share type: **Acc** Fund type: **Unit Trust**

Investment Aims – To achieve a positive absolute return for investors. The Fund invests primarily in a portfolio of equities and equity-related securities(including derivatives) of companies incorporated or listed in the UK, although from time to time cash and near cash may be held. The Fund may also invest in other transferable securities, permitted money market instruments, permitted deposits and units in collective investment schemes. The Fund will invest in derivatives providing both long and synthetic short positions principally through the use of contracts for difference.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
6,8,9,18	**5.00%**	**1.50%**	**1.67%**	**4.70%**
RIY UT/OEIC based on UGR UT/OEIC 6%	**Single/Dual Priced**	**Valuation Pricing Time**	**Dealing cut Off time**	**Sector**
3.72%	**Dual**	**12:00**	**11:00**	**Absolute Return**

CAPITA FINANCIAL MITON INVESTMENTS

CF Miton Special Situations Portfolio Class A Fund

Unit/Share type: **Acc** Fund type: **OEIC**

Investment Aims – The investment objective of the Fund is to provide long-term growth by investing in a portfolio of other authorised funds, worldwide equities, fixed interest stocks, cash and money market instruments. The investment manager will take a fundamental and value driven approach to portfolio allocation, dependent on the relevant attractions of the world equity, fixed interest and currency markets. The Fund will take an aggressive view of the stock market weightings in the portfolio, when compared to a neutral world market capitalisation.

Trustee **Bank of New York Mellon Trust & Depositary Co. Ltd**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
1,2,7,8,12	**5.00%**	**1.50%**	**1.85%**	**4.52%**
RIY UT/OEIC based on UGR UT/OEIC 6%	**Single/Dual Priced**	**Valuation Pricing Time**	**Dealing cut Off time**	**Sector**
3.54%	**Single**	**12:00**	**11:00**	**Balanced Managed**

FIDELITY INVESTMENTS

Fidelity Special Situations Class A Fund

Unit/Share type: **Acc** Fund type: **OEIC**

Investment Aims – The Fund's investment objective is to achieve long term capital growth from a portfolio primarily made up of the shares of UK companies. The Fund will have a blend of investments in larger, medium and smaller sized companies. The Authorised Corporate Director is not restricted in its choice of companies either by size or industry, and will choose stocks largely determined by the availability of attractive investment opportunities. The Fund may also invest in other transferable securities, units in collective investment schemes, money market instruments, cash and deposits. Derivatives and forward transactions may also be used for investment purposes.

Trustee **J.P. Morgan Trustee and Depositary Company Limited**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
3,8	**3.50%**	**1.50%**	**1.70%**	**4.83%**
RIY UT/OEIC based on UGR UT/OEIC 6%	**Single/Dual Priced**	**Valuation Pricing Time**	**Dealing cut Off time**	**Sector**
3.85%	**Single**	**12:00**	**11:00**	**UK All Companies**

FIRST STATE INVESTMENTS (UK) LIMITED

First State Asia Pacific Leaders Class A Fund

Unit/Share type: **Acc** Fund type: **OEIC**

Investment Aims – This fund aims to achieve long term capital growth. The fund invests in large and mid capitalisation equities in the Asia Pacific region (excluding Japan, including Australasia).

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,8	**4.00%**	**1.50%**	**1.57%**	**4.91%**
RIY UT/OEIC based on UGR UT/OEIC 6%	**Single/Dual Priced**	**Valuation Pricing Time**	**Dealing cut Off time**	**Sector**
3.93%	**Single**	**12:00**	**11:00**	**Asia Pacific Excluding Japan**

First State Greater China Growth Class A Fund

Unit/Share type: **Acc** Fund type: **OEIC**

Investment Aims – The Fund aims to achieve long-term capital growth. The Fund invests in equity and equity type securities issued by companies established or having a predominant part of their economic activities in the People's Republic of China, Hong Kong and Taiwan.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,8	**4.00%**	**1.75%**	**1.86%**	**4.62%**
RIY UT/OEIC based on UGR UT/OEIC 6%	**Single/Dual Priced**	**Valuation Pricing Time**	**Dealing cut Off time**	**Sector**
3.64%	**Single**	**12:00**	**11:00**	**Asia Pacific Excluding Japan**

GARTMORE FUND MANAGERS LIMITED

Gartmore UK Absolute Return Class A Fund

Unit/Share type: **Acc** Fund type: **OEIC**

Investment Aims – The Fund aims to achieve a positive absolute return over the long-term regardless of market conditions, by taking long and short positions primarily in equities or equity related derivative contracts of: companies having their registered office in the UK; and companies that do not have their registered office in the UK but either (i) carry out a predominant proportion of their business activity in these markets, or (ii) are holding companies which predominantly own companies with registered offices in the UK, although all or a substantial proportion of the physical assets of the Fund may at any time consist of cash, near cash, deposits and/or money market instruments. The Fund will invest in companies of any market capitalisation. Long positions may be held through a combination of direct investment and/or derivative instruments. Short positions will be held through derivative positions, primarily equity swaps and futures. The use of derivatives.

Trustee **HSBC Bank plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,8,9,11,16,18	**5.00%**	**1.50%**	**1.66%**	**4.71%**
RIY UT/OEIC based on UGR UT/OEIC 6%	**Single/Dual Priced**	**Valuation Pricing Time**	**Dealing cut Off time**	**Sector**
3.73%	**Single**	**12:00**	**11:00**	**Absolute Return**

HENDERSON GLOBAL INVESTORS LIMITED

Henderson Strategic Bond Class A Fund

Unit/Share type: **Inc** Fund type: **OEIC**

Investment Aims – To provide a return by investing in higher yielding assets including high yield bonds, investment grade bonds, government bonds, preference shares and other bonds. The Fund may also invest in equities. The Fund will take strategic asset allocation decisions between countries, asset classes, sectors and credit ratings. The Fund may invest in other transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
1,2,4,6,7	**4.00%**	**1.25%**	**1.29%**	**5.21%**
RIY UT/OEIC based on UGR UT/OEIC 6%	**Single/Dual Priced**	**Valuation Pricing Time**	**Dealing cut Off time**	**Sector**
4.22%	**Single**	**12:00**	**11:00**	**£ Strategic Bond**

INVESCO PERPETUAL

Invesco Perpetual High Income Fund

Unit/Share type: **Acc/Inc** Fund type: **ICVC**

Investment Aims – The Invesco Perpetual High Income Fund aims to achieve a high level of income, together with capital growth. The fund intends to invest primarily in companies listed in the UK, with the balance invested internationally. In pursuing this objective, the fund managers may include other investments that they consider appropriate which may include units in collective investment schemes, warrants and other permitted investments and transactions.

Trustee **Citibank**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
1,2,5,8,12	**5.00%**	**1.50%**	**1.68%**	**4.69%**
RIY UT/OEIC based on UGR UT/OEIC 6%	**Single/Dual Priced**	**Valuation Pricing Time**	**Dealing cut Off time**	**Sector**
3.71%	**Single**	**12:00**	**11:00**	**UK Equity Income**

Invesco Perpetual Monthly Income Plus Fund

Unit/Share type: **Acc/Inc** Fund type: **ICVC**

Investment Aims – The Invesco Perpetual Monthly Income Plus Fund aims to achieve a high level of income whilst seeking to maximise total return through investing in high yielding corporate and Government bonds, together with UK equities. In pursuing this objective, the fund managers may include investments that they consider appropriate which include transferable securities, money market instruments, warrants, collective investment schemes, deposits and other permitted investments and transactions.

Trustee **Citibank**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
1,2,4,5,6,7,12,13	**5.00%**	**1.25%**	**1.44%**	**4.94%**
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.96%	**Single**	**12:00**	**11:00**	**£ Strategic Bond**

INVESTEC FUND MANAGERS LIMITED

Investec American Class A Fund

Unit/Share type: **Acc** Fund type: **OEIC**

Investment Aims – The Fund aims to achieve long term capital growth primarily through investment in a portfolio of equities issued by USA companies and in derivatives, the underlying assets of which are equities issued by USA companies.

Trustee **State Street Trustees Limited**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,8	**4.50%**	**1.50%**	**1.61%**	**4.82%**
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.84%	**Single**	**12:00**	**11:00**	**North America**

Notes: Please note, transfers are accepted for the Investec American Fund with the share type B.

J O HAMBRO CAPITAL MANAGEMENT LIMITED

J O Hambro (CM) UK Opportunities Fund

Unit/Share type: **Acc/Inc** Fund type: **OEIC**

Investment Aims – The proposed objective of the Fund is to achieve long-term capital appreciation through investment in a concentrated portfolio primarily invested in transferable securities of UK companies. Up to 10% of the value of the Fund may be invested in non-UK companies. The Fund may also invest in money market instruments, deposits, warrants and units in other collective investment schemes. The benchmark against which performance is measured is the FTSE All Share Total Return Index in Sterling. At all times at least two thirds of the Fund's assets will be invested in equity securities of companies domiciled or exercising the predominant part of their economic activity in the United Kingdom.

Trustee **HSBC Bank plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
1,8,11,18	**5.00%**	**1.25%**	**1.34%**	**5.05%**
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
4.06%	**Single**	**12:00**	**11:00**	**UK All Companies**

JPMORGAN ASSET MANAGEMENT

JPMorgan Natural Resources Class A Fund

Unit/Share type: **Acc/Inc** Fund type: **ICVC**

Investment Aims – The Fund aims to invest primarily in the shares of companies throughout the world engaged in the production and marketing of commodities. The fund aims to provide capital growth over the long term.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,8 (Acc) 1,2,3,6,8,10, 16 (Inc)	**4.25%**	**1.50%**	**1.67%**	**4.78%**
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.80%	**Single**	**12:00**	**11:00**	**Specialist**

JUPITER UNIT TRUST MANAGERS LIMITED

Jupiter Absolute Return Fund

Unit/Share type: **Acc** Fund type: **Unit Trust**

Investment Aims – The Fund seeks to generate an absolute return in varying market conditions by investing on a global basis. The Fund invests in a global portfolio of equities, equity related securities (including derivatives), cash, near cash, fixed interest securities, currency exchange transactions, index linked securities, money market instruments (MMIs) and deposits. At times the portfolio may be concentrated in any one or a combination of such assets and, as well as holding physical long positions the Manager may create synthetic long and short positions through derivatives. The equity investments of the fund will have an emphasis on financial services companies.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,8,9,18	**5.25%**	**1.25%**	**1.56%**	**4.79%**
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.81%	**Dual**	**12:00**	**11:00**	**Absolute Return**

Jupiter European Special Situations Fund

Unit/Share type: **Acc** Fund type: **Unit Trust**

Investment Aims – The objective of the Fund is to achieve long-term capital growth by exploiting special situations principally in Europe. The Fund's investment policy is to attain the objective by investing principally in European equities, in investments considered by the manager to be undervalued.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,8	**5.25%**	**1.50%**	**1.82%**	**4.52%**
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.54%	**Dual**	**12:00**	**11:00**	**Europe Excluding UK**

Jupiter Japan Income Fund

Unit/Share type: **Acc/Inc** Fund type: **Unit Trust**

Investment Aims – The objective of the Fund is to achieve long-term capital and income growth. The Fund's policy is to attain its objective by investing in a combination of Japanese equities and convertible bonds as well as cash, deposits and money market instruments. The Manager may enter into derivative transactions on behalf of the Fund to the extent that these are for the purposes of efficient management of the portfolio, as permitted under the Scheme Particulars. The Manager will only enter into derivative transactions for the purposes of hedging and tactical asset allocation, and not for speculative purposes.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
1,2,4,6,8,12	**5.25%**	**1.50%**	**1.78%**	**4.56%**
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.58%	**Dual**	**12:00**	**11:00**	**Japan**

LEGAL & GENERAL UNIT TRUST MANAGERS LIMITED

Legal & General Dynamic Bond Trust Class R Fund

Unit/Share type: **Acc/Inc** Fund type: **Unit Trust**

Investment Aims – To achieve a total return (capital and income) by investing principally in a range of fixed and variable rate income securities.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
1,2,4,5,6,9,13	**3.00%**	**1.25%**	**1.42%**	**4.39%**
RIY UT/OEIC based on UGR UT/OEIC 5%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.41%	**Dual**	**12:00**	**11:00**	**£ Strategic Bond**

M&G INVESTMENTS

M&G American Class A Fund

Unit/Share type: **Acc/Inc** Fund type: **OEIC**

Investment Aims – The Fund's aim is long-term capital growth through investment wholly or mainly in securities of North American (including Canadian) issuers. When not wholly invested as above, it may only invest in companies which are listed, registered or trading within North America.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,8	**4.00%**	**1.50%**	**1.66%**	**4.82%**
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.84%	**Single**	**12:00**	**11:00**	**North America**

M&G Global Dividend Class A Fund

Unit/Share type: **Acc/Inc** Fund type: **OEIC**

Investment Aims – The Fund aims to deliver a dividend yield above the market average, by investing mainly in a range of global equities. The Fund aims to grow distributions over the long-term whilst also maximising total return (the combination of income and growth of capital).

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
1,2,5,8,12	**4.00%**	**1.50%**	**1.68%**	**4.80%**
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.82%	**Single**	**12:00**	**11:00**	**Global**

M&G Optimal Income Class A Fund

Unit/Share type: **Acc/Inc** Fund type: **OEIC**

Investment Aims – The Fund aims to provide a total return to investors based on exposure to optimal income streams in investment markets.

Trustee **Royal Bank of Scotland plc**

Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
4,5,7,9,12,13	**4.00%**	**1.25%**	**1.42%**	**5.07%**
RIY UT/OEIC based on UGR UT/OEIC 5%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.11%	**Single**	**12:00**	**11:00**	**£ Strategic Bond**

M&G Recovery Class A Fund

Unit/Share type: **Acc/Inc** Fund type: **OEIC**

Investment Aims – The Fund's sole aim is capital growth by investing predominantly in a diversified range of securities issued by companies which are out of favour, in difficulty or whose future prospects are not fully recognised by the market. There is no particular income yield target.

Trustee	Royal Bank of Scotland plc			
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,8	4.00%	1.50%	1.66%	4.82%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.84%	Single	12:00	11:00	UK All Companies

MARLBOROUGH FUND MANAGERS LTD

Marlborough Special Situations Class A Fund

Unit/Share type: **Acc** Fund type: **Unit Trust**

Investment Aims – The objective of the scheme is to provide investors with capital growth by following a speculative policy investing in smaller companies, new issues and companies going through a difficult period with good recovery prospects.

Trustee	HSBC Bank plc			
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,8	5.00%	1.50%	1.54%	4.84%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.86%	Dual	12:00	11:00	UK Smaller Companies

NEPTUNE INVESTMENT MANAGEMENT LIMITED

Neptune European Opportunities Class A Fund

Unit/Share type: **Acc/Inc** Fund type: **OEIC**

Investment Aims – The investment objective of Neptune European Opportunities Fund is to generate capital growth by investing predominantly in a concentrated portfolio of securities selected from European markets, excluding the UK, with a view to attaining top quartile performance within the appropriate peer group.

Trustee	State Street Trustees Limited			
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,8,11 (Acc) 1,2,8,9,16 (Inc)	5.00%	1.75%	1.76%	4.61%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.63%	Single	12:00	11:00	Europe Excluding UK

Neptune US Opportunities Class A Fund

Unit/Share type: **Acc** Fund type: **OEIC**

Investment Aims – The investment objective of the Neptune US Opportunities Fund is to generate capital growth by investing predominantly in a concentrated portfolio of Northern American securities which may include Canada as well as the US, with a view to achieving top quartile performance within the appropriate peer group.

Trustee	State Street Trustees Limited			
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,8,11	5.00%	1.60%	1.54%	4.84%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.86%	Single	12:00	11:00	North America

BNY MELLON FUND MANAGERS LIMITED (NEWTON)

Newton (BNY Mellon) Asian Income Class A Fund

Unit/Share type: **Inc** Fund type: **OEIC**

Investment Aims – The objective of the Sub-Fund is to achieve income together with long-term capital growth predominantly through investments in securities in Asia Pacific ex Japan (including Australia & New Zealand) region. The Sub-Fund may also invest in collective investment schemes.

Trustee	Royal Bank of Scotland plc			
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
1,2,3,5,6,8,10, 11,12	4.00%	1.50%	1.66%	4.82%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.84%	Single	12:00	11:00	Asia Pacific Excluding Japan

RATHBONE UNIT TRUST MANAGEMENT LIMITED

Rathbone Unit Trust Management Income Fund

Unit/Share type: **Acc/Inc** Fund type: **Unit Trust**

Investment Aims – The objective of the fund is to achieve above average and maintainable income but without neglecting capital security and growth. The Manager intends to achieve the objective primarily through the purchase of ordinary shares with an above average yield.There is no restriction on the economic sectors or geographic areas in which the fund may invest. However, investments will always be predominantly in the ordinary shares of UK companies.

Trustee	Royal Bank of Scotland plc			
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
1,5,6,8,12	5.50%	1.50%	1.56%	4.76%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.78%	Dual	12:00	11:00	UK Equity Income

SCHRODER UNIT TRUSTS LIMITED

Schroder UTL European Alpha Plus Fund

Unit/Share type: **Acc/Inc** Fund type: **Unit Trust**

Investment Aims – The Fund's investment objective is to provide capital growth through investment in European and other companies. The emphasis of the Fund will be investment in European companies. The Fund may also invest in companies headquartered or quoted outside Europe where those companies have material or critical operations within or derive significant business from Europe. Fixed interest securities may be included in the portfolio. Investment will be in directly held transferable securities. The Fund may also invest in collective investment schemes, warrants and money market instruments.

Trustee	J.P. Morgan Trustee and Depositary Company Limited			
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,8,11	5.25%	1.50%	1.67%	4.67%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.70%	Dual	12:00	11:00	Europe Excluding UK

Schroder UTL Income Maximiser Fund

Unit/Share type: **Acc/Inc** Fund type: **Unit Trust**

Investment Aims – The funds investment objective is to provide income with potential for capital growth primarily through investment in equity and equity related securities of UK companies. The fund will also use derivative instruments to generate additional income.

Trustee	J.P. Morgan Trustee and Depositary Company Limited			
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
1,5,6,8,9,12	5.25%	1.50%	1.65%	4.69%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.72%	Dual	12:00	11:00	UK Equity Income

Schroder UTL UK Alpha Plus Fund

Unit/Share type: **Acc/Inc** Fund type: **Unit Trust**

Investment Aims – The fund's investment objective is to provide capital growth through investment in UK and other companies.

Trustee	J.P. Morgan Trustee and Depositary Company Limited			
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
8,11	5.25%	1.50%	1.65%	4.69%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.72%	Dual	12:00	11:00	UK All Companies

Schroder UTL US Mid Cap Fund

Unit/Share type: **Acc/Inc** Fund type: **Unit Trust**

Investment Aims – The fund's investment objective is to provide capital growth and income primarily through investment in equity securities of medium-sized US companies. Investment will be in directly held transferable securities. Investment will be in directly held transferable securities. The fund may also invest in collective investment schemes, warrants and money market instruments.

Trustee	J.P. Morgan Trustee and Depositary Company Limited			
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,8	5.25%	1.50%	1.68%	4.66%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.69%	Dual	12:00	11:00	North America

STANDARD LIFE INVESTMENTS LIMITED

Standard Life Investments Global Absolute Return Strategies Class R Fund

Unit/Share type: **Acc** Fund type: **Unit Trust**

Investment Aims – The Standard Life Investments Global Absolute Return Strategies Fund aims to provide positive investment returns in all market conditions over the medium to long term. The investment team who actively manage the fund have a wide investment remit to help them try to achieve this aim. The team look to exploit market inefficiencies through active allocation to highly diversified market positions. The fund manager utilises a combination of traditional assets (such as equities and bonds) and investment strategies based on advanced derivative techniques resulting in a highly diversified portfolio. The fund can take long and short positions in markets, securities and groups of securities through derivative contracts.

Trustee	J.P. Morgan Trustee and Depositary Company Limited			
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
2,3,4,8,9,13	4.00%	1.50%	1.60%	4.88%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.90%	Single	07:30	15:00	Absolute Return

Standard Life Investments UK Equity High Income Class R Fund

Unit/Share type: **Acc/Inc** Fund type: **OEIC**

Investment Aims – The fund aims to provide income and some capital growth over the longer term by investing in UK equities. The fund typically holds a concentrated portfolio of stocks and may also hold a proportion in fixed interest stocks to supplement the income of the fund. The fund is actively managed by our investment team, who will select stocks to try to take advantage of opportunities they have identified.

Trustee	J.P. Morgan Trustee and Depositary Company Limited			
Special Risk Factors	Standard Initial Charge	Annual Management Charge	TER	RIY ISA based on UGR ISA 7%
1,5,6,8,12	4.00%	1.50%	1.59%	4.89%
RIY UT/OEIC based on UGR UT/OEIC 6%	Single/Dual Priced	Valuation Pricing Time	Dealing cut Off time	Sector
3.91%	Single	07:30	15:00	UK Equity Income

Aims: Funds aim to offer an easy and convenient way for you to share in the potential of investment markets. They can:

- offer you an easy way of investing in line with your financial planning needs
- give you a share in a large range of investments by pooling your money with other investors, which helps to spread the risk
- enable you to benefit from the investment skills of professional fund managers who take care of all the day-to-day investment decisions on your behalf
- give you access to investments and markets that might be hard for you to access on your own

General risks: As well as offering many potential benefits, funds also carry risks. It's important for you to be aware of these risks before you invest. The risks below apply to all funds, while in the next section we have listed risks that can apply to specific types of funds. If you have any questions about these risks or if there's anything you don't understand, please speak to your adviser.

- The value of your investment and the income from it can go down as well as up. If a fund falls in value, you may not get back the amount you invested
- Most funds are intended as a medium to long-term commitment – usually five years or more. If you intend to invest for less than five years, a lower-risk product such as a bank or building society account may be more suitable
- Generally, returns on funds are not guaranteed. They will depend on the fund's investment performance
- Unless the performance of your investment meets or exceeds the rate of inflation, the real value of your money (what you can buy with it) will reduce
- Levels of taxation and tax relief are subject to change. The value of any tax relief will depend on your own individual circumstances
- For newly launched funds only: if the total amount invested into the fund by initial investors is lower than expected, the charges and expenses allocated to the fund may be proportionately higher, which will have an impact on investment growth

Specific risks: Below are risks that will only apply to certain funds. These have been supplied directly by the Fund Managers using the platform. You can see which of these risks apply to your chosen fund(s) in the Fund Details at the back of this document. Further information surrounding risks will be contained within the relevant fund prospectus which you can request from your adviser.
Alternatively, you should refer to the fund managers' simplified fund prospectuses available at **www.cofunds.co.uk/investors**.

1 Taking charges from capital
Part or all of the Manager's annual management charge and expenses may be charged to capital, rather than income of the fund, which could reduce the potential for capital growth. Your capital could also decrease if withdrawals exceed the growth rate of the fund(s).

2 Currency changes
For funds that invest overseas, exchange rate variations may cause the value of your investment to increase or decrease.

3 Specialist funds
Investments in certain funds, including emerging markets, specialist geographical areas, smaller companies and specialist sectors (such as technology and ethical stocks) tend to be more volatile. This is due to factors such as restrictions in those areas or possibly the size of the companies. Additionally, these funds can suffer from partial or total illiquidity, which may lead to considerable price fluctuations and the inability to redeem your investment. For investments in emerging markets these are usually considered to carry a greater degree of risk relating to dealing, settlement and custody practices, than investments in established markets.

4 Fixed interest securities
Funds that invest in fixed interest securities (corporate or government bonds). Unit values are sensitive to interest rate trends and/or inflationary expectations. An increase in medium to long-term interest rates is likely to reduce the value of your investment.

5 Income producing funds
Where an investment objective is to provide income, when income is paid out, there is minimal potential for capital growth especially over the medium to long term. Where a bond fund income/running yield is greater than the redemption yield, this may erode capital.

6 Adverse changes
Any adverse changes to perceived or actual solvency of organisations in which the fund invests may affect the fund's capital and therefore, any income paid by the fund.

7 Gross Redemption Yield
For funds comprising mainly bonds, the Gross Redemption Yield is normally quoted after all charges, but before tax has been deducted.

8 Equities
Whilst equity investments carry potential for greater returns over the longer term as opposed to investing in lower risk assets, the volatility on these returns can also be greater and the value of your capital is not guaranteed.

9 Derivatives
Fund managers may use derivative investments as part of their investment strategy. These may increase the fund's volatility, can cause disproportionate price fluctuations and may restrict potential gains in a rising market. Funds that primarily use derivatives as the main investment vehicle are considered higher risk.

10 Inadequate capital growth
If a fund invests in capital shares, income shares or zero dividend preference shares (Zeros); their value is at risk if the capital growth of the underlying assets that back these investments is inadequate.

11 Highly concentrated funds
The overall fund, or a significant portion of it, is invested in relatively few individual assets. Therefore, the performance of the fund is significantly influenced by the shares, fixed interest securities or properties of a relatively small number of companies or institutions.

12 Variable income
Where the main objective of the fund is to provide an income, the level of income is not guaranteed and will often vary from one payment to another.

13 Sub-investment grade corporate bonds
Funds that invest in higher-risk fixed interest securities, known as sub-investment grade bonds. These bonds have a lower credit rating and a higher risk of default than investment grade bonds. This means there is an increased risk that the value of your investment could fall.

14 Commercial property
Property assets can be difficult to buy or sell, the impact of this could mean cash remains uninvested, disposing of property at an unfavourable price, illiquidity of investments and reduced diversification if the size of the portfolio falls significantly.
Investors should be aware that their right to sell units may be suspended by the fund manager in situations where there is insufficient uninvested cash or assets which are readily realisable to meet investor demand for the sale of units. In addition rental growth is not guaranteed, rent default could have an adverse impact on performance.
Property valuations are based upon the opinion of independent property experts, not fact, so can be liable to revision, up or down.

15 Ethical
These funds are unable to invest in certain sectors and companies due to the ethical criteria used to select investments for the fund. This could mean that the fund is more volatile than funds which do not have these restrictions.

16 Aggressively managed funds
As this is an aggressively managed fund, investors should be prepared to accept a higher degree of risk than for a fund with a broader investment mandate.

17 Money market insolvency
The value of units may be adversely affected by insolvency or other financial difficulties affecting the banks and building societies with whom the fund's monies are deposited. These deposits are not protected by the Financial Services Compensation Scheme (FSCS).

18 Additional performance fee
The value of investment returns will be reduced by a 'performance' fee charged to the fund if the fund outperforms a pre-determined level of return. Full details of how this is calculated and charged are available from your adviser and within the fund's Scheme Particulars, Prospectus or Simplified Prospectus.

19 Close funds – minimum period
The Close protected unit trust funds give exposure to the movements of the stockmarket, with either 100% or 95% protection (depending upon fund choice) on a quarterly basis from falls, provided the investment remains intact across two consecutive quarter dates, i.e. for a full three month period. The selling price at the end of each period is to be no lower than the selling price at the start of the period for the 100 Fund, or a maximum of 5% lower for the 95.

20 Close funds – minimum selling price
For the Close 100 and 95 funds at the beginning of each quarter a minimum selling price is set for the Funds representing the protection on the units sold at this price. Instructions to sell must be received to coincide with the quarter days which are the third Fridays in March, June, September and December. Actual returns will depend on the stockmarket. No return is guaranteed and the return in any one quarter can be zero.

Questions and answers

Q. What types of funds are available on Cofunds?

The Cofunds platform offers you three types of funds, which are very similar but also have a few important differences. You can hold these funds in tax wrappers, such as ISAs, pensions and offshore bonds, for additional tax efficiency.

- **Open-Ended Investment Company (OEIC)** – An OEIC is a corporate structure that issues shares that track the value of its underlying portfolio of investments. These shares are normally re-valued every day in line with the portfolio's performance. Some OEIC funds focus on achieving capital growth by increasing their share price; others look to pay out an income too. Some OEICs comprise a single fund. Others have an 'umbrella' structure with a number of different sub-funds to invest in.
- **Unit Trust** – A unit trust is very similar to an OEIC but issues units, not shares. In legal terms, unit trusts have a trust structure rather than a company structure.
- **European Collective Investment Vehicle (ECIV)** – An ECIV is a fund domiciled in financial centres outside the UK, also often called 'offshore funds'. ECIVs include Luxembourg-based SICAVs (Société d'Investissement à Capital Variable – the Luxembourg equivalent of an OEIC) and Dublin-based OEICs. ECIVs are subject to local taxation and legislation. All ECIVs available on Cofunds are denominated in sterling.

Q. How are funds priced?

Funds can use either single or dual pricing: The impact of charges and expenses is shown for:

- **Single-pricing** – The price to buy or sell units is the same at any given time. If there is an initial charge, it will be taken separately.
- **Dual pricing** – The fund offers one price to sell you units or shares and another lower price to buy them back. The difference between the two covers the cost of dealing and any initial charge.

Q. What are the charges?

FUND MANAGER CHARGES

Standard Charges

The following charges may be taken by the fund managers on your chosen funds as standard:

- **Initial charge** – If an initial charge is applied, it will be deducted when you first invest into your chosen fund. It covers the initial cost of setting up the investment by the fund manager and may include a payment of commission to your adviser. If you have chosen to pay your adviser for their services via Cofunds, commission may not be included as part of the initial charge.

- **Annual management charge** – This covers the ongoing cost of managing a fund and is charged by the fund manager. Again, it may include commission to your adviser, which can be rebated if you and your adviser agree.
- **Additional charges and expenses** – These are additional costs that are not included in the annual management charge – such as depositary and trustee fees.

Discretionary Charges

The following charge can be applied at the discretion of the fund manager:

- **Dilution levy** – Single-priced funds don't include dealing costs in their price. If there is a very high volume of dealing in the shares or units, the fund manager can cover the extra dealing costs by applying a charge known as a dilution levy on buyers or sellers. Where a dilution levy is imposed, it will be detailed as a separate cost on your confirmation note

OTHER COSTS OF INVESTMENT

- **Stamp duty reserve tax (SDRT)** – All underlying collective investments in stocks and shares are subject to stamp duty reserve tax. A fund may be liable for stamp duty reserve tax at a rate of 0.5% on the sale of shares or units by investors. This cost may be paid by the fund. However, in some circumstances, the fund may make a provision for this on certain withdrawals and transfers. Any SDRT provision will be shown separately on your confirmation note.

Q. How will charges and expenses affect my investment?

The tables overleaf are designed to show you how charges and expenses might affect the performance achieved on a fund. These relate to charges made by a fund manager and are not charges made by Cofunds.

The impact of charges and expenses is shown for:

1. A growth OEIC fund

2. An income unit trust

Both examples show the impact if a) investing through a tax-efficient ISA and b) investing directly into a fund.

Example 1: A growth OEIC fund

Assumptions

These are assumptions made for the purposes of this illustration. The actual charges and expenses, income yield and growth rates you experience on your chosen funds may be higher or lower.

Initial charge	5.00%
Annual management charge	1.50%
Additional charges and expenses	0.21%
Annual growth rate	7%pa for ISA, 6%pa for direct
Type of units	Accumulation
Annual charges and expenses deducted from	Income

Table 1a) Growth OEIC – direct into an ISA

	Total money invested to date		Effect of deductions to date £		What you might get back at growth of 7%pa £	
At end of year	Lump sum investment of £5,000	Monthly saver £100pm	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver
1	5,000	1,200	354	73	4,990	1,170
3	5,000	3,600	597	303	5,520	3,700
5	5,000	6,000	897	661	6,110	6,490
10	5,000	12,000	1,960	2,340	7,870	14,800

The bottom line in the table above shows that over 10 years, the total effect of charges and expenses could amount to £1,960 for someone investing a single lump sum of £5,000 or £2,340 for someone investing £100 a month. If the growth rate for the fund was 7% a year, which is not guaranteed, these costs could have the effect of reducing the growth rate to 4.65% a year for the lump-sum investor and to 4.20% a year for the monthly investor.

Table 1b) Growth OEIC – direct into fund

	Total money invested to date		Effect of deductions to date £		What you might get back at growth of 6%pa £	
At end of year	Lump sum investment of £5,000	Monthly saver £100pm	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver
1	5,000	1,200	350	73	4,950	1,160
3	5,000	3,600	581	297	5,370	3,640
5	5,000	6,000	856	642	5,830	6,330
10	5,000	12,000	1,780	2,190	7,160	14,100

The bottom line in the table above shows that over 10 years, the total effect of charges and expenses could amount to £1,780 for someone investing a single lump sum of £5,000, or £2,190 for someone investing £100 a month. If the growth rate for the fund was 6% a year, which is not guaranteed, these costs could have the effect of reducing the growth rate to 3.67% a year for the lump-sum investor and to 3.21% a year for the monthly investor.

Example 2: An income unit trust

Assumptions

These are assumptions made for the purposes of this illustration. The actual charges and expenses, income yield and growth rates you experience on your chosen funds may be higher or lower.

Initial charge	5.25%
Annual management charge	1.50%
Additional charges and expenses	0.04%
Annual growth rate	7%pa for ISA, 6%pa for direct
Gross income yield	4.50%
Type of units	Income
Annual charges and expenses deducted from	Capital

Table 2a) Income unit trust – into an ISA

	Total money invested to date £		Total income paid out to date £		Effect of deductions to date £		What you might get back at growth of 7%pa £	
At end of year	Lump sum investment of £5,000	Monthly saver £100pm	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver
1	5,000	1,200	231	41	393	83	4,720	1,110
3	5,000	3,600	696	288	609	324	4,750	3,370
5	5,000	6,000	1,160	758	856	676	4,790	5,640
10	5,000	12,000	2,350	2,910	1,650	2,150	4,880	11,300

The bottom line in the table above shows that over 10 years, the total effect of charges and expenses could amount to £1,650 for someone investing a single lump sum of £5,000 or £2,150 for someone investing £100 a month. If the growth rate for the fund was 7% a year, which is not guaranteed, these costs could have the effect of reducing the growth rate to 4.57% a year for the lump-sum investor and to 3.98% a year for the monthly investor.

Table 2b) Income unit trust – direct into fund

	Total money invested to date £		Total income paid out to date £		Effect of deductions to date £		**What you might get back at growth of 6%pa £**	
At end of year	**Lump sum investment of £5,000**	**Monthly saver £100pm**	Lump sum investment	Monthly saver	Lump sum investment	Monthly saver	**Lump sum investment**	**Monthly saver**
1	**5,000**	**1,200**	229	40	390	83	**4,670**	**1,110**
3	**5,000**	**3,600**	684	285	592	319	**4,620**	**3,320**
5	**5,000**	**6,000**	1,130	745	817	657	**4,570**	**5,500**
10	**5,000**	**12,000**	2,230	2,820	1,500	2,020	**4,440**	**10,800**

The bottom line in the table above shows that over 10 years, the total effect of charges and expenses could amount to £1,500 for someone investing a single lump sum of £5,000, or £2,020 for someone investing £100 a month. If the growth rate for the fund was 6% a year, which is not guaranteed, these costs could have the effect of reducing the growth rate to 3.59% a year for the lump-sum investor and to 2.99% a year for the monthly investor.

Platform Key Information Document: The Cofunds investment platform enables you and your intermediary to manage and administer your investments in one place. Cofunds Limited is authorised and regulated by the Financial Services Authority under FSA Registration No.194734.
This document gives you an overview of the services provided by Cofunds. The information that follows is accurate to the best of our knowledge and belief as at 01/12/2010.
This document should be read alongside the Terms and Conditions of the Cofunds Platform as well as the relevant product Key Features Documents and/or Fund Prospectuses/Key Investor Information Documents, which provide detailed information about your investments and a helpful glossary of the terms used in this document. The Your Guide to Cofunds https://www.cofunds.co.uk/docs/IFISAKFD.pdf also provides useful information about the Cofunds platform.
For more information on investment platforms in general or more specific information on Cofunds, please contact your financial intermediary.

1. ABOUT THE COFUNDS PLATFORM

How long has the platform been in operation?: Cofunds was founded in 2001. Cofunds was one of the first platforms to enter the market, and so has long experience in helping financial intermediaries and their clients to manage investments more easily. Cofunds was founded in direct response to the need for an independent platform provider offering the administration of investment funds.

Who uses the platform?: Number of investors who use the service: 500,000. Assets under administration at Q3 2010 (£): 28.6bn.

Cofunds is the largest independent investment platform, and is used by more investors and intermediaries to administer their assets than any other platform not owned by a product provider.

What is the ownership structure?: Cofunds is a private limited company.

How financially secure is the platform?: Its shareholders are:
Legal & General 25%, IFDS 24%, Newhouse Capital Partners 18%, Threadneedle 20%, Jupiter 10%, Prudential 3%

Cofunds is backed by some of the largest financial institutions in the UK, so you can be confident in its financial security, robust infrastructure, knowledge and expertise.

As an independent platform, Cofunds can work with the best product providers to bring together a top quality range of products and services designed to suit its users - without limits on access to products or funds.

What is the role of the platform in my investment?: The Cofunds platform is designed to enable financial intermediaries and their clients to manage their investments more easily.

Through your intermediary, you can instruct us to buy, sell and switch collective investment funds (available in a number of tax wrappers – see section 2 below) directly with the fund manager.

We are responsible for holding your investments safely on your behalf. Cofunds has a separate subsidiary company, Cofunds Nominees Ltd, which is dedicated to holding your investments separately from Cofunds' own corporate assets and prevents Cofunds from mixing investors' money with its own.

We also offer an individual savings account (ISA), and act as an ISA plan manager on investors' behalf.

We do not assess or advise on the suitability or appropriateness of your investments nor do we provide investment management services. This is the role of your nominated intermediary.

Others involved in your investment: INTERMEDIARY: Arranges to buy and sell investments on your behalf, and may provide other ongoing services. Cofunds only operates with intermediaries authorised and regulated by the Financial Services Authority (FSA).

BANK: Responsible for holding investors' money in separate accounts while the money awaits investment in or settlement by funds. This ensures that the platform cannot mix investors' money with its own. Cofunds uses a number of banks to spread the risk.

PRODUCT PROVIDERS:

(a) Parties who offer savings and investment wrappers, such as ISAs and pensions.

(b) Fund managers who allow access to their funds, where investors' money is pooled together and invested according to the managers' strategy.

2. DETAILS OF PLATFORM SERVICE

Who is this platform designed for?: Our service is aimed at all UK residents who wish to invest to meet their savings goals. You need to nominate an intermediary in order to use the Cofunds service.

What investments are available?:

Product wrappers	**Cash Services**	**Asset classes**
Stocks and shares Individual Savings Account (ISA) Personal Pension Self-Invest Personal Pension (SIPP) UK Investment Bond International Investment Bond	Cofunds Cash Account Cash accounts within product wrappers: ISA cash reserve, CPA Pension Trading Account	UK investment funds Luxembourg SICAV Dublin-based OEICs

How much can I invest/What are the investment limits?:

Investment funds: you must invest a lump sum of £1,000 per fund or as a regular saver invest £100 per month.

Investment ISA: you must invest a lump sum of £1,000 or as a regular saver invest £50 a month. In the 2010/2011 tax year the maximum you can invest into an ISA is £10,200.

Can I move existing investments onto the platform?: Yes, you can move your existing investments onto the platform.

You can re-register your existing investment funds, which means that you will not need to sell out of the funds in order to invest in them again on the Cofunds platform – you can simply transfer them across. This can reduce the risk of exit fees and potential tax penalties for some products and make the move faster and more economical.

You can transfer an ISA onto the platform – however, as a Cash ISA is not available, if you transfer a Cash ISA it will be converted to a stocks and shares ISA.

You can also transfer your investments in a pension using one of the personal pension products offered on the platform.

2. DETAILS OF PLATFORM SERVICE continued

How can I take my money off the platform?: Account linking: You can link your bank account to your platform cash account to make moving your money on and off platform easier and to help you to manage your income.

How can I take income from my investments?: Regular withdrawals: You can set up regular withdrawals from your investment via a cash account linked to investment products.

Taking income: You can select to be paid regular income from your investment products.

Cashing in: You can cash in your investment within seven business days, subject to the availability from the fund manager. This can be restricted by fund product/type – check the product and/or fund key features for details.

Can I change my investments at any time?: Yes, you can change your investments at any time.

You can buy and sell investments at any time – please instruct your nominated intermediary.

You can also switch between funds at any time to alter your investment strategy, respond swiftly to market conditions or take advantage of new investment opportunities. Please instruct your nominated intermediary.

What information will I receive about my investments?:

- Confirmation of transactions – provided for every individual transaction on the next business day after completion of the transaction. Where you have arranged regular transactions we provide a consolidated confirmation if you have not seen confirmation within the last six months.
- Statement and valuation – annually
- Tax statement – annually
- Distribution tax vouchers – as applicable
- Online account information – 24 hours, 7 days a week; access to this is granted by your intermediary

Can I cancel at any time?: Your ability to cancel depends on the specific terms of the underlying product.

You can find these terms in the relevant product Key Features Documents and/or Fund Prospectuses/Key Investor Information Documents.

Can I move my investments off the platform?: You can re-register investment funds off the platform. This means that you do not need to sell out of the funds in order to invest in them again off the platform – you can simply transfer them across. This can reduce the risk of exit fees and potential tax penalties for some products and make the move faster and more economical.

ISA only – Please note that currently, investment funds held within an ISA wrapper must be individually sold before a transfer out can be made, as re-registering your ISA off-platform is not available.

3. EFFECT OF CHARGES

What fund manager charges will I pay?: Initial charge – the amount a fund manager charges for your first investment into their fund.

Annual management charge plus additional charges and expenses - the amount a fund manager charges every year for the administration of their fund.

What will I pay my intermediary?: Your intermediary may take initial and renewal commission on your investment from the fund manager (paid through Cofunds), or, if you are receiving ongoing advice, you must agree the terms on which your intermediary will be paid at the outset.

What is the cost of investing through the platform?: You pay the same fund charges when you invest through the platform as you would if you invested with the fund manager directly.

However, the Cofunds platform will charge to cover the administration of some services. See below for details.

What platform services will I pay for?:

Switching charge – If you switch your investment between directly-held funds or between funds held in an ISA, Cofunds will apply a charge of 0.25% of the amount of money you are switching.

Shareholder/unitholder meetings – For the Cofunds Investment ISA, you have the right to attend and vote at shareholder meetings of companies in which you hold shares. You can request to be notified of voting events, and you can request Cofunds to exercise voting rights on your behalf. Each request will incur a £20 charge to cover our administration costs.

Paper copies of reports & accounts – You can view investment funds' reports and accounts for free online at **https://investors.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx**. You can request paper copies from your intermediary. If you write to us for paper copies, a £20 administration charge will apply.

Void ISA – If we have to void your ISA due to an error on your part, we will charge £100 to cover our administration costs.

What other payments does the platform receive?:

Initial charge – Cofunds receives a proportion of the initial charge from the fund managers. We receive between 0% and 0.75% of the investment amount as our proportion of the fund manager initial charge, with an average of 0.09%.

Annual management charge – The fund managers will pass Cofunds a proportion of their annual management charge. Cofunds receives between 0.1% and 0.4% of the value of assets in each fund administered by Cofunds, with the average being 0.25%.

Interest on money held on the client's behalf – Cofunds may earn interest on all money held on the client's behalf, for example, on money awaiting investment. Depending on the type of account in which the money is held, you may be paid a portion of this interest. The rate of interest earned is the current Bank of England base rate minus 0.4%, or zero – whichever is higher.

Generic illustration of how charges are taken: The example below illustrates how Cofunds is paid for its services. The items in bold are retained by Cofunds.

Example – £10,000 invested in an ISA in a typically priced investment fund

Investment Amount:			£10,000
Fund manager initial charge	5.00%		£500
• Retained by fund manager	1.25%	£125	
• Commission paid to the intermediary by the fund manager	3.00%	£300	
• **Received by Cofunds**	**0.75%**	**£75**	
Fund manager annual management charge	1.50%		£150
• Retained by the fund manager	0.60%	£60	
• Commission paid to the intermediary by the fund manager	0.50%	£50	
• **Passed to Cofunds by the fund manager**	**0.40%**	**£40**	
Total charges paid by the investor			£650
Total amount paid to Cofunds			**£115**

4. OTHER IMPORTANT INFORMATION

Are there any potential conflicts of interest?: As far as possible, all conflicts are managed to safeguard the interests of the investor.

Examples of conflicts that may arise are:

a) Receipt and provision of business, entertainment and gifts – we provide your nominated intermediary with support materials and may offer corporate hospitality and gifts. These will always be in line with our regulator's guidance.

b) Receipt and provision of commission and other benefits – we may pay commission to third parties such as intermediaries for the introduction of business to us – these will be disclosed to you where required

Are there any other risks?:

INVESTMENT RISK

Buying, selling and investing in shares and funds is never without risk. The value of investments or income from them may go down as well as up. You may not necessarily get back the amount you originally invested.

PLATFORM RISK

One of the reasons why a platform like Cofunds can administer your investments efficiently is that it pools investors' money together when investing with fund managers. This means that although you are always entitled to receive the full value of your investment, the fund units are registered in the name of Cofunds Nominee with the fund manager. Your individual holding is therefore not visible to each fund manager – they only see Cofunds' name on their register. Whilst we do maintain a full list of the individual investors and check this against the fund managers' registers on a regular basis, there is a risk that if Cofunds went out of business, you may not get back the full value of your investment.

How do I make a complaint?: If you have a complaint about our services or products, please send a letter to Head of Customer Experience, Cofunds Limited, PO Box 1103, Chelmsford, CM99 2XY. If you are unsatisfied by how we have dealt with your complaint and meet the FSA's criteria, you will be able to refer your complaint against us to the Financial Ombudsman Service. We will let you know when and how you can do this.

If Cofunds loses my money, can I get compensation from the Financial Services Compensation Scheme?: You may also be able seek compensation from the Financial Services Compensation Scheme for up to £50,000 if we become unable to repay a loss we have caused you. From 31st December 2010 the limit is being raised to £85,000.

Key Features of the Cofunds Investment ISA:

This document provides you with information about the Cofunds Investment ISA (Individual Savings Account). This is a stocks and shares ISA that can be used to hold funds available on the Cofunds platform in a tax efficient way.

The Financial Services Authority is the independent financial services regulator. It requires Cofunds to give you this important information to help you to decide if investing through the Cofunds Investment ISA is right for you.

This document is important as it governs your rights as an investor. You should read it carefully so that you understand what you are buying, and then keep it safe for future reference. If you are unsure about any of the information provided, or have any questions, please speak to your intermediary who will be able to help you.

Its aims: The Cofunds Investment ISA aims to provide capital growth and income over the medium to long term. You can access your money at any time. Within the ISA, you can invest in the wide range of funds available on the Cofunds platform.

Your commitment: You must invest into one or more funds within the Cofunds ISA up to the current tax year limits, across all your ISA products. You may not open another stocks and shares ISA with another provider in the same tax year.

Risks: When you use the Cofunds Investment ISA your main risk is that the value of the funds in which you have invested may go down in value. For risks specific to each fund, please see the relevant Fund Key Features.

Lastly the tax treatment of ISA may change so that investing in funds through the Cofunds Investment ISA is no longer a tax efficient option.

Charges: Cofunds does not charge you for holding your ISA wrapper on the Cofunds platform. However, some platform charges may apply – please see the Cofunds Platform Key Information Document for more information. Please see the Fund Key Features Document for fund charges that may apply.

Questions and Answers

Q. Can I open a Cofunds Investment ISA?

To invest in the Cofunds Investment ISA you need to:

- be aged 18 or over
- be resident and ordinarily resident in the UK for tax purposes, unless you are currently a Crown employee or their spouse or civil partner

Q. Can the Cofunds Investment ISA be held jointly?

An ISA is for an individual – it cannot be held jointly.

Q. Does Cofunds offer a cash ISA?

No, although you can take out a cash ISA with another provider, provided that you don't invest over £10,200 between both your cash and stocks and shares ISAs.

Q. What's the minimum I can invest?

Lump sum: £1,000 per fund

Further top-ups: £500

Regular savings: £50 per fund a month

Q. What's the maximum I can invest?

The current ISA annual allowance is £10,200 for the 2010/11 tax year. This will increase annually in line with the Retail Price Index (RPI). This limit includes all ISAs you hold in any single tax year.

Q. How can I use my ISA allowance in the current tax year?

- You can invest the whole of your annual ISA allowance in a stocks and shares ISA, such as the Cofunds Investment ISA
- Alternatively, you can invest up to half your allowance in a cash ISA (please remember that Cofunds does not offer a cash ISA)
- If you do not use the whole of your cash ISA allowance in a particular tax year, you can put the remainder in a stocks and shares ISA to bring you up to your annual allowance. In this way, you can split your allowance between cash and stock-market-based investments to meet your needs.

Holding cash

Q. Can I hold cash in my Cofunds Investment ISA?

Yes, the Cofunds Investment ISA includes a service called the Cash Reserve, which allows you to put your ISA allowance into the ISA without having to invest it right away, and allows you to temporarily take your money out of stock-market investments if you are not happy with them.

However, if cash held in the Cash Reserve is not invested in a reasonable period of time, HMRC may require Cofunds to return it to you, which means you could lose all or a proportion of your ISA allowance and associated tax benefits.

Money held in the Cash Reserve may earn interest – for current interest rates on the Cash Reserve please go to **www.cofunds.co.uk/docs/cofundsrates.pdf**

If you do not have online access, please ask your intermediary for details.

Transferring ISAs

Q. Can I transfer other ISAs into my Cofunds Investment ISA?

Yes, you can transfer existing stocks and shares ISAs and cash ISAs held with other providers into the Cofunds Investment ISA. Cofunds does not make a direct charge to you for ISA transfers.

1. Transferring ISAs from previous tax years

You can transfer ISAs set up in previous tax years to the Cofunds Investment ISA without affecting your current ISA allowance. You can transfer as many ISAs as you wish to Cofunds

2. Transferring ISAs from the current tax year

Stocks and shares ISA – If you have set up a stocks and shares ISA with another provider in the current tax year and then decide you would prefer to hold it with Cofunds, you must transfer the full amount, as you can only have one stocks and shares ISA in the current tax year. The amount subscribed will be treated as part of your current tax year ISA allowance.

Cash ISA – You can transfer a cash ISA opened in the current tax year to the Cofunds Investment ISA. Again, the amount subscribed will be treated as part of your current tax year ISA allowance.

Q. How do I transfer my existing ISA to Cofunds?

ISA transfers can take place by re-registering funds or as cash.

- Re-registration of funds: If you wish to keep the same choice of funds when you transfer your ISA, it may be possible for you to re-register them. This means that the funds will simply be moved to sit within your new Cofunds ISA. To do this the funds will need to be available on the Cofunds platform and your existing ISA manager must support fund re-registration. Your money will remain fully invested in the funds and no initial charges will apply.
- Cash transfers: If the existing ISA manager doesn't support fund re-registration or you want to have a different choice of funds, the funds you currently hold in your ISA will be sold. The cash proceeds will then be transferred directly to Cofunds to purchase the funds of your choice.

A 'cash transfer' requires your investments to be sold then reinvested. Please be aware that:

- You may lose out on income or investment growth while your money is not invested during the transfer period
- Initial charges may apply when new funds are purchased through the Cofunds Investment ISA
- You won't have access to your ISA until the cash transfer is complete.
- Your existing ISA manager may charge an exit fee. Please check with them or a financial intermediary regarding the costs of transferring an ISA

Q. Can I transfer to another provider?

You can transfer your Cofunds Investment ISA to another ISA manager. However, you need to make a formal ISA transfer through Cofunds – do not attempt to cash in your ISA yourself, or your investment will lose its tax-exempt status. Cofunds will require a completed transfer authority form from your new ISA manager. You cannot transfer a stocks and shares ISA into a cash ISA.

ISA transfers from Cofunds to another provider can only be completed by selling out of all your existing investments, and transferring the cash to the new ISA manager. You may lose opportunities for investment growth through this process. You will not have access to your ISA until the re-registration is complete.

Managing your ISA

Q. Can I take money out of my ISA?

Yes, you can make withdrawals at any time, which can be paid into your bank account, sent to you by cheque or transferred into your Cofunds Cash Account. You can request a withdrawal from your Cofunds Investment ISA through your intermediary or by writing directly to Cofunds.

Q. Do I need to complete an application for my existing Cofunds Investment ISA every new tax year?

No, your existing ISA will continue to be invested until you provide Cofunds with instructions otherwise

Tax treatment

Q. What is the tax treatment of ISAs?

All income and growth generated by your ISA investments is free of personal UK income and capital gains tax. There is also no requirement to declare ISA income or profits on your tax return. Any losses made in an ISA cannot be set against gains elsewhere in your portfolio for tax purposes. You can withdraw money from your ISA – however, you cannot reinvest it in an ISA, so it will lose its tax efficient status, and will count as part of your taxable assets.

Please note, ISAs do not offer protection from inheritance tax. On death ISAs cease but the value of the investment may still be included in an estate for tax purposes.

A 10% tax applies on dividend distributions on UK shares. This is not reclaimable under current HMRC ISA rules, even by non-taxpayers. Tax treatment depends on the individual circumstances of each investor and may change in the future.

Changing your mind

Q. What happens if I change my mind about setting up an ISA?

If you wish to cancel your ISA, you must inform Cofunds in writing within 14 days of receipt of your confirmation notice. Please send your cancellation request to: Cofunds, PO Box 1103, Chelmsford, CM99 2XY.

Provided you cancel within the 14-day period, your cash will be returned to you – subject to the conditions below – and your ISA allowance will be unaffected. Please note:

- If the value of your chosen investment falls between the date your subscription was invested and the date Cofunds receives your instruction to cancel, you may not receive a full refund of the amount you have invested
- If the value of your investment rises between these two dates, you will only receive back the amount invested
- Interest will not be paid on money held in the Cash Reserve. Before sending you your money, Cofunds may need to carry out additional security checks and ensure all payments have been cleared, which may delay payment to you

Withdrawing after 14 days

You will not be able to cancel your ISA outside of the 14-day period. If you wish to withdraw after this period, your original contribution will count towards your ISA allowance for the current tax year, and fund management charges will apply.

Cancelling an ISA transfer

The 14-day period also applies to ISA transfer requests. Provided you cancel within the 14-day period, you will be given the option of transferring the ISA back to your previous ISA manager or receiving the value of your ISA as cash – which means it will lose its tax-exempt ISA status.

Please note, if you transfer your cash ISA to Cofunds, it will be converted into a stocks and shares ISA. If you then decide to exercise your cancellation rights, it cannot be transferred back into a cash ISA.

Q. How can I complain?

If you have a complaint about our Investment Funds Products, please send a letter to Head of Customer Experience at Cofunds , PO Box 1103, Chelmsford, CM99 2XY. If you are eligible, we will let you know when you can refer your complaint to the Financial Ombudsman service and how to do so.

Q. Can I get compensation from the Financial Services Compensation Scheme?

If you meet the eligibility criteria of the Financial Services Compensation Scheme you will be able to seek compensation from the Financial Services Compensation Scheme for up to £50,000 should we become unable to meet our liabilities to you.

Key Features of Investment Funds:

This document provides you with information about investing into investment funds. The Financial Services Authority is the independent financial services regulator. It requires Cofunds to give you this important information to help you to decide if investing in investment funds is right for you. This document is important as it governs your rights as an investor. You should read it carefully so that you understand what you are buying, and then keep it safe for future reference. If you are unsure about any of the information provided, or have any questions, please speak to your intermediary who will be able to help you.

Investment funds aims:

Cofunds aims to allow you to invest directly into a wide range of funds with access to a broad range of underlying investments.

Your commitment

Typically, investing in funds is a medium to long-term investment of at least five years, in line with the aims for the fund and the objectives set by the fund manager.

Risks

When you use our Investment Funds Product your main risk is that the value of the funds in which you have invested via our Investment Funds product may go down in value. For risks specific to each fund, please see the relevant Fund Key Features.

Charges

Cofunds does not charge you for holding investment funds on the Cofunds platform, although there may be charges payable for platform services, such as for switching between funds. Please see the Cofunds Platform Key Information Document for details of our charges. Additionally, see the Fund Key Features Document for charges made by the fund manager.

Questions and Answers

General

Q. What are the main features of investing directly into investment funds?

- You are not subject to limits on how much you can invest
- You are not usually subject to restrictions on when you can access your money
- Investment funds can be held in a legal trust on behalf of the beneficiaries
- Companies and joint holders can invest, as well as individuals, however note that applications from overseas may be refused by some funds – please contact the fund manager to confirm your eligibility

Q. What's the minimum and maximum I can invest?

Investment Limits	Minimum	Maximum
Lump sum (further top-ups)	£1,000 (£500 per fund)	No maximum
Regular savings	£100 per fund a month	No maximum

Q. Can I use my Cofunds Cash Account to pay for my investment?

Yes, money held in your Cofunds Cash Account can be used to pay for investments in directly-held funds.

Q. Can investments be held jointly by individuals?

Yes, up to four individuals can hold investment funds on Cofunds.

Taxation

Q. How will I be taxed on my investment?

1. Income tax

The tax treatment on investment funds will depend on the type of fund you hold. In all instances though, higher-rate taxpayers will have a further tax liability to pay:

Unit trusts and OEICs

The treatment of income will depend on whether a fund is dividend-paying or interest-paying:

- Income on dividend-paying funds is paid net of 10% tax which cannot be reclaimed, even by non-taxpayers
- Income on interest-paying funds is paid net of 20% tax. If you are a non-taxpayer, this tax can be reclaimed European Collective Investment Vehicles (ECIVs) The taxation treatment for unit trusts and OEICs is applicable to ECIVs but distributions may be paid gross, without deduction of any tax. You will need to declare this income on your tax return. It will be subject to tax as overseas dividends at the applicable rate of income tax.

Please speak to your intermediary for further information.

2. Capital gains tax

If you sell your investment any growth may be subject to capital gains tax if you exceed your annual capital gains tax allowance. Please speak to your intermediary about your annual allowance.

3. Non-personal tax

Different taxation rules apply when investments are held by other types of investors, for example trusts and corporate investors. Please speak to your intermediary for further information.

By investing directly into investment funds, you may have a greater tax liability than if you invest directly through a tax wrapper such as an ISA or pension. To help you complete your tax return, Cofunds will send you a consolidated tax voucher with your annual statement, detailing all relevant income and tax deductions over the year.

Tax treatment depends on the individual circumstances of each investor and may change in the future.

Transfers

Q. Can I transfer funds that I hold elsewhere to Cofunds?

Yes, funds held elsewhere can be transferred to Cofunds provided they are also available on Cofunds. Your money will remain invested and will simply be re-registered in the name of Cofunds Nominees Ltd. This should not incur an initial charge (i.e. the charge that is normally payable to the fund manager when arranging a new fund investment). Note that your existing ISA manager may charge an exit fee – check with your ISA manager or consult a financial intermediary if you wish to know more about the costs of transferring investment funds.

Q. Can I transfer (re-register) my funds out of Cofunds?

Yes, you can re-register your investment funds out of Cofunds to another provider.

Changing your mind

Q. What happens if I change my mind?

Should you wish to cancel your investment, you must inform Cofunds in writing within 14 days of receipt of your confirmation notice. Please send your cancellation request to:

Cofunds , PO Box 1103, Chelmsford, CM99 2XY

Please note:

- If the value of your chosen investment falls between the date your subscription was invested and the date Cofunds receives your instruction to cancel, you may not receive a full refund of the amount you have invested
- If the value of your chosen investment rises between these two dates, you will only receive back the amount invested

Before sending you your money, Cofunds may need to carry out additional security checks and ensure all payments have been cleared, which may delay payment to you.

Withdrawing after 14 days

You will not be able to cancel outside the 14-day period. If you wish to withdraw after this period then all fund management charges will apply and there may be a potential tax liability applied to your investment.

Cancelling a fund transfer

The 14-day period also applies to re-registration requests. Provided you cancel within the 14-day period, you will be given the following options:

- Transfer your investment back to the previous fund manager – Cofunds will require confirmation of your client account number with the fund manager in question. If you do not supply your account number Cofunds may not be able to re-register your investment
- Cancel the contract and return your money to you – If you choose this option you may be subject to capital gains tax Please indicate in your cancellation letter which of these options you would like to follow

Q. How can I complain?

If you have a complaint about our Investment Funds Products, please send a letter to Head of Customer Experience at Cofunds, PO Box 1103, Chelmsford, CM99 2XY. If you are eligible, we will let you know when you can refer your complaint to the Financial Ombudsman service and how to do so.

Q. Can I get compensation from the Financial Services Compensation Scheme?

If you meet the eligibility criteria of the Financial Services Compensation Scheme you will be able to seek compensation from the Financial Services Compensation Scheme for up to £50,000 should we become unable to meet our liabilities to you.

Terms and Conditions of the Cofunds Platform

Definitions

These definitions apply to all the sections in the Terms and Conditions of the Cofunds Platform.

Except where the context requires otherwise, the following expressions have the meanings set out below:

Account: The account that we open in your name to record investments that you make through the Cofunds Platform.

Administration Address: Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.

Application: An application completed by you or on your behalf to invest in the Account through an ISA, Investment Funds.

Assets: Investments, income, interest, cash balances and any other rights and entitlements from time to time held within your Account.

Bank: The bank or banks appointed from time to time by Cofunds to provide banking services to the Cofunds Platform. Full, up to date details of the banks with which money is held can be obtained by contacting your Nominated Intermediary or visiting the Cofunds website at **www.cofunds.co.uk/docs/cofundsrates.pdf**.

Business Day: Any day when the London Stock Exchange is open for business.

Cash Reserve: A Client Account within your ISA used solely for money destined for eventual investment in one or more of the Funds offered by Cofunds.

Client Account: A bank account held by us with the Bank, which is only used to hold client money.

Cofunds Cash Account: An interest paying Client Account.

Cofunds Client Reference: The number assigned to the account we hold in your name to record investments you make through Cofunds.

Consolidated Income Account: A Client Account which temporarily holds distributions pending payment to your Nominated Bank Account.

Current Year Account: A separate ISA containing only Assets representing your subscriptions made in the current Year.

Dealing Cut-off Time: The time by which an instruction needs to be processed in order to be placed at the next Valuation Pricing Time.

Fund(s): An authorised unit trust, recognised scheme or open-ended investment company (or sub-fund thereof) we specify as available for investment within your Account.

FSA: The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

Income: All payments received as income including any tax payments we reclaim for your Account.

Intermediary: A person authorised by the FSA to conduct investment business, including acting as a financial adviser.

ISA: An Individual Savings Account managed under the ISA Regulations.

ISA Manager: Cofunds Limited, acting in its capacity as manager of your ISA.

ISA Regulations: The Individual Savings Account Regulations 1998, as amended, supplemented and modified from time to time.

Joint Holders: A maximum of four persons who can invest in the same investment.

Model Portfolio: A selection of funds chosen by an Intermediary and designed by them to achieve a particular investment strategy, which they can make available to you. For more information on Model Portfolios, please speak to your Intermediary.

Monies: Any client money held within the Cofunds Cash Account, Consolidated Income Account and Cash Reserve for the purposes of future investment into and withdrawal from Funds.

Nominated Bank Account: A UK bank or building society account of yours which is associated with your Account at Cofunds as in section A.3 (see page 5).

Nominated Intermediary: An Intermediary nominated by you, who is authorised by you to give instructions on your behalf on all matters concerning your Account. You may or may not have consulted with this Intermediary for advice and may deal with them on an execution only basis.

Nominee: A wholly owned subsidiary of Cofunds Limited which acts as a nominee company and for which we accept full responsibility.

Ombudsman: The Financial Ombudsman Service who may be contacted at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

Platform Account Reference: The number assigned to your Cofunds Cash Account used for payments into and out of the Cofunds Cash Account.

Primary Holder: The first named applicant on a Cofunds Application form.

Rebalance: A service which may be made available by your Intermediary that enables them to align and maintain your fund holdings to the funds and percentages specified in a Model Portfolio.

Registered Office: Cofunds Limited, 1st Floor, 1 Minster Court, Mincing Lane, London EC3R 7AA.

Terms: These Terms and Conditions, as from time to time amended, together with your Application. The Terms and Conditions will take precedence if the two differ.

Units: Units or shares of any class in a Fund, including any fractions or decimals of units.

Valuation Pricing Time: On a Business Day, the time set by the fund managers when the Fund is valued and the price of units set.

We, us and our: Cofunds Limited ("Cofunds").

Year: A year beginning on 6 April and ending on the following 5 April. This is commonly known as the tax year.

You and your: A person (including trustees, a company and any other legal entity) who invests in an Account through Cofunds.

A. Terms and Conditions of Cofunds Platform Services

These Terms and Conditions set out the legal agreement that applies to your investment through the Cofunds Platform.

A.1 Our Role

1.1 General Cofunds provides facilities for investing in Funds from a range of different providers and for keeping track of your investment.

You can use Cofunds to invest in Funds directly or through the Cofunds Investment ISA. Within each product you can make additional investments, switch Funds and (where permitted under tax legislation) arrange to receive regular income from your investments.

Cofunds complements the service provided by your Nominated Intermediary, who is responsible for all advice and financial planning services that you require. Cofunds does not review your portfolio and does not give advice about investments.

All transactions through Cofunds, and all reporting by Cofunds on your investments, are arranged through your Nominated Intermediary or through online access to Cofunds, where available.

1.2 Address Correspondence about our service should be sent to the Administration Address.

1.3 Information required by Cofunds You must give us all information which we reasonably request to manage your Account and tell us promptly if you change your permanent residential address or wish to change your Nominated Bank Account or Nominated Intermediary.

1.4 Regulation We are authorised and regulated by the FSA for investment business. Our FSA registration number is 194734 and you can check this on the FSA website at **www.fsa.gov.uk/register** or by contacting the FSA on 0845 606 1234.

1.5 Client Classification We classify you as a "retail client" under FSA rules. This means you will receive the highest level of regulatory protection available under those rules as amended from time to time.

A.2 Opening an Account with Cofunds

2.1 Cheques All payments by cheque must be made payable to Cofunds Limited and must be drawn on an account in your name or a joint account on which you are one of the joint account holders. For building society cheques, your name must appear on the front of the cheque (e.g. Cofunds Limited: A.B Smith) or on the back accompanied by the building society's official stamp and signature.

2.2 Initial investment Your initial investment(s) will be made in accordance with your Application. Please see section A.4 of these Terms for further details of how money is invested. We will also set up any arrangements for regular investments or regular withdrawals that you request in your Application. Any Monies which we do not have immediate instructions to invest will be held in one or more Client Accounts as explained in the next section of these Terms.

A.3 Cofunds Client Accounts

3.1 Client Accounts We deposit all Monies that we hold for you in one or more Client Accounts that we maintain specifically for you or for our clients generally. We do not currently pay interest on Monies held in the Client Accounts that we maintain for our clients generally, but we reserve the right to do so in the future. We keep all Monies that we hold in a Client Account separate from our own money and hold it under trust with the Bank.

3.2 Client Accounts that we maintain specifically for you When you open an Account for your investments with Cofunds, we also open a Cofunds Cash Account for you, which is a Client Account maintained specifically for you. Similarly, when you open an ISA with Cofunds, you can instruct us to open a Cash Reserve for you. The Cash Reserve is a Client Account maintained specifically for you to hold Monies within your Cofunds Investment ISA. Each of these Client Accounts pays interest.

Where you request us to pay Consolidated Income from your investments, we will open a Consolidated Income Account for you. This is an interest bearing Client Account maintained specifically for you and used solely for the purpose of collecting income received from your investments and paying that income to you at regular intervals.

3.3 Interest The rate of interest payable on the Cofunds Cash Account, the Cash Reserve, and the Consolidated Income Account will fluctuate in line with the Bank of England's base rate, which is published in newspapers and at **www.bankofengland.co.uk**. If the total amount of interest accruing on the Cofunds Cash Account in any month is £1 or less, no interest will be credited to that account for that month. Interest on the Cash Reserve is payable every six months. If interest earned in any accrual period is less than £10, no interest will be credited to your Cash Reserve. Details of Cofunds current interest rates can be found at: **www.cofunds.co.uk/docs/cofundsrates.pdf**

Cofunds will receive interest from the Bank with which each Client Account is held and will be entitled to retain that interest. Details are available on request by writing to Cofunds at our Administration Address.

3.4 Taxation Interest received on the Cofunds Cash Account or the Consolidated Income Account is taxable. It is paid net of 20% tax so basic-rate taxpayers have no further tax to pay on it. Higher-rate taxpayers will have an additional tax liability. Tax treatment will depend on your individual circumstances and may change in the future. You are advised to seek independent advice on your individual tax liabilities.

Individuals who qualify for the 10% starting tax rate on savings can reclaim tax by completing Form R40. Non-taxpayers can register to receive interest without tax deducted by completing Form R85 (Forms R40 and R85 should be available from your Nominated Intermediary or the HM Revenue & Customs website **www.hmrc.gov.uk**). When the forms are sent to us, you must quote the relevant Platform Account Reference.

Interest received on the Cash Reserve is not normally taxable. However, interest received on the Cash Reserve is subject to a HMRC flat-rate charge of 20%.

3.5 Nominated Bank Account Your Nominated Bank Account is a UK bank or building society account of which you are a named holder and which you specify. Your Nominated Intermediary can verify that the account belongs to you and provide confirmation to Cofunds. You can then transfer Monies to and from your Cofunds Cash Account. Cofunds will normally process your transfer instruction within one Business Day of receipt. You may have only one Nominated Bank Account with Cofunds at any given time.

If paying Monies into the Cash Account from your Nominated Bank Account, you must quote your Platform Account Reference. Your Nominated Bank Account can also be used to receive income from your investments. If you are only using your Nominated Bank Account to receive income, we do not require verification.

You can instruct us at any time to change your Nominated Bank Account. If you provide us with new bank or building society account details we will update our records accordingly. Subject to completing any necessary checks, we will make this change within five Business Days of receipt of your instruction.

3.6 Deposit Protection Cofunds maintains its Client Accounts with a range of selected leading banking institutions. For more information on the Banks currently selected by Cofunds, please contact your Nominated Intermediary or visit the Cofunds website at **www.cofunds.co.uk/docs/cofundsrates.pdf**.

If one of those Banks fails or becomes insolvent you may not be able to recover all the Monies deposited in the Client Account(s) that we maintain for you. However, you may be entitled to claim compensation under the Financial Services Compensation Scheme on up to £50,000 of loss. The level is increasing to £85,000 from 31st December 2010. The level of compensation will be reduced if you already hold an account with the Bank.

3.7 Dormant balances If there have been no transactions in a Client Account that we maintain for you, for a period of at least six years (other than routine charges, interest and similar items), we may write to you and your Nominated Intermediary at your last known addresses informing you of our intention to cease treating that balance as client money. You will have 28 days to make a claim for the Monies held on your behalf, after which they will lose the protection of being held in a separate Client Account. However, we will still pay what is due to you if you subsequently claim payment.

A.4 Dealing in investments through Cofunds

4.1 Reviewing and/or changing your Investments At any time when you wish to make an additional investment into your Account, or switch existing investments between Funds, or change the existing arrangements that apply to your Account, you should instruct your Nominated Intermediary who will make the necessary arrangement with Cofunds.

Your Nominated Intermediary may provide you with the ability to carry out some transactions and/or check information for yourself using online services provided through the internet. Please refer to your Nominated Intermediary for details.

4.2 Cofunds Cash Account When Cofunds is instructed to use Monies from your Cofunds Cash Account to pay for an investment, Cofunds will check whether there are sufficient Monies in the account and that the investment is to be held in the same name or names as the Cofunds Cash Account. If the amount available is not sufficient or the holders are not the same, Cofunds will not process your instruction and will notify your Nominated Intermediary accordingly.

4.3 Regular Investments into ISAs and Investment Funds You can give instructions at any time to start regular monthly investments into your Cofunds Investment ISA or your Cofunds Investment Funds Account, or to change an existing arrangement for regular investments.

If your Nominated Intermediary has verified that the bank or building society account you wish to make monthly payments from belongs to you, then your first monthly subscription can be made by direct debit.

For applications received up to the last day in any month, the first direct debit collection will be made on or just after the 25th day of the following month.

If your Nominated Intermediary has not verified your bank or building society account as belonging to you, you will need to send your first monthly subscription by cheque, drawn on the same account as the one from which direct debits will be paid. Thereafter, Cofunds will automatically collect payments on or just after the 25th day of each month.

4.4 How your money is invested When you instruct Cofunds to buy, switch or sell investments on the Platform, Cofunds will place a corresponding deal with the fund manager of the relevant Fund(s).

Units in your chosen Funds are bought, sold and switched directly through the fund manager. The fund manager sets Unit prices at a specific 'Valuation Pricing Time' each Business Day. The 'Dealing Cut-off Time' is the time by which Cofunds must receive an instruction in order to be able to place an order with the fund manager before the next Valuation Pricing Time. Valuation Pricing Times and Dealing Cut-off Times can vary from Fund to Fund. Please see the Fund Key Features documents for details.

Fund managers price Units and shares after the sale and purchase orders of the day have been received and the Funds have been revalued (forward pricing), so you will not know in advance what price you will receive.

(a) It is Cofunds' normal business practice to buy/sell Units in Funds at the Valuation Pricing Time following receipt of your instruction. This will normally be the same Business Day, providing the relevant Dealing Cut-off Time is met. However, in some instances, including but not limited to when unusually large numbers of instructions are received, your instruction may be placed on the subsequent Business Day at the next available Valuation Pricing Time.

(b) If your Intermediary links you to a Model Portfolio, your investment can be rebalanced to align to this portfolio. While the percentage holding for each fund selected within a Model Portfolio will be specified at the outset, your holdings will change over time depending upon investment performance. If your Intermediary links you to a Model Portfolio, your Fund holdings can be rebalanced to match the Model Portfolio's specified percentages. Your Intermediary can link you to one Model Portfolio per product. Where you hold existing Funds not included within that Model Portfolio, these will be sold as part of the Rebalance.

Due to the large number of switches that may be required to Rebalance a Model Portfolio, these switch instructions are handled separately.

Irrespective of the time a Rebalance instruction is received by Cofunds, the instruction will normally be placed no later than the Business Day following receipt. However, in some instances, including but not limited to when unusually large numbers of instructions are received, your instruction may be placed on the subsequent Business Day at the next available Valuation Pricing Time.

Due to forward pricing, the proportionate value of the holdings will differ slightly from the specified percentages after the switches have been carried out.

If you make regular monthly investments into your Cofunds Account, each investment will be made at the next available Valuation Pricing Time following receipt by Cofunds of your monthly payment.

If you have chosen to reinvest income into a Fund and subsequently sell or switch your entire holding in that Fund, then any residual income received after that transaction will be reinvested into the Fund in which you have the largest holding in the relevant part of your Account.

4.5 Income and Accumulation Units Units in a Fund can be income units/shares, which pay distributions of income to the holder, or accumulation units/shares, which reinvest all income back into the Fund. If you do not complete the income section in your Application or other instruction to invest and do not specify whether you want income or accumulation Units, Cofunds will invest in accumulation Units where available, and otherwise will invest in income Units and arrange for any income generated to be reinvested back into the Fund.

If you request accumulation Units and these are not available, Cofunds will purchase income Units and arrange for any income generated to be reinvested into the Fund. If you request income Units and ask to have income reinvested, but income Units are not available, Cofunds will purchase accumulation Units.

4.6 Transfer of investments onto the Platform If you transfer an existing holding of Funds onto the Platform, we will request the fund manager to register your investment with Cofunds with the same split between Group 1 and Group 2 Units that applied to your previous holding. This avoids an unnecessary change in your tax position arising as a result of the transfer onto the Platform.

4.7 Dealing errors If a fund manager error occurs in relation to a transaction that we carry out for you (for example, the fund manager calculates the Unit price incorrectly), we will amend our records to reflect the correct position as soon as practicable. However, we reserve the right to take no action and leave the record as it is if the amount of the adjustment required to your holding is £5 or less in which case this amount will not be processed or kept by Cofunds.

4.8 Unpaid amounts If you fail for any reason to pay into your Account an amount required to settle the purchase of an investment, with the result that the transaction is delayed or is entered into and has to be reversed later, you will be responsible for any loss that may arise due to market movements.

4.9 Excessive trading Levels of trading are actively monitored to identify and prevent activities which aim to take unfair advantage of system weaknesses to the detriment of Cofunds and/or other Fund investors. In the case of an investor who is considered to have a history of short-term or excessive trading or whose trading has been disruptive, Cofunds reserves the right to refuse to accept an Account or to close an Account.

Please refer to the section A.7 of these Terms for more information regarding the timing of withdrawals/selling your investment.

A.5 Your Nominated Intermediary

5.1 Role of your Nominated Intermediary As part of your Application to set up an Account with Cofunds, you appoint an Intermediary as your Nominated Intermediary with authority to deal with Cofunds on your behalf. In order to use the full facilities of Cofunds, you need to appoint a Nominated Intermediary to represent you.

5.2 Reliance on your Nominated Intermediary We are entitled to rely on the accuracy of and act on any instruction or information given to us by your Nominated Intermediary on your behalf, or which we reasonably believe has been given in this way. You allow us to give your Nominated Intermediary information about you and your Account from time to time.

We reserve the right to close your Account if you cease to be represented by a Nominated Intermediary. Any instructions we receive from you in these circumstances will be dealt with on an execution-only basis.

5.3 Appointing a new Nominated Intermediary You may at any time inform us in writing to stop accepting instructions from your current Nominated Intermediary and appoint a new Nominated Intermediary in their place. Your instruction will take effect when we receive it at our Administration Address. Your letter must include your Cofunds Client Reference or, failing that, clear details to identify yourself and your Account with Cofunds. Where a Cofunds Account is held in joint names, a change of Intermediary notification must be signed by all Joint Holders.

If you wish to replace your Nominated Intermediary for any reason, Cofunds can provide you with details of alternative Intermediaries, but does not make any representation as to the suitability or appropriateness of any Intermediary or subsequent advice.

A.6 Custody of Investments

6.1 Safe Custody We are responsible for the safe custody of all Assets held in your Account. We register investments in the name of our Nominee, which is a wholly owned subsidiary of Cofunds Limited and has the same registered office address. Our principal Nominee is Cofunds Nominees Limited. We may use other nominee companies as Nominee for certain customers. If this affects you we will provide you with details of the alternative nominee company that we are using.

We are responsible for the acts and omissions of our Nominee. Our Nominee is not itself an authorised person under the Financial Services and Markets Act 2000; it can only hold investments and does not carry on business in its own right.

We register your investments in the same name as those of other Cofunds investors and do not identify each investor's holdings by separate certificates. This means that in the event of an irreconcilable shortfall following the default of our Nominee, you will share the shortfall proportionally with our other investors. All documents evidencing title to investments in your Account are held by us or as we direct. We may not lend any of your investments to a third party and we cannot use them as security for borrowing.

6.2 Beneficial ownership You are and remain the beneficial owner of the Assets in your Account. Investments made by you will be held on your behalf as owner, but you must not use them as security for a loan. You may be able to use the Assets in your Account as a loan repayment method, subject to your lender's agreement. You may not dispose of or transfer an interest in any Asset while it is held in your Account and you may not create (or have outstanding) any charge or security on or over any such Asset.

A.7 Payments to you

7.1 Consolidated Income Through your Nominated Intermediary, you can instruct Cofunds at any time to pay all income received on your directly held investment funds and/or your Cofunds Investment ISA to you at monthly intervals. We open a Consolidated Income Account for you and transfer the relevant income into that account as and when it is received. We then pay the accumulated balance on that account into your Nominated Bank Account on a monthly basis. If any of your Client Accounts is overdrawn, we reserve the right to reclaim the amount owed to us before making a monthly payment.

The frequency of distributions paid by the Funds in which you invest will affect the amount you receive on a monthly basis. If the Funds you hold only pay income quarterly, half-yearly or annually, then in some months a payment may not be made at all.

7.2 Regular withdrawals Through your Nominated Intermediary, you can instruct Cofunds at any time to pay a specific amount from your Cofunds Cash Account to your Nominated Bank Account on a monthly, quarterly, half-yearly or annual basis. An instruction to take regular withdrawals will automatically replace any existing arrangement for payment of Consolidated Income.

If you elect to take regular withdrawals from your Cofunds Cash Account in this way and, on the 6th day of any month (or the next Business Day if that is not a Business Day) you do not have sufficient funds in the account to meet the next regular withdrawal, Cofunds will effect a sale of your investments (in line with your instruction) sufficient to fund the withdrawal on the 9th of the relevant month or next available Business Day. However, in some instances, including but not limited to when unusually large numbers of instructions are received, the sale may be placed on the subsequent Business Day at the next available Valuation Pricing Time.

7.3 Income payments It takes seven Business Days after we receive your instructions to apply them to income payments. If you no longer have a holding in an investment at the time when we receive the income arising from it, we may pay that income to you.

7.4 Residual payments If you transfer holdings to your Cofunds Account from a third party investment manager and Cofunds subsequently receives a payment from your old manager, such as a distribution or tax reclaim, the payment will be added to your Account in the following way: Any residual payment received from the old manager will be reinvested into the largest value holding within the relevant part of your Account, regardless of any mandate instructions received upon transfer to Cofunds or subsequently. Cofunds reserves the right to return any residual payment to the old manager if the amount is below £25.

7.5 Good discharge We will be entitled to pay any amounts owing to you under or in connection with these Terms into your Nominated Bank Account or to your Nominated Intermediary for the time being. Any such payment will be a good discharge of our obligation to pay the relevant amount.

A.8 Documentation

8.1 Platform confirmation Once your Client Account has been set up, we will send you a letter confirming your Cofunds Client Reference and Platform Account Reference.

8.2 Information on your Investments You can obtain further information on your investments, such as valuations and illustrations, from your Nominated Intermediary. Your Nominated Intermediary may provide you with online access to valuations and transactional information. Please refer to your Nominated Intermediary for details.

8.3 Confirmation notes A confirmation note will be sent to you, and a copy made available to your Nominated Intermediary, on the next Business Day following completion of each investment transaction carried out at your instruction. This will include the essential details of the transaction. For regular savings and withdrawals, we will acknowledge receipt of your application or instruction, but will not send confirmation notes each time a regular investment or sale of units for a regular withdrawal is made. Details of all transactions will be included within your annual statement and consolidated confirmation note.

8.4 Tax documentation A certificate will be sent to you annually detailing the deduction of tax from your Cofunds Cash Account for the previous tax year. A tax voucher will also be sent to you annually.

8.5 Statements At least annually we will send you an Account statement showing details of all Assets within your Account on the statement date and all transactions made since the previous statement date, including Investment and interest Income. A copy will be made available to your Intermediary. Valuations are based on the bid price as at the date shown on your statement.

8.6 Records You may inspect copies of confirmation notes, vouchers and entries on our books or electronic media relating to transactions on your Account. We keep these records for at least six years.

8.7 Joint Holders Where an Account is held jointly, all documentation will be sent to the Primary Holder's address. Secondary holders can request copies of all documentation. Certificates for individual investments will not be issued in the case of Assets held in joint names.

Where an Account is held jointly, written instructions to Cofunds must normally be signed by all joint holders.

A.9 Withdrawals and closing your account

9.1 Requesting a withdrawal Requests for withdrawals can be made via your Nominated Intermediary or by writing to our Administration Address. Please note Cofunds cannot accept withdrawal instructions by telephone, fax or email. Cofunds requires the signatures of all Unit holders before we will process a withdrawal. Proceeds will normally be sent out by cheque or by bank transfer within five Business Days of the Valuation Pricing Time of the last Fund sold or, if later, when the relevant Monies have actually been received from the fund manager. Cheque withdrawal timings are subject to postal delivery. If you have requested your withdrawal to be paid to your Nominated Bank Account, it may take up to eight Business Days to reach your account.

9.2 Withdrawals You must specify the product(s) and Funds from which the withdrawal is to be taken and, because units are forward priced, how many Units you wish to encash from each holding. If you do not specify a number of units we may need to estimate how many to sell on your behalf and we cannot precisely guarantee the amount that your deal will realise, which may result in an over/under payment in respect of the withdrawal amount you require. If no product is quoted your instruction may be deemed to cover all products held.

9.3 Minimum amount Should the value of your holding in a Fund fall below £1,000 as a result of your instruction to sell, we may require you to sell your entire holding in that Fund.

9.4 Closing your Account You may close your Account at any time by withdrawing all the Assets, or transferring them to another ISA manager. Closing your Account does not affect any transactions initiated before the closure began. These Terms continue to apply until we complete all outstanding transactions and meet all liabilities.

9.5 Withdrawals and closing payments We may deduct from any amount to be paid to you any outstanding fees, charges and expenses due from you. In addition, we may keep an amount which we reasonably estimate will be enough for us to meet any tax liability for which we must account to HM Revenue & Customs for you under the ISA Regulations or otherwise. We will hold any Monies awaiting payment to you outside your Account in a Client Account. We may delay paying any sale proceeds and cash balances until we know that all Payments made by you have cleared and we have received all amounts which you owe to us. Cofunds will not make payments to a third party account except another FSA regulated firm.

You agree that upon closure of your Account, any payment subsequently received by us or due to you from us of £1 or less will not be paid over to you and will not be retained by Cofunds for its own account.

A.10 Fees, Charges and Expenses

10.1 Our remuneration We do not charge you a fee for investing through us. The only additional charges are those described in this section A.10 and in section C.5 of these Terms. We do however receive fees from fund managers for administration services provided to fund managers connected with your investments. If you require details of these fees, please write to us at our Administration Address.

10.2 Fund manager The manager of each Fund in your Account may receive an initial charge. An annual management charge and other fees, charges or expenses properly payable to them may be paid out of the property of that Fund.

10.3 Payments to your Nominated Intermediary Commissions payable to your Nominated Intermediary will be disclosed to you on the confirmation note sent to you after each transaction, other than regular investments, where these will be shown on your statement.

10.4 Switch fees and unit conversion We will allow you to switch Funds within your Account. For Funds held within your ISA and investment funds, you normally pay a switching charge of 0.25% of the value of the switch. This charge applies to any switches generated by a Rebalance. Commission on switches may be added if agreed with your Nominated Intermediary. The maximum switching charge or commission will not exceed the Fund's standard initial charge. Unit conversion: Where available, Fund managers offer the facility to convert accumulation units to income units, or vice versa within the same Fund. No commission is paid on unit conversion. Should you wish to exercise this facility, there is no charge for unit conversion.

A.11 Variation, Termination and Amendment of Terms

11.1 Funds offered by Cofunds Cofunds reserves the right to introduce new Funds to the Platform and to withdraw existing Funds. Where a Fund in which you have invested is withdrawn, you will remain invested in it but will be unable to add to your investment.

11.2 Suspended Funds If a Fund is suspended by the Fund Manager, Cofunds may hold or reject instructions to deal until the suspension is lifted. Should a Fund pay income during a period of suspension and you have instructed us to reinvest we may not be able to fulfil your request. In the event that we are unable to fulfil your request we will communicate with you on how income will be treated.

11.3 Changes to these Terms We may introduce changes to our services and to these Terms from time to time. We will give you at least 30 days advance notice of any change, except where the change does not disadvantage you or is required in order to comply with a legal or regulatory requirement.

If you are not happy with a change, you can contact your Intermediary or write to our Administration Address for a more detailed explanation of the change. If you are still unhappy with the change you can close your Account by encashing your Assets at any time or transferring them to another ISA manager.

11.4 Termination Cofunds may terminate this Agreement at any time by giving you a minimum of three months notice. You may also terminate this Agreement by writing to the Cofunds Administration Address.

For ISA and Investment Fund investors only Upon termination, unless otherwise agreed at the time, we will realise all your Units and will pay the proceeds, together with any other Monies in your Account, to your Nominated Bank Account.

A.12 Liability

12.1 Loss caused to Cofunds You will be responsible for any liability or loss suffered or incurred by Cofunds or our Nominee (including taxes for which you are primarily liable and any expenses reasonably and properly incurred) as a result of you deliberately breaching these Terms or providing untrue or inaccurate information to Cofunds in connection with your Account. This clause will not apply if and to the extent that any liability or loss arises from any negligence, wilful default, fraud or breach of duty on the part of Cofunds or our Nominee.

12.2 Circumstances beyond our control Cofunds will not be responsible for any loss that you suffer as a result of events or circumstances which are beyond the reasonable control of Cofunds. Examples of when these circumstances apply could be when the loss occurred as a result of a flood or earthquake.

A.13 General

13.1 Delegation We may appoint one or more third parties to assist us in providing our services under this Agreement. Cofunds Limited will remain personally responsible at all times for the proper performance of those services.

13.2 Data Protection All personal data relating to you that we hold for the purpose of providing services under this Agreement is held in accordance with the requirements of data protection legislation.

Cofunds Limited will use your information for the administration and servicing of your investments and other related activities. We may disclose your information to our agents and service providers for these purposes. We may disclose information concerning you and your Account to your Nominated Intermediary. We may also disclose your information to third parties where required in order to comply with legal and regulatory requirements. With the exception of the preceding provisions, we will not pass on your information to any other third party without your permission.

Cofunds may transfer your information to countries outside of the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of data protection legislation.

13.3 Civil Partnership Act The Civil Partnership Act 2004 (CP Act) came into force on 5 December 2005. The CP Act is designed to provide a system of registration for same sex relationships. Registered civil partners will be in a relationship akin to marriage in respect of the laws of survivorship and benefits. As such, all references to the rights and benefits of a spouse or widow(er) in any Cofunds literature will apply equally to married couples and registered civil partners.

13.4 Notices Except as otherwise provided, notices to Cofunds should be sent to us at our Administration Address. Notices to you will be sent to your last known address and may be copied to your Nominated Intermediary.

A.14 Governing law

These Terms and Conditions are governed by and are to be construed in accordance with English law. The information contained in these Terms and the Application is based on our understanding of current legislation and HM Revenue & Customs practice and could be affected by changes in legislation and practice.

If there is any conflict between these Terms and Conditions and the ISA Regulations or other legislation relating to your Account, the ISA Regulations and/or other legislation will prevail.

B. Investment Funds Customer Agreement

Additional terms to those stated in Section A, to be read by all clients investing in Investment Funds.

B.1 Title and registering Investments in joint names

The first named applicant will be the 'Primary' Holder of the Investment. This is purely for administrative purposes and does not affect the legal status of your joint ownership.

All communications and documentation will be sent to the Primary Holder's address. Secondary holders may request copies of correspondence.

B.2 Opening Your Account

This agreement will take effect if Cofunds accepts your Application, which normally takes place on the day we receive it. Cofunds has discretion to reject an Application.

B.3 If you die

Upon your death, we will continue to hold your Assets and Monies until we receive instructions from your personal representatives, upon whom these Terms become binding. We do not reinvest Income but hold it in our Client Account until we can pay it as your personal representatives direct.

If a Primary Holder dies then the next named holder is promoted to Primary Holder. We reserve the right to carry out further money laundering checks if the new Primary Holder's bank account differs from the original.

C. Cofunds Investment ISA Terms and Conditions

Additional terms to those stated in Section A, to be read by all clients investing in the Cofunds Investment ISA.

C.1 Your ISA Manager

1.1 Our Role We agree to act as ISA Manager for your Account. We make all necessary claims for tax relief relating to your Account and the Assets held in it.

1.2 ISA Regulations Your ISA will be managed in accordance with the ISA Regulations.

C.2 Opening your account

2.1 ISA Applications Your Cofunds Investment ISA Account is opened when we accept your correctly completed ISA Application and payment. If there is no clear instruction on your Application, your subscription will be automatically placed into the Cofunds Cash Reserve.

Your ISA Application covers the current Year and each subsequent Year until we receive no payments into your ISA for one full Year. We reserve the right to require a fresh Application for each new tax Year.

A direct debit instruction authorises us to collect and invest regular payments for you unless and until you notify us to the contrary.

2.2 ISA transfers in Where you have transferred to Cofunds your current Year's ISA investment, you may reactivate your Account by restarting payments into your ISA, although you must submit another Application if we receive no payments for one full Year.

2.3 Investment Funds to ISA applications In order to place your investment fund in an ISA, we will sell your investment funds and apply the proceeds as a payment into your ISA. New funds will then be purchased within your ISA. As we do not know prices in advance we use an estimation process in order to determine how many Units to sell in order to raise the amount of money required. Depending on market movement this will result in either a slight over or under sale of Units. In the event of an oversell of Units, we will apply the proceeds in accordance with your instructions.

All sell proceeds will be held by Cofunds and will normally be reinvested into your ISA one Business Day from when Cofunds initiate the transaction. In order to ensure that this transaction is processed in the current tax Year, your application must be received at Cofunds no less than five Business Days before the end of the tax Year.

2.4 Tax status You may not subscribe to your ISA Account while not resident and ordinarily resident in the UK for tax purposes unless you qualify as a Crown employee (a person holding public office or employment under the Crown and paid out of the public revenue of the UK or of Northern Ireland), their spouse or civil partner. You must inform us immediately if you stop being resident and ordinarily resident in the UK for tax purposes, or if as a non-resident you stop being a Crown employee, their spouse or civil partner.

2.5 Account type For an investment held under these Terms, all ISA investments will be designated "Cofunds Investment ISA".

2.6 Timing These Terms will take effect if Cofunds accepts your Application, which normally takes place on the day of receipt. Cofunds has discretion to reject an Application.

In the case of an ISA transfer, the date of transfer is the date agreed between the Plan Managers.

C.3 Cash Reserve

The Cash Reserve provides a temporary shelter for your Investment. Monies held in this way must be destined for investment in one or more of the Funds offered by Cofunds. If you close your Cash Reserve without having invested in any Funds, interest will not be payable on money withdrawn.

C.4 Void Accounts

We will notify you if, by reason of any failure to satisfy the provisions of the Regulations, your Cofunds Investment ISA has or will become no longer exempt from tax. If your ISA is voided, we will sell the investments and, after deducting any cash available to cover any tax we have to pay or repay, pay you the proceeds together with any remaining cash balance held in your ISA. Any interest accrued in the Cash Reserve will not be payable. There will be a charge of £100 if we have to void your ISA due to an error on your part.

If you pay a subscription to your ISA by a cheque that fails to clear or a direct debit that is subsequently reversed, that subscription will be treated as if it had never been made for the purposes of these Terms and the ISA Regulations.

C.5 Report and Accounts and Voting

5.1 Voting rights We do not exercise voting rights for any of your Investments unless you instruct us to vote on your behalf. If you have requested this, you will be notified of each voting event.

5.2 Reports, notices, meetings and voting For any Investment held in your Account, you can view copies of reports and accounts by downloading them free of charge from **https://investors.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx**.

If you wish to see paper copies, please speak to your Intermediary.

Additionally, we can arrange at your request in writing for you:

- to receive a copy of the annual report and accounts for each Fund in which you are invested, and
- to attend meetings of Unit holders and exercise voting rights

Each request will incur a £20 charge per Fund to cover our administration costs. The charge may be deducted from Monies in your Account.

You can write to us at Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.

Other notices will be sent to you either directly or with your statements.

C.6 Transferring out of Cofunds

6.1 ISA Transfers out Upon your instructions, and in the time specified by you, Cofunds will transfer all or part of your ISA, with all your rights and obligations under it, to another ISA Manager who has agreed to accept the transfer. In the case of your current Year payments, you may either transfer these as part of a transfer of the whole of your ISA to another ISA Manager or you may retain them in your Cofunds ISA, for which purpose we may create a Current Year Account.

We require that the transfer is made in cash after selling all Assets and deducting any amounts due to us. If we subsequently receive any Income arising from Investments transferred out, we will send it directly to you.

These Terms continue to apply to the part of your ISA being transferred until the transfer is complete, all outstanding transactions have been settled and all liabilities met.

C.7 If you die

Upon your death, your ISA will cease to be tax exempt and will be closed. We will continue to hold your Assets until we receive instructions from your personal representatives, upon whom these terms become binding.

We do not reinvest income but hold it in our Client Account until we can pay it as your personal representatives direct. Any tax reclaimed on income distributions paid between the date of your death and notification of your death will be deducted by us.

CF289 12/10

How can we help?

Freephone brochure line

0800 071 3333

General enquiries

020 7384 7300

Visit our website

www.chelseafs.co.uk

Three easy ways to buy your ISA

CHELSEA FINANCIAL SERVICES was founded in 1983 as a firm of independent financial advisers by its present Chairman, Dr John Holder. We were the first intermediary to discount initial charges on unit trusts and bonds, and later PEPs/ISAs. Over the last twenty-seven years our clients have saved many millions of pounds they would have paid in charges had they bought direct from investment companies and we are still leading the way.

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Visit our website, www.chelseafs.co.uk, and click on 'Invest Online'

Complete and return the form on page 21

CHELSEA

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