viewpoint

the magazine for Chelsea investors

issue 30 • October 2011

Reflecting on markets

Neil Woodford comments

Free switches are here

Alternative income ...beyond UK blue chips

WRITTEN BY CHELSEA THE UK'S LEADING DISCOUNT BROKER

Welcome

DR JOHN M HOLDER
Chairman

Welcome to our Autumn edition of Viewpoint. Markets have had a turbulent summer and continue to be extremely volatile but many investors have seen this as a buying opportunity.

Given that many of you were naturally concerned about the market downturn in August, we thought you would like an explanation from one of the industry's most experienced investors. Invesco Perpetual's Neil Woodford, who runs their High Income fund, the most popular fund with Chelsea clients, gives us his opinion on the recent market setback and how this fits into the macroeconomic picture on pages 26 and 27.

With interest rates low, and likely to remain so for a prolonged period, the quest for income is as important as ever for many of our investors, but funds investing in the usual UK blue-chip stocks may not be the only place to look. On pages 38-40 we highlight three alternative income funds.

A bond allocation is a key part of any well-balanced portfolio, but the usual corporate bonds and gilts may not be the best bet in today's economic climate. On pages 30 and 31 we look at two strategic bond funds which allow the fund manager to move between the different fixed interest asset classes without the restrictions of a single sector bond fund.

An increase in the number and voracity of consumers, particularly in the developing world, has in turn led to an increase in the number of funds taking advantage of this area of growth. Pages 28 and 29 highlight two such funds.

You will also find all our usual pages on pensions, ISAs etc and our lists of carefully researched, selected funds to help you make your investment choice, together with a useful guide to investing for children and some exciting news about switching charges.

The long-awaited Junior ISA is almost here and page 42 tells you all you need to know about this exciting new investment opportunity.

Finally, we would like to draw your attention to a familiar name which has recently undergone a change – AEGON Asset Management is now called Kames Capital Management. This does not affect the funds in any way.

I hope you find Viewpoint both informative and useful.

Dr John M Holder
Chairman, Chelsea Financial Services Plc

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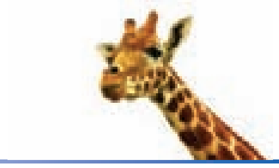


Important Notice

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

I'm sure you are aware that markets tumbled in August and September. At that time, I met with Neil Woodford for our annual review and, as always, he had such a strong grasp on the macroeconomic picture that I thought it would be useful for you to hear his thoughts on markets. So once you have digested our market view, turn to page 26 to read Neil's prognosis.

Volatility in excess

The FTSE 100 spent most of the year to July trading between 5600 and 6100, relatively unperturbed by the tsunami in Japan, Middle East revolution and the European sovereign debt issues rumbling on, and on July 29th it closed at 5815: but by August 8th it had fallen to 5069. So what made markets suddenly take fright in August?

In July we had the US dragging their feet over raising their debt ceiling, with political point-scoring more important than reassuring global markets. Finally, on July 31st, they reached a compromise but, rather than a relief rally, markets were then beset by poor economic data, which pointed to a slowdown in global growth. At the same time the European sovereign debt crisis deteriorated, with yields on Spanish and Italian 10-year debt heading towards 7% and possible bail-out territory. These economies are considerably larger than Greece or Ireland and therefore of greater concern. Then came the announcement that Standard & Poor's have downgraded the US' credit rating from AAA to AA+.

So markets plummeted, investors panicked and, with a certain irony, in their flight to safety they bought up downgraded US treasuries, ignoring S&P and boosting the government bond market, which is close to bubble territory. Sadly, market panic has the ability to be self-fulfilling – Italy and Spain are impacted by the increasing cost of their debt and, as banks become increasingly nervous about the situation in Europe, the rates at which they lend to each other has climbed higher, reducing the flow of credit.

There is seemingly no political determination to address these difficult economic issues, with governments facing re-election more concerned about their standing in the polls than the economic future of their country – almost an advertisement for the Chinese way.

Europe limps along like a wounded animal – is it only a matter of time before a final bullet puts it out of its misery? Suggested scenarios abound: Greece comes out of the euro; Germany comes out of the euro; eurobonds are issued; greater fiscal unity is implemented; etc. The reality is that there is no simple solution, Germany cannot afford to come out of the euro, as it would destroy its competitiveness overnight, but then why should the Germans pay for Greece's profligacy? The issuance of eurobonds would satisfy markets but then where would the incentive be for Greece and Italy to put their finances in order? Jürgen Stark, senior ECB board member, noted his antipathy towards their issuance when he resigned in early September, sending another shockwave through markets.

On the upside

The credit-fuelled party, which has given us this lengthy hangover, necessarily leads to at least 7-10 years of deleveraging. So we should expect growth to remain low and unemployment stubbornly high throughout this process, but we are at least some way through this cycle.

Much unemployment in the US is within the construction industry, due to the housing downturn: thus it is generally high amongst low earners, whereas white collar worker unemployment is negligible. Therefore the impact on consumption is marginal. Obama still has some potential to boost the flagging US economy. His latest stimulus package should boost employment and there is talk of an amnesty on the repatriation of capital sitting idly outside the US, which could well boost growth if brought home and put to good use.

Europe really is the key issue and markets will remain volatile and depressed until the European question is answered. European equities are trading very cheaply and do include many global-leading companies, so any positive resolution will see European markets rise steeply.

Companies are nervous and are awash with cash. If we see fears of recession recede then they may well start to put this money to work. Furthermore, difficult economic conditions do not mean that companies cannot continue to grow. In this environment a good stock-picking manager should be able to identify those companies best able to negotiate a low-growth environment.

Interest rates seem set to stay low for quite some time and, with savers facing negative real interest rates, the stock market looks increasingly attractive. Hence dividend-paying stocks look set to outperform, as the majority offer investors a much higher return than that available within a savings account. Any market falls should be viewed as a cheap entry point into markets for the long-term investor.

NEWS FLASH

SAM HOLDER
Head of Operations

Free switching via our fund supermarket

We are delighted to announce that all switches within our fund supermarket, powered by Cofunds, are now available at 0% charge. This offer is exclusive to clients of Chelsea Financial Services.

What free switching means for you:

- Get rid of poor-performing funds at 0% charge.
- Access to over 1,600 funds, from more than 90 different providers, all available at 0% charge for switches.
- **Exclusive to clients of Chelsea Financial Services.**
- Chelsea Financial Services is now saving clients even more money in charges.
- **Cash Reserve ISA:** if you're unsure where to invest or just want to sit outside the market, you can hold cash within your ISA. There are no upfront or annual running costs to hold cash. In the future you can then switch into any fund(s) within our fund supermarket at 0% charge.

How can I deal or switch the investments in my account?

Online: If you're registered, simply log in to your account to place a deal. If you're not already registered simply go to www.chelseafs.co.uk to register.

By post: Send a signed letter of instruction to Chelsea Financial Services, St James Hall, Moore Park Road, London, SW6 2JS. Alternatively, you can download a switch form from the literature library on our website.

Do you have a Cofunds account with another intermediary?

If you appoint Chelsea Financial Services as your servicing agent for any other Cofunds account, you will benefit from our exclusive free switching terms. Simply complete and return the form below:

Client name:	Client reference:

I wish to appoint Chelsea Financial Services as the servicing agent for my Cofunds investments.

Signed:	Date:

Recommend a friend

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

Many of our clients come to us having been recommended by an existing client. We are very pleased and grateful that many people are so happy with our service that they feel confident enough to recommend us to their friends and family.

If you recommend a friend – someone who is new to Chelsea Financial Services – we will send them details of our services, and will send to you:

- £50 worth of Marks & Spencer vouchers if they invest or transfer over £25,000
- £25 worth of Marks & Spencer vouchers if they invest or transfer over £5,000
  (Investments must be retained with us for at least 12 months.)

All you need to do is fill in the form below and return it to us. You can recommend as many people as you like – there's no limit.

If you wish to recommend more people, simply attach their details on a separate sheet of paper and return it along with the form below.

Your details

Name:

Address:

Postcode:

Friend's details

Title: First name:

Surname:

Address:

Postcode:

Friend's details

Title: First name:

Surname:

Address:

Postcode:

"I was recommended to Chelsea by my father-in-law and am delighted with the service that I receive."

Mr James Brack, Worcester

"I bought my ISA directly from the fund managers for years and used to waste hundreds of pounds in initial charges. My friend suggested that I buy through Chelsea Financial Services and, not only do I now save money, I also enjoy all the investment information."

Mr David Barnard, Solihull

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 33).

Once you have selected your preferred Easy ISA option, simply fill in the ISA application form on page 19, 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

Balanced Growth
Rathbone Global Opportunities *replaces* Artemis UK Special Situations.
AXA Framlington American Growth *replaces* M&G American.

AEGON Investment Grade Bond is now called Kames Investment Grade Bond. This is merely a name change and NOT a fund change.

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.

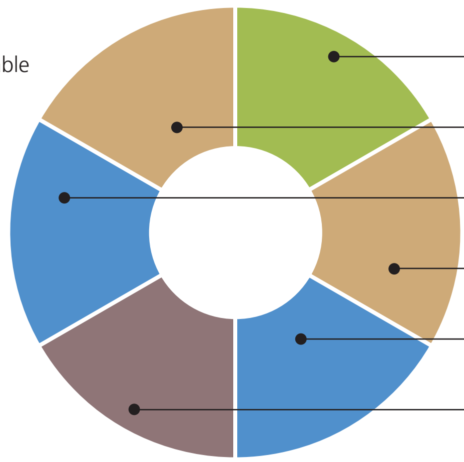
We select the funds for the Chelsea Easy ISA, but it is up to you to decide whether this selection will suit your investment requirements. Returns cannot be guaranteed, and your attention is drawn to the Important Notice on page 2.

CAUTIOUS GROWTH

(Average Chelsea Risk Rating 3.66)*
Application form on page 19

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 fixed interest, 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.

0% initial charge after Chelsea discount
Average annual management charge: 1.42%**



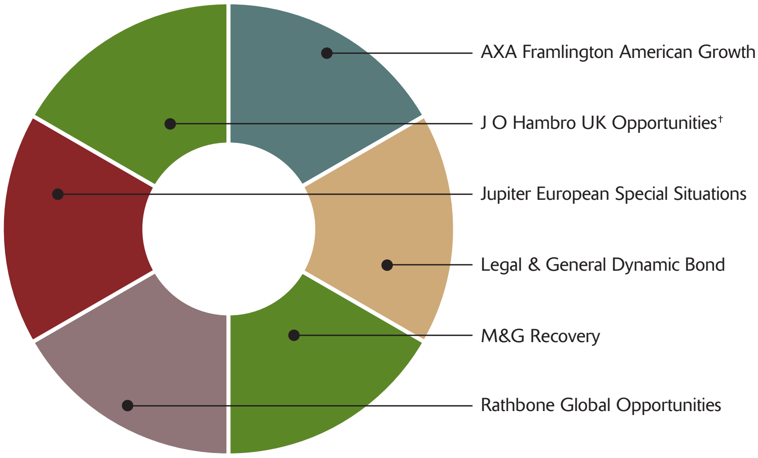
Note: *The Chelsea Risk Rating denotes a fund's risk profile, where 1 is the least risky and 10 has the highest risk.
**A performance fee may be applied – See page 18 for more details.

BALANCED GROWTH

(Average Chelsea Risk Rating 5.33)*
Application form on page 19

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 holdings. With approximately 36% in the UK, foreign exposure is limited to approximately 22% in the US, 19% in Europe and 1.8% in Asia Pacific.

0% initial charge after Chelsea discount
Average annual management charge: 1.42%†

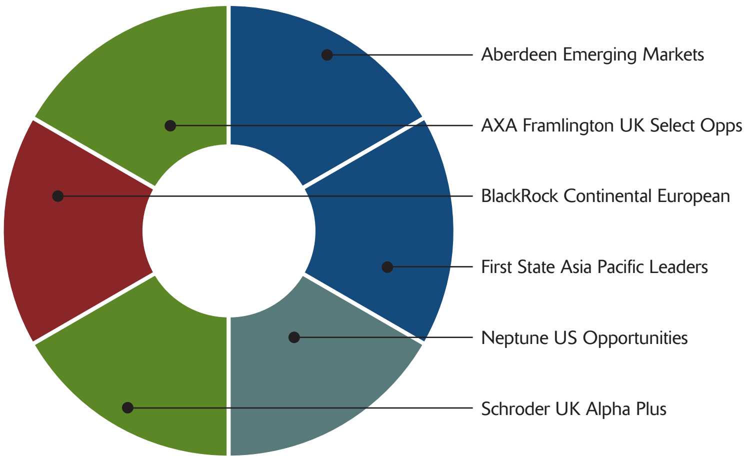


AGGRESSIVE GROWTH

(Average Chelsea Risk Rating 7.42)*
Application form on page 19

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.

0% initial charge after Chelsea discount
Average annual management charge: 1.56%

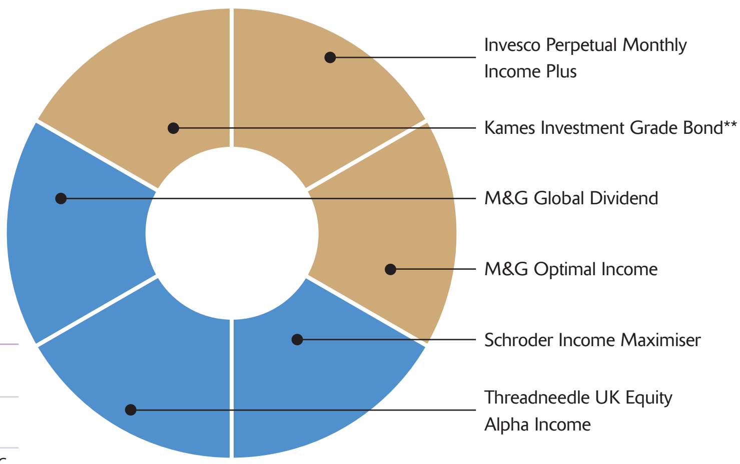


INCOME

(Average Chelsea Risk Rating 3.25)*
Application form on page 19

If your priority is income, the Chelsea Easy ISA Income option could suit your requirements. A combination of fixed interest 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 5.27%+.**

	Yield+	Paid out
Invesco Perpetual Monthly Income Plus	7.47%	Monthly
Kames Investment Grade Bond	4.23%	Jan, Apr, Jul, Oct
M&G Global Dividend	3.46%	Mar, Jun, Sep, Dec
M&G Optimal Income	4.74%	Jun, Dec
Schroder Income Maximiser	7.00%	Feb, May, Aug, Nov
Threadneedle UK Equity Alpha Income	4.70%	Jan, July



0% initial charge after Chelsea discount
Average annual management charge: 1.38%

+Source: Financial Express 9th September 2011
***Formerly AEGON Investment Grade Bond*

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.

Threadneedle UK Equity Alpha Income

LEIGH HARRISON
Fund Manager, Threadneedle UK Equity Alpha Income

RICHARD COLWELL
Fund Manager, Threadneedle UK Equity Alpha Income

I joined Threadneedle at the beginning of 2006 with the task of reinvigorating the company's UK equity income franchise. One of my first conclusions was that there was a gap in the fund range – alongside the traditional, mainstream products we needed a more focused fund to showcase our highest-conviction ideas. We developed Threadneedle UK Equity Alpha Income to fill this gap and it has been a great success since launch.

My remit has broadened over the past few years and today my job title is Head of Equities. This position gives me a good overview of what the various investment teams are thinking, which is very useful in an increasingly interconnected world. I am still very much involved in running portfolios and the Threadneedle UK Equity Alpha Income fund is now well established as one of the key products in the income range.

I recruited Richard Colwell in 2010, having worked with him in a previous role – I knew that he was a proven stock-picker whose approach dovetailed well with mine. Richard is co-manager on the fund and his input has been a vital ingredient in its strong performance.

A pragmatic approach

We take a broad-minded approach to running income portfolios. We do not screen for yield at the stock level – instead, we focus on yield at the portfolio level. This gives us greater flexibility to include companies with exciting growth prospects in lower-yielding sectors, as well as self-help and recovery situations with good future income growth potential.

We spend a lot of time analysing the key themes that are driving the market. I chair the company's monthly Investment Themes meeting and the outputs of this meeting, together with our discussions around the UK team, are an important influence on the shape of the portfolio. We then turn to selecting stocks that we believe will benefit from the themes we have identified.

Both Richard and I are seasoned investors with experience of managing money throughout the investment cycle. We have built good relationships with management teams across the sector spectrum and these contacts give us a good feel for how businesses are performing and where the value is in the market.

High conviction

Our experience helps to provide the confidence to reflect our views in significant positions, and this investment conviction has been the source of considerable value for the fund. For example, we have structurally avoided banks since before the financial crisis. This obviously worked well during and immediately following the crisis, but we have not been tempted back in, despite valuations looking superficially attractive. The recent resurgence of banking sector concerns has vindicated our view.

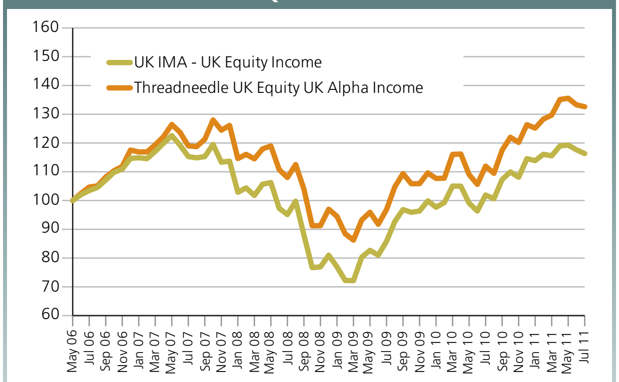
Meanwhile, we have been buying defensive companies over the past year. Many of these have underperformed significantly since March 2009 and we believe that companies such as Imperial Tobacco, Centrica and GlaxoSmithKline offer excellent value. However, our focus has not been confined to the classically defensive tobacco, utility and healthcare sectors – we have also found good opportunities to invest in resilient businesses in other areas such as Compass, Reed Elsevier and Unilever. Defensives have now started to outperform the wider market and our increased weighting has served the fund well during the heightened volatility of the summer period.

Alongside these more traditional income fund holdings, the fund has also benefited from positions in lower-yielding but faster-growing industrial stocks. This part of the market is more cyclical and can be susceptible to periods of risk aversion, as has been the case this summer. However, balance sheets are in good shape and we continue to believe that the sector is well set-up to prosper in a low growth world.

Current view

Looking ahead, the domestic UK economy faces a number of challenges. However, the international earnings profile of the UK stock market means that it is not reliant on strong domestic growth. Well-managed companies are generating healthy profits and, in many cases, returning capital to investors via dividend increases. Meanwhile, a number of companies that had suspended their dividends during the downturn are now returning to the fold. We are confident that our tried-and-tested approach will continue to generate good performance in the future. V

THREADNEEDLE UK EQUITY ALPHA INCOME



Source: Morningstar.
Net performance based on 12pm prices, unadjusted income reinvested.

Legal & General Dynamic Bond Trust

RICHARD HODGES
Fund Manager,
L&G Dynamic Bond Trust

I am head of Legal & General's High Alpha Fixed Income team. I have 22 years' experience in the investment industry, and joined Legal & General in 2007 specifically to launch the Dynamic Bond Trust. I focus as much on risk management as investment management. I was fortunate enough to be named Fund Manager of the Year in the Sterling Strategic Bond category at the Investment Week Fund Manager of the Year Awards 2011, and received the OBSR Outstanding New Talent Award 2011.

Legal & General's Dynamic Bond Trust is a strategic fixed income fund that aims to deliver a total return throughout the economic cycle – whether interest rates rise or fall.

An unconstrained, global approach to fund management gives me and my team the ability to seek the very best fixed income opportunities, wherever they occur.

Unlike many fixed income funds, the Dynamic Bond Trust has the flexibility to explore a wider range of global fixed income investments. The assets and tools at the team's disposal under UCITS III regulations give us the opportunity to achieve positive returns even when the wider bond market is deteriorating.

This alpha approach is balanced by innovative risk management, using sophisticated instruments to manage the fund's volatility. The fund generally has a low correlation to market indices, and therefore provides strong diversification benefits to a well-balanced portfolio.

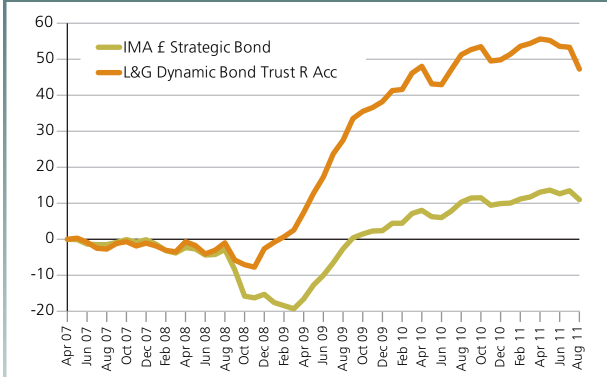
With a wider set of investments, sophisticated financial tools and vast sector experience, it all adds up to a fund with the potential for long-term positive returns – whatever the economic backdrop.

Investment process

Our investment process is founded on a thematic, directional view formed according to our assessment of key economic variables. Our macro strategists' view generates a 'Roadmap' that is the starting point for identifying themes and shaping our credit strategy. The credit strategy team then builds a credit Scorecard based on market-specific variables such as credit risks and liquidity.

These are then used to determine the risk exposure, sector and market allocation, and also direct the credit research process. The portfolio managers work closely with the credit strategy team and the credit research analysts to shape raw ideas into actionable investment propositions, which are then researched from the bottom up.

LEGAL & GENERAL DYNAMIC BOND TRUST



Source: Legal & General data.

The portfolio

Events in August caused volatility to spike to levels not seen since Lehman Brothers fell in September 2008. The big market moves were driven by politics and a deteriorating economic outlook. The severe uncertainty caused liquidity in risk assets to completely dry up, and equities and credit markets fell as market participants were looking to reduce risk into a market that had no risk appetite.

As headwinds intensified for US growth prospects, we revised down our previously positive expectations for this year, although we still expect next year's growth to be slightly better than consensus. US yields started to free fall in early August and hit rock bottom with 2 year and 10 year Treasuries touching 0.25% and 2.3% respectively. We still think these levels are unsustainably low in the medium term, but we cut our short duration* positions back in May, with the view that the directionless market will continue to trade in a very volatile fashion. However, the fund retained a small exposure to short duration US credit, which proved to be a significant detractor from performance as short-term yields were pressured downwards on the flight to quality trade. As liquidity disappeared in credit, we bought some gilts and inflation-linked bonds in July, which also extended our duration. We are currently long duration, which has been benefiting the fund more recently.

In addition, we continue to like high yield credit, based on strong company fundamentals, transparent balance sheets and very little refinancing to do over the next 12 to 18 months.

The fund has actively accumulated a large cash position for times when it can be deployed to buy some very attractively priced securities. The strategic nature of the portfolio means we are now building positions that are medium to long-term and may not benefit performance for six to 12 months.

We now have a net duration position of approximately five years, and although our view is that yields will eventually rise from these record low levels, the timing is difficult to call, hence we will hold back from implementing a short duration position until we see a clear trend.

*Duration: the average time to payment, measured in years. The longer the duration the more sensitive the bond price to interest rates.

Investing in the 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 34 favoured funds are selected from the 1,600 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 Chelsea 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.

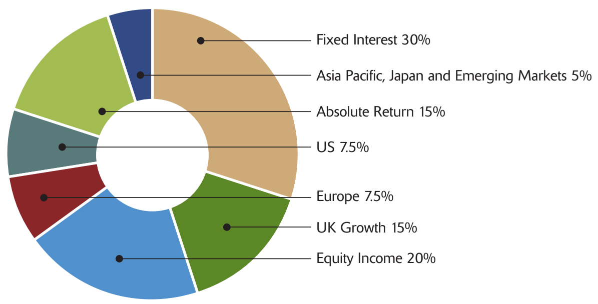
The idea is that you determine your own attitude to risk. If you are comfortable with short-term losses and happy to invest for a long period of time (probably a younger investor), then you might think of yourself as 'Aggressive'. However, if swings in valuation worry you and perhaps you are closer to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

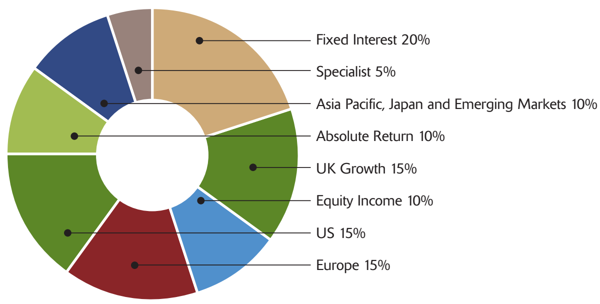
Average Chelsea Risk Rating 3-4



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. Those close to retirement should have an even higher allocation to fixed interest.

CHELSEA LEADERS BALANCED PORTFOLIO

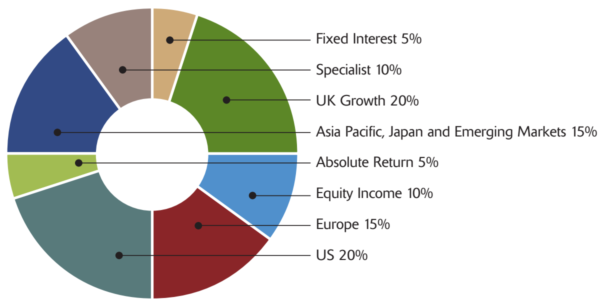
Average Chelsea Risk Rating 4-6



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

CHELSEA LEADERS AGGRESSIVE PORTFOLIO

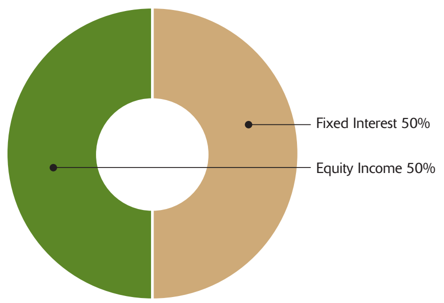
Average Chelsea Risk Rating 7-8



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.

Please note these portfolios do not take into account your cash weightings.

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	1.31%
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†	6
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	0.63%
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†	6
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	0.01%
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	3.22%
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	0.67%
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 0% initial charge within an ISA. For performance statistics please refer to pages 44-45.

Notes:

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†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, 09/09/2011.

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

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	0.24%
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/or cash. Richard Buxton has a contrarian investment approach and seeks to identify stocks capable of rising at least 10-20% in the next three years. He is prepared to wait for long-term ideas to come to fruition.

Yield	0.34%
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

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	4.69%
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	4.07%
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	3.46%
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

All Chelsea Leaders available at 0% initial charge within an ISA. **For performance statistics please refer to pages 44-45.**

Notes:

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Equity Income funds (continued)

NEWTON ASIAN INCOME

This fund invests in companies with strong, sustainable fundamentals. Jason Pidcock, supported by a strong team of global sector analysts, 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	5.62%
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, but 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	4.47%
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 and consistent 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

THREADNEEDLE UK EQUITY ALPHA INCOME

Experienced manager Leigh Harrison begins his investment process by assessing the macroeconomic environment in order to identify sectors that are likely to outperform in the prevailing market conditions. The key theme, however, is one of buying quality stocks that have a strong dividend culture, trading at attractive valuations. The resultant portfolio is made up of 25-35 quality, generally large-cap stocks that exhibit good earnings growth, sustainable cashflow and rising dividends. Income is paid in January and July.

Yield	4.70%
Standard and Poor's fund rating	AA
OBSR fund rating	A
Standard initial charge	3.75%
ISA charge after Chelsea discount	0%
Annual management charge	1.50%
Chelsea Risk Rating†	4.5
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	0.39%
Standard and Poor's fund rating	AAA
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

All Chelsea Leaders available at 0% initial charge within an ISA. For performance statistics please refer to pages 44-45.

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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 individual holding. The portfolio is still reasonably concentrated, comprising between 50-70 stocks.

Yield	0.50%
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 actively-managed European equity portfolio. The fund is 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	1.03%
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 focus on mid 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	0.76%
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 fund aims to outperform equities when markets are favourable, and preserve capital when markets are poor. The fund is predominantly invested in equities, but William also uses derivatives in order to exploit both rising and falling markets. He often takes advantage of shorting individual securities or currencies that he believes are overpriced.

Yield	0.99%
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 34% in base metals, 31% invested in gold and precious metals, 27% in energy and the final 8% 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. This fund tends to underperform strongly rising markets but does well in tougher markets.

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

RATHBONE GLOBAL OPPORTUNITIES

This is a high conviction, global portfolio of approximately 50 stocks that are selected from the bottom up. Manager James Thomson aims to find undiscovered growth stories, where innovative businesses consistently beat expectations, outclass their competitors and serve a rapidly growing market. The fund is unconstrained in terms of company size, sector and geographic location. The fund has a mid and small-cap bias, and is currently invested in the US (32.57%), Europe (22.02%), the UK (20.62%), cash (12.22%) and Asia Pacific equities (9.05%).

Yield	–
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†	7
Unit type	Acc

Asia Pacific, Japan and Emerging Markets funds

ABERDEEN EMERGING MARKETS

A strong team of 35 specialists is led 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	0.50%
Standard and Poor's fund rating	AA
OBSR fund rating	AAA
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	1.00%
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

All Chelsea Leaders available at 0% initial charge within an ISA. For performance statistics please refer to pages 44-45.

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Asia Pacific, Japan and Emerging Markets funds

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 style and use a bottom-up stock-picking approach. They are 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. This fund is soft closing; please see page 25 for further details.

Yield	0.84%
Standard and Poor's fund rating	AAA
OBSR fund rating	AAA
Standard initial charge	4.00%
ISA charge after Chelsea discount	0% until 31/12/11
Annual management charge	1.75%
Chelsea Risk Rating†	10
Unit type	Acc

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	2.40%
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

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	6.82%
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	7.47%
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

KAMES 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. AEGON Asset Management has changed its name to Kames Capital Management. This does not affect the funds in any way.

Yield	4.23%
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

All Chelsea Leaders available at 0% initial charge within an ISA. For performance statistics please refer to pages 44-45.

Notes:

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Fixed Interest funds (continued)

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

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	4.74%
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

AXA FRAMLINGTON AMERICAN GROWTH

Manager Stephen Kelly runs this fund within a stock-picking framework. He has a strong growth bias, focusing on companies that are able to exhibit genuine, organic growth through the strength of their brand. He also prioritises good management in his investment decisions, as he looks to find companies whose management deliver their stated goals. The fund has a mid-cap bias and typically holds 65-75 stocks. Valuations are a key part of selling stocks.

Yield	–
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†	7
Unit type	Acc

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

All Chelsea Leaders available at 0% initial charge within an ISA. For performance statistics please refer to pages 44-45.

Notes:

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†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, 09/09/2011.

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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, which should enable 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

HENDERSON 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 had a successful track record running Jupiter Financial Opportunities, 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 9.5%, the UK 15.5%, the US 2.7% and Global Equity 6.6%.

Yield	0.41%
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 0% initial charge within an ISA. For performance statistics please refer to pages 44-45.

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, 09/09/2011.

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

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

The disclosure documentation applicable to this transaction is: 0 2 1 0

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 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.

The ISA allowance for all investors is £10,680 for the 2011/2012 tax year.

You will require a Cofunds authorisation code before being able to transact business. If you do not include this we will not be able to process this application. Please note our system will be updated to link the client to this Intermediary Authorisation Code.

Cofunds Intermediary Authorisation Code 7 7 | Intermediary Client/Deal Ref. **VP30** | % Initial Commission Waived **100%**

Please complete this Application Form 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

☐ 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 __ __ / __ __ / __ __ / __ __ / __

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.

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

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 the Chelsea CD.

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 above)	£	£

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). Please ensure the funds are available through Cofunds. Please note: your total ISA subscription for each tax year must not exceed your ISA allowance. For details, please refer to the Key Features of the Cofunds Investment ISA.

Your investment will be made in the Retail Share Class.

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

***ACC/INC** If you do not specify ACC or INC in this column, and have not completed section 3, Cofunds will invest into accumulation units/shares where available.

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

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.

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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 of Account Holder

Bank or Building Society Name and Address

Postcode

Branch Sort Code

Bank/Building Society Account Number

Building Society Roll Number

4 Income

Complete this section if you have requested income units/shares ('INC'). The option you choose will be applied to all income units/shares on this application.
Note: If you are taking regular withdrawals from your cash account you may only select the 'Cofunds Cash Account' or 'Retain in the fund' options.

Consolidated Monthly Income
Income generated from your investment funds will be consolidated into your cash account and paid to your nominated bank account on a monthly basis.

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

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

If you do not tick one of these boxes we will select the 'Retain in the fund' option by default.

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 have been provided with the Terms & Conditions of the Cofunds Platform and by signing this application form I agree to be bound by them.
- I understand that the Terms & Conditions of the Cofunds Platform are the standard terms upon which Cofunds intends to rely, and it is important that I read and understand the terms before agreeing to be bound by them. If there is any term or point I do not understand or do not wish to be bound by, I understand that I can request further information before signing this application.
- I understand that my signed application form (once accepted by Cofunds) together with the Terms & Conditions of the Cofunds Platform form my customer agreement with Cofunds Ltd.
- 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. 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.

Investment by Direct Debit

c•funds

Instruction to your Bank or Building Society to pay Direct Debits

DIRECT Debit

Please fill in the whole form and send it to:
Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.

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)

Bank/Building Society Account Number

Branch Sort Code

Banks and Building societies may not accept Direct Debit instructions from some types of account.

Service User No.

6	0	0	2	6	7

Reference Number

For Cofunds LTD official use only
This is not part of the instruction to your bank or building society.

Instruction to your Bank or Building Society
Please pay Cofunds Limited Direct Debits from the account detailed in 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, details will be passed on electronically to my Bank/Building Society.

Signature X Date

This Guarantee should be detached and retained by the payer.

The Direct Debit Guarantee

DIRECT Debit

- This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits
- If there are any changes to the amount, date or frequency of your Direct Debit Cofunds Ltd will notify you 5 working days in advance of your account being debited or as otherwise agreed. If you request Cofunds Ltd to collect a payment, confirmation of the amount and date will be given to you at the time of the request
- If an error is made in the payment of your Direct Debit, by Cofunds Ltd or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society
  - If you receive a refund you are not entitled to, you must pay it back when Cofunds Ltd asks you to
- You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. Please also notify us.

Issued and approved by Cofunds Limited, 1st 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.
CA07_2011/2012_Non CVI 08/11

Investment ISA (stocks and shares) Transfer Application

The disclosure documentation applicable to this transaction is: 0 2 1 0

The ISA allowance for all investors is £10,680 for the 2011/2012 tax year.

Please complete this Application Form using black ink and BLOCK CAPITALS and return to: Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS
You will require a Cofunds authorisation code before being able to transact business. If you do not include this we will not be able to process this application.

Cofunds Intermediary Authorisation Code 7 7 | Intermediary Client/Deal Ref. **VP30** | % Initial Commission Waived **100%**

1 Personal Details (Please complete this section in full)

Existing Cofunds Client Reference

☐ Advised ☑ Not Advised

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Daytime Tel No.

Email

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

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

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.

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

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 of Account Holder

Bank or Building Society Name and Address

Postcode

Branch Sort Code __ __ – __ __ – __ __

Bank/Building Society Account Number

Building Society Roll Number

3 Income

Complete this section if you have requested income units/shares ('INC'). The option you choose will be applied to all income units/shares on this application.
Note: If you are taking regular withdrawals from your cash account you may only select the 'Cofunds Cash Account' or 'Retain in the fund' options.

☐ **Consolidated Monthly Income**
Income generated from your investment funds will be consolidated into your cash account and paid to your nominated bank account on a monthly basis.

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

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

If you do not tick one of these boxes we will select the 'Retain in the fund' option by default.

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 have been provided with the Terms & Conditions of the Cofunds Platform and by signing this application form I agree to be bound by them.
- I understand that the Terms & Conditions of the Cofunds Platform are the standard terms upon which Cofunds intends to rely, and it is important that I read and understand the terms before agreeing to be bound by them. If there is any term or point I do not understand or do not wish to be bound by, I understand that I can request further information before signing this application.
- I understand that my signed application form (once accepted by Cofunds) together with the Terms & Conditions of the Cofunds Platform form my customer agreement with Cofunds Ltd.
- 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.

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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 adviser. 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 this fund is part of your current year subscription (✓)
		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 3 of the Investment ISA (stocks and shares) Transfer Application to have income 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 (if applicable) and 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 this fund is part of your current year subscription (✓)

3 Cash ISA Transfer

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

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

Sort Code – –

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

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

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 Chelsea Viewpoint for details.

Existing Cofunds Client ref

	(✓)
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:

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%

* **ACC/INC**
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 Transfer Application form, Cofunds will invest into accumulation units/shares where available.

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

CO 407/CFS002 08/11

Investment Funds Application

The disclosure documentation applicable to this transaction is: 0 2 1 0

Please complete this Application Form using black ink in BLOCK CAPITALS and return to: Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS
You will require a Cofunds authorisation code before being able to transact business. If you do not include this we will not be able to process this application.

Cofunds Intermediary Authorisation Code 7 7 Intermediary Client/Deal Ref. VP30

1 Personal/Company Details (Please complete this section in full)

Private/Corporate Investor(s) 'Primary' Holder. *Please see section 3 to add additional holders.*

Existing Cofunds Client Reference

Advised ✓ Not Advised

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

or Company Name

Email Address

Daytime Tel No.

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

For corporate investors please ensure you have completed all the signatory requirements in Section 8.

Current Permanent Residential Address (if registering in the name of a company, please provide the company address here)

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 beneficial 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 Joint Holder (You can nominate one additional holder)

Please include the full name and address of each 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

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

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.

4 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 overleaf).

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

Bank or Building Society Name and address

Postcode

Branch Sort Code – –

Bank/Building Society Account Number

Building Society Roll Number

6 Income

Complete this section if you have requested income units/shares ('INC'). The option you choose will be applied to all income units/shares on this application.

Note: If you are taking regular withdrawals from your cash account you may only select the 'Cofunds Cash Account' or 'Retain in the fund' options.

Consolidated Monthly Income
Income generated from your investment funds will be consolidated into your cash account and paid to your nominated bank account on a monthly basis.

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

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

If you do not tick one of these boxes we will select the 'Retain in the fund' option by default.

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7 Investment Selection

Minimum investment £1,000 per fund (Lump Sum) or £50 per month per fund (Monthly savings). Your investment will be made in the Retail Class. For details of Funds available, please refer to the Fund Key Features. Please ensure the funds are available through Cofunds.

Fund Manager and Fund Name	Type of Unit/Share *(delete as appropriate)**	Lump Sum Minimum £1,000 per fund	Monthly Minimum £50 per fund
	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
TOTAL INVESTMENT AMOUNT		**£**	**£**

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

****Commission** The initial commission available depends on the fund selected. Please refer to My Trading Terms for details of rates and funds available through Cofunds. Please state the amount of commission you wish to waive or the percentage of commission you wish to take. You can only choose one option. Commission waivers should be entered for each fund. Please note, if you wish to waive all commission please tick the 'ALL' box. Please specify a particular percentage amount in the last column. If you choose to take commission it must be for all of the investments, as a specific percentage. Any entries, other than those detailed above, will result in investments being made at your default commission terms.

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

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.

8 Declaration and Authorisation

I/We confirm that:

I/We have been provided with the Terms & Conditions of the Cofunds Platform and by signing this application form I/We agree to be bound by them.

I/We understand that the Terms & Conditions of the Cofunds Platform are the standard terms upon which Cofunds intends to rely, and it is important that I/We read and understand the terms before agreeing to be bound by them. If there is any term or point I/We do not understand or do not wish to be bound by, I/We understand that I/We can request further information before signing this application.

I/We understand that my signed application form (once accepted by Cofunds) together with the Terms & Conditions of the Cofunds Platform form my/our customer agreement with Cofunds Ltd.

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.

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Funds Focus

SCHRODER INCOME MAXIMISER

Whilst the Schroder Income Maximiser fund and the underlying portfolio, the Schroder Income fund, have excellent long-term track records, it is clear that performance over the past year has been below par. Maximiser returned -6.37% over the year from 1st September 2010, compared with the sector average of 5.92%. This puts the fund in the 4th quartile over that period. However, having met the managers numerous times and, following a recent meeting, we wanted to update Chelsea investors on the situation.

Managers Nick Kirrage and Kevin Murphy run a strong 'value' strategy, which focuses on buying stocks that are trading on low valuation metrics, i.e. a low price to earnings ratio. This process assumes that stocks that are oversold, or cheap, should return to normal valuations over time when the market 'correctly' values the risks and rewards associated with the stock. This strategy has tended to have rather lumpy performance, despite it having produced outstanding long-term results. The Income fund is 1st quartile over 10 years, and the Maximiser fund, which uses yield enhancement strategies to increase the payout, is 2nd quartile over five years.

Kirrage and Murphy are currently holding UK banks, Lloyds TSB, Barclays and RBS in their portfolio, on the basis that they are massively undervalued by the market. This has been a drag on recent performance. However, we have confidence in the process they employ, and the yield of 7% on the Maximiser fund, run by Thomas See, is still very attractive. We will continue to monitor the team's performance and, should it become more serious, we will review its position in our Easy ISA. However, here at Chelsea, we are interested in long-term performance and, despite one poor year, the Schroder Income team still ranks highly in our estimations.

Chelsea Rating: BUY

FIRST STATE INVESTMENTS

We have a high regard for First State's strengths in Asian and emerging markets and, it is with disappointment we report that, following significant fund inflows, they are due to close five funds on the 1st of January 2012, in order to 'protect the interests of existing investors'.

However, we at Chelsea are always pleased when fund managers recognise the limits of their capabilities, and if this requires them to call time on the amount of money they are able to manage, so be it.

We see this as a final opportunity to invest in some top-performing funds while you still can. The funds being closed are: Asia Pacific Sustainability, Indian Subcontinent, Global Emerging Markets Sustainability, Latin America and Greater China Growth. Their flagship Global Emerging Markets Leaders and Asia Pacific Leaders will remain open and unaffected.

Chelsea Rating: BUY (before 01/01/2012)

NEWTON HIGHER INCOME

Newton have announced a number of changes to their UK range. They intend to merge their Income and Growth funds into one single 'UK Equity' fund, and have also announced that they will be cutting the dividend on their Higher Income fund due to the 'challenging economic environment'.

Newton don't believe that the current high level of income (7.39% historic yield) is sustainable, however they have not changed their process which ensures that the manager will only invest in companies that yield over 115% of the FTSE All-Share Index. Moreover, Newton have reiterated their goal to remain within the top 10% of the UK Equity Income sector in terms of yield. Based on Newton's own estimates, the dividend will be cut by approximately 20-25% in order to give the manager, Tineke Frikkee, the ability to invest in 'a wider range of high quality companies' that have stronger growth dynamics, whilst also yielding in excess of 115% of the index.

However, with dividend yields broadly expected to rise in the UK, many view the decision taken by Newton as odd. It seems like a strange time to choose to cut the dividend, given that many FTSE 100 companies that paid dividends before the financial crisis are predicted to return to doing so, should corporate profitability remain strong.

We have also been carefully watching the performance of the Newton Higher Income fund and, as such, the fund remains a hold.

Chelsea Rating: HOLD

Woodford contemplates the

Given recent market turbulence and the strong pull back in August, we thought it would be useful to ask Neil Woodford, fund manager of Invesco Perpetual High Income and one of the UK's most experienced investors, his thoughts on the issues that economies and markets face today.

We are no more concerned about the macro environment than we were previously. The sovereign debt crises in Europe and the lowering of forecasts for economic growth around the world have dominated UK stock-market sentiment of late.

This has resulted in extreme volatility in share prices and the FTSE 100 index of leading UK shares suffering its worst monthly performance in August 2011 since October 2008. We maintain our view that, since the banking crisis of 2008, we have been facing a prolonged period of low economic growth in the UK.

However, we believe that there are certain types of companies that can thrive, delivering sustainable dividends and earnings growth in this environment, and the Invesco Perpetual High Income fund's portfolio is positioned accordingly.

A tough economic environment

A prolonged period of austerity and low economic growth looks inevitable. We became concerned some years ago about the excessive amount of debt in the global economy. This excessive leverage has manifested itself most recently in the sovereign debt crises. The resolution of these is still undetermined and the opportunities today for a policy response are very different from what was possible in 2008. Interest rates are now near zero, quantitative easing has proved only to be inflationary and debt ceilings have been reached, meaning there is no further scope for fiscal stimulus (tax cuts or increases in government spending). What is clear is that a prolonged period of consumer austerity and low economic growth for the UK now looks inevitable.

NEIL WOODFORD
Fund Manager, Invesco Perpetual High Income

The recent sell-off in equity markets confirms that the stock market was not expecting this.

Is this tougher economic outlook a surprise to us? Absolutely not – we are only surprised that the consensus has taken so long to recognise and digest these economic headwinds. The recent UK equity market sell-off has been indiscriminate and the fall in share prices has left many of the large companies best able to thrive in a low growth environment at valuations where we believe they are fundamentally undervalued. The Invesco Perpetual High Income fund has been positioned for a low growth environment for some years. We do not own companies which are dependent on growth in consumer spending or growth in the output of the UK economy in order to increase their profitability.

We continue to avoid investments in the UK banking sector. We believe that banks face a challenging environment – that they will have to improve their financial position (which will impact negatively on their profitability), to recognise further losses (i.e. acknowledge bad debts) and face a potentially more onerous regulatory environment. Additionally we believe that there are better investment opportunities elsewhere, in businesses with better earnings visibility.

But can you still produce returns?

Contrary to conventional wisdom, there is no relationship between economic growth and stock-market performance. In the last 10 years, for instance, the UK economy, despite the downturn since 2007, has actually posted very healthy levels of economic growth. The UK stock market, on the other hand, remains well below the peak reached in March 2000. The reason for this is simple – valuation is the most important determinant of returns. In 2000, stocks were very expensive, trading at their peak on a price/earnings ratio (a crude but effective measure of stock valuation) of over 30 times. Because stocks were expensive in 2000, subsequent returns have been lacklustre.

The principle reason for our current optimism is that we believe valuations in certain areas are now much more reasonable. UK equities currently trade on below average multiples on nearly all measures. We have a very disciplined approach to investing – we focus on valuation, and remain convinced that, in the long term, valuation and fundamentals are the only things that matter and, like gravity, they will reassert themselves.

Another very important valuation measure is the dividend yield. The maintenance and growth of a strong dividend stream is absolutely key to equity investment. The effect of compounding returns over the years is very powerful, and reinvested dividends have been the biggest source of an investor's total return over the long term*. The anomaly in the current environment is that interest rates (0.5%) and government bond yields (10 year gilts yield 2.39% at the time of writing) are well below the historic dividend yield on the FTSE All-Share Index (3.69%).

macroeconomic outlook

Our investment approach focuses very heavily on valuation, with the aim of avoiding overvalued companies and concentrating our portfolios on the most attractively valued stocks. This has allowed funds like the Invesco Perpetual High Income fund to post healthy returns during periods of lacklustre performance from the wider market – for example since the ending of the dot.com boom. For the ten years to end July 2011, the fund has delivered a total return of 145.6%, compared with the average return of 53.7% produced by the IMA UK Equity Income sector. The comparable numbers over one, three and five years are 15.0%, 21.5% and 23.9% respectively for the fund and 13.7%, 21.0% and 9.8% for the sector.

How we are positioned

Invesco Perpetual High Income currently has 26.5% of its assets invested in the pharmaceutical sector – a sector which we currently believe to be undervalued.

Pharmaceuticals giant AstraZeneca raised its share buy-back target for the current year from US$4bn to US$5bn with its recent results and also raised its full year profit guidance. It also, and contrary to market expectations, received approval from the US food and drug administration (FDA) to market its acute coronary syndrome drug, Brilinta, in the US. This is, in our view, profoundly important news for AstraZeneca's prospects.

More broadly, the news of this drug approval is positive for the sector as a whole as it proves that the process of drug discovery is alive and well, despite the market's scepticism that is implied in current valuations.

Further evidence of this was provided by GlaxoSmithKline, whose half-year results included a statement from the company giving a positive outlook for 2012. GlaxoSmithKline, too, is enhancing shareholder returns through a share buy-back.

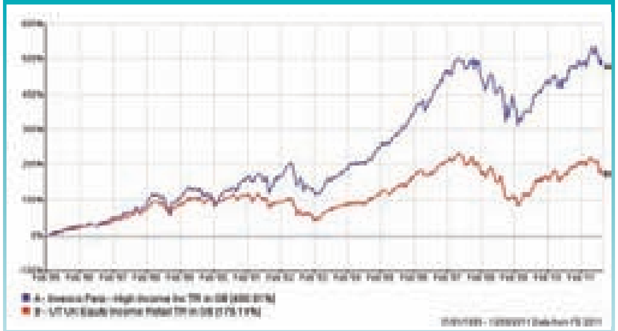
We are also significantly invested in the tobacco sector. We were recently asked whether the tobacco sector is going to remain a good producer of income. A short answer to the question is absolutely, in our view, yes it is. Part of the reason the sector is undervalued is because it is misunderstood. It continues to be unpopular, subject to tighter regulation and increasing excise duty. But the tobacco sector has, through focus and good management and particularly through the inherently attractive cash generation characteristics, been able to produce very attractive returns for shareholders, and we believe should continue to do so irrespective of global economic uncertainty.

Much of what has caused the recent stock-market volatility has centred on weak growth and the ongoing sovereign debt crisis. We reiterate our view that this is not new or a surprise to us – we are no more concerned about the macro environment than we were previously. Our portfolios have been built with these concerns in mind – we remain disciplined, patient and long-term investors. The recent dramatic sell-off has been indiscriminate and, we believe, provides us with attractive opportunities to invest for the long term.

For further details on Invesco Perpetual High Income, please see page 12.

*Source: Barclays Equity Gilt Study, Feb 2011.

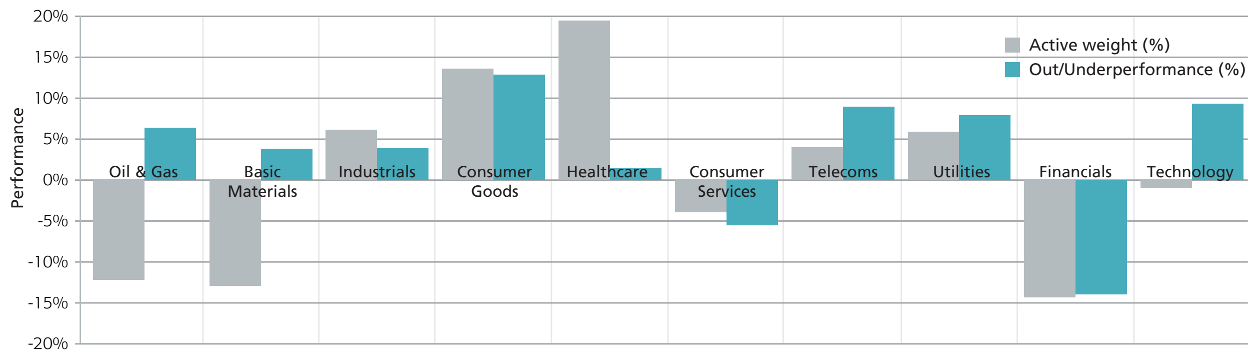
INVESCO PERPETUAL HIGH INCOME



Source: Financial Express 2011.

ACTIVE WEIGHTS VS PERFORMANCE

This chart shows the sector over/underweights within the Invesco Perpetual High Income fund and the relative outperformance or underperformance of those sectors compared with the benchmark (FTSE All-Share Index) as a whole.



Source: Invesco Perpetual data.
All performance data is 12 months to 29 August 2011. Asset allocation as of 31 July 2011.

Consumption on a

The ever-changing habits of the global consumer are an important theme in today's economy. We feel that now is the right time to highlight two funds which focus on this area of investment.

PETER KIRKMAN
Fund Manager, JPM Global Consumer Trends

The consumer landscape is changing. Whatever the state of the global economy, new long-term consumer trends will emerge, affecting what people buy and how they live.

It's possible to benefit from these changes by investing in companies that are best able to capture the significant profit growth potential caused by these durable, long-term trends. The trends that are worth exploring are those which are likely to both last and produce sustainable returns for investors.

For example, Starbucks effectively convinced us to spend two to three pounds a day on a cup of hot milk with a shot of espresso – and we didn't even know we had that need before. Likewise, who'd have thought that up until recently there would be a demand for a product that sits between a smartphone and a computer – until Apple created that demand with the highly successful iPad, which has already spawned an industry of imitators.

The changing consumer landscape will see companies realign operations to find new ways of making money. For example, large companies that sell household products in the West might now be looking towards emerging markets and exploring how to benefit from rising incomes there. This may involve changing their pricing structure or even developing new products.

The key is to be able to spot the companies that are attuned to these developments and are well-placed to capitalise. Spotting these trends early can be a great source of return for investors, but there are many indicators you can follow that help you make informed investment judgements.

Trends for a changing age

One of the benefits of demographics is its predictability. It is a rational and measurable driver of economic change. Ageing populations and urbanisation drive changes in buying patterns, transforming the economy of a country and opening up new income streams for companies that can meet the new demands. As an illustration, more than 50% of the Japanese population will be of retirement age by 2020 (source: World Population Ageing: 1950-2050, 2002). So you can expect companies that make products like hip replacements and other goods that serve the elderly to grow much faster than they have done traditionally.

Urbanisation is another trend where the numbers speak for themselves. In 2000 there were about three billion people in cities globally, by 2030 the United Nations predicts that number will rise to five billion. This creates an enormous amount of potential for companies who meet the needs of city dwellers, from retail outlets to transport companies to infrastructure firms – these are identifiable trends that have occurred many times before as cities form and expand.

JPM GLOBAL CONSUMER TRENDS

- Peter Kirkman has managed this fund since its launch in April 2008
- Fund manager adopts a go-anywhere strategy with no country, sector or market-cap constraints
- Current geographical breakdown: US 32.9%; China 16.3%; UK 10.2%; France 9.7%; Switzerland 6.7%; India 4.2%; Netherlands 4.2%; Germany 2.4%; HK 2.2%; Israel 2.2%; cash 2.4%
- 'A' rating from OBSR
- Fund has returned 56% over the last 3 years

Trends are also often easy to measure within the health and wellness arena. In the Western world health and wellness is about the fact that people want to live longer, look better, and change to a healthier lifestyle. In emerging markets often it is about meeting people's basic sanitary needs – so toilet paper is a growing market in China.

It's also worth exploring the prospects for aspirational demand where, simply, people aspire to a higher standard of living. One of the ways of getting access to this trend is via Western companies selling into emerging markets. Most of the great brands in the world still reside in, or come from, Western countries – brands like Gucci, Louis Vuitton, Prada, Burberry and others. As wealth levels rise to levels approaching developed markets, people aspire to own these Western goods.

These are just some examples of opportunities created by sustainable, long-term consumer trends. We believe they offer investors a very interesting take on global markets. As well as being naturally diverse they are focused on sustainability and durability, with profit potential tied in to long-term demand.

As we've seen, these trends can emerge from any location throughout the world. They can spring from companies in thriving emerging markets or from Western companies whose sales are benefiting from changes in consumer demand.

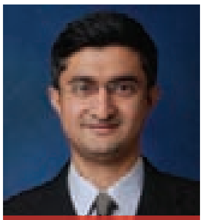
Chelsea View

We like the long-term strategy of this fund which follows sustainable and structural changes in global markets rather than passing trends. We also like the total flexibility of this fund to invest anywhere in the world.

Chelsea Risk Rating: 7.5

Standard initial charge: 4.25%
ISA initial charge after discount: 0%
Annual management charge: 1.5%

global scale



NAMIT NAYEGANDHI
Fund Manager,
UBS Asian Consumption

The Asian consumption story revolves around the growth in both the numbers and the buying power of consumers and around government policy, alterations in which are driving material changes across Asia. A young and growing population, both in absolute terms and relative to many Western countries, presents the demographic backdrop behind the change in domestic consumption.

As Asia's economies continue to develop, its countries are experiencing urbanisation. The average household size is far smaller in urban than in rural areas and, consequently, there are fewer dependants for income earners to support. Therefore, their potential spending power is far greater. The Asian consumer is currently undergoing a period of transition, with enhanced job opportunities, higher levels of disposable income and a greater willingness to take on debt. These are some of the key factors leading to increased consumption, driven not just by a select few but by a rapidly growing and culturally evolving middle class. It reflects a structural shift that looks set to provoke demand for more premium housing, luxury goods and healthcare for many years to come.

In addition, there is growing central intervention from the regions' governments with evolving policy changes, such as developing healthcare and pension provisions, which should provide further stimulus.

Where do we invest?

The consumption story is quite diversified, with stocks selected from automobiles, beverages, retailing, internet etc. Therefore, although it may initially appear as though the fund's exposure is narrow and concentrated to a few sectors, the reality is that within the consumption theme there are various sub-sectors with product reach direct to the end consumer. Moreover, we are not confined to the sectors within our benchmark (consumer discretionary, staples and healthcare). For example, within financials, we would consider a mortgage or consumer credit company, because these would clearly benefit from consumers' direct spending, but would not invest in a corporate bank. Within property, we would consider a residential developer, especially given growing urbanisation, but would not invest in a commercial developer, because that is not a direct play on end consumption. Fundamentally, the portfolio is driven by bottom-up selection.

UBS ASIAN CONSUMPTION

- Fund manager Namit Nayegandhi is based in Singapore and has over 12 years' investment experience covering the Asian consumer sector
- Supported by a 20-strong Asia ex-Japan equity team
- 'A' rating from S&P
- Currently 46 holdings
- Current geographic breakdown: 24% Korea; 20% China; 15% India; 11% Hong Kong; 7% Singapore

Nevertheless, we monitor risk on country and sector, as well as stock, exposure. While it's widely accepted that there exists huge growth potential in Asia, we believe that stock selection, selectively investing in companies with sustainable growth models, is key. To help us identify long-term winners, we strive to understand the companies' competitive advantage, management capability and scalability of their respective models through extensive research. Fundamentally, our goal is to invest in high quality companies with strong fundamentals and at attractive valuations.

A long-term opportunity

Weakening global growth and the continued turmoil in the European credit markets may continue to rock equity markets but should result in lower commodity prices, which will improve companies' profitability, as many have already implemented price increases to compensate for the sharp rise in input costs.

We believe this fund is well positioned within the current environment, given its focus on the domestic consumer and exposure to some sub-sectors (e.g. tobacco) which are relatively more defensive and resilient to growth concerns. We believe that domestic consumption will stay robust, as the drivers of favourable demographics, productivity and rising incomes remain intact. The case for long-term growth within the Asian consumer space remains strong as Asian governments, corporates and households generally have low levels of debt and thus do not have the sovereign debt issues faced by developed markets.

In our opinion, valuations look attractive post the recent market correction overall, and are trading below historical averages.

Chelsea View

We like the Asian consumer theme as a long-term investment idea and expect Asian currencies to appreciate over time. The Singapore-based team follow a robust process and take a value approach to stock selection.

Chelsea Risk Rating: 8.5

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

[1]Source: UBS Global Asset Management 31 August 2011.

Time for a strategic

At a time when cash deposits yield next to nothing and the value of savings is increasingly undermined by inflation, it is essential to look at alternative investment options. Furthermore, UK interest rates look set to remain uncharacteristically low for the long term. A strategic bond fund, as opposed to a more traditional, conservative bond fund, may be one of the better opportunities available to investors looking for income. So we have asked two highly experienced strategic bond fund managers to discuss their investment processes and thoughts on the fixed interest market.

ARIEL BEZALEL
Fund Manager,
Jupiter Strategic Bond

The relative flexibility of the Jupiter Strategic Bond fund allows me more room to manoeuvre than a more cautiously managed fund would, and thus greater scope to seek out elusive returns when markets are volatile.

The area in which we have had a significant degree of success is high-yield debt. Traditionally, high-yield holdings have made up the largest portion of the portfolio. However, as a strategic bond fund manager, it is important to be responsive to the macroeconomic environment and our concerns about the global economy and sovereign debt have recently led us to hold less high yield debt. While it still constitutes about half the portfolio, our holdings are relatively conservative, with approximately 50% positioned in senior-secured notes. These feature quite high up in a company's capital structure, so bondholders are more likely to be repaid in the event of a default. In fact, high yield aside, we have recently shifted many of our holdings up the debt ladder, switching from unsecured to senior secured credit i.e. from more risky to less risky debt.

Our holdings

Currently, the Jupiter Strategic Bond fund's largest position is in Australian government bonds. The Australian economy looks set to slow down as emerging markets tighten policy further to bring inflation levels down and indeed this has already started to happen. The second largest position is in Canadian government bonds. Both of these holdings are aimed at keeping the fund as protected as possible against any global shock, as the pristine finances of these two countries stand in sharp contrast to the fiscal burdens under which the US and Europe currently labour.

The oil rig financing sector continues to be a favourite of ours. It offers real value for money, with returns of around 10%, significantly more than the generic European high yield market. Rigs are typically leased out on long-term contracts to the major oil companies: good customers with reliable income streams. Banks have also played a large part in the performance of the fund, but currently only comprise about 10% of the portfolio. We are increasingly worried about the health of the financial sector in the US and Europe and the fund now only holds UK and German banks. We have been building a holding in the Priory Group, a mental and speciality healthcare provider in the UK. We expect the business to benefit from the structural shortages in NHS capacity to deal with severe mental health patients which should intensify as government spending cuts take effect. In addition, the bonds are secured by Priory's significant freehold property portfolio which provides additional protection.

We have been concerned for some time that the recent spate of poor economic data indicated more than just a 'soft patch' and it would appear our fears are being borne out. In our opinion, the US debt downgrade implemented by Standard & Poors in August was wholly justified. US national debt dynamics are not looking good and the country's growth outlook is worrying. Should growth disappoint, more cuts would have to be made to public expenditure to prevent the country's credit rating from falling further. In Europe, government bond prices have fallen sharply. In Italy and Spain it has become clear that economic growth in both countries has pretty much ground to a halt. Although the Italian banks seem to be in decent shape, the Spanish banking system appears desperately undercapitalised. Italy's constraints lie more in the rigidity of its economy and the political difficulty of implementing necessary changes as well as absolute debt levels relative to GDP. It is also struggling to sustain any kind of meaningful economic growth – a crucial factor in reducing overall debt levels. Where eurozone weakness was once restricted to the peripheral countries, now even France and Germany are starting to show signs of slowing down. V

JUPITER STRATEGIC BOND

- No investment restrictions on how much he can hold in high yield, investment grade, gilts etc
- Current split: 47.1% in investment grade bonds; 30.1% in high yield bonds; 15.6% in non-rated bonds
- 5% yield with dividends paid quarterly in April, July, October and January
- Fund manager is allowed to short in order to hedge out risk

Chelsea Risk Rating: 1.5

Standard initial charge: 4%
ISA initial charge after discount: 0%
Annual management charge: 1.25%

alternative...

JAMES FOSTER
Fund Manager,
Artemis Strategic Bond

Alongside equities and other assets, bonds form part of any prudent portfolio. At the moment, though, the 'R' word, recession, rules. With slowing growth in the West, let alone the continuing crisis in the eurozone, the fear is that recession will return. And since bonds at their simplest are IOUs, or debt, issued by companies or governments, is now a good time to be buying them? After all, a purchaser of a bond is lending money to the issuer, and will usually collect some regular interest payments until the money is returned. What if it isn't? Or what if the interest (coupon) isn't paid?

As we all know, the economy goes through many ups and downs over a number of years – and the down's been much in evidence recently. Like any investment, bonds are affected by what happens in the economy. At certain points in economic cycles, different types of bonds can do the best job of protecting and growing capital. As managers of a 'strategic' bond fund, we choose very carefully those bonds we think are right for the particular stage of the cycle we are in.

Our fund can invest in any type of bonds, in any combination, choosing its holdings judiciously through the economic cycle. The scope is wide, from government bonds through to investment grade (those rated AAA – BBB by the rating agencies), high yield (those rated below BBB) or even index-linked bonds. This means we should be able to make the most of any situation, aiming to preserve capital in tough times and profit when conditions are good.

Meanwhile, one good argument for bonds is their yield. At the end of August, our fund was paying a yield of 5.6% – it's only paying around 6% at the moment – although it's only fair to point out that when the market goes up, this yield comes down. Nonetheless, in relation to cash and other alternatives, the yield on the fund remains attractive.

Current Positioning

What of the underlying bonds, though? One class of bond that seems challenging to us just now is government bonds. As part of investors' overall 'flight to safety', their yields have gone down and their price has gone up. And yet the underlying finances of the governments concerned are very far from healthy. The outcome is far from clear.

Fortunately, there are alternatives. Particular types or classes of bonds, in our view, are offering special value at the moment. Take selected financial bonds, for example. Because of fears over the euro crisis, the yields on bank bonds are now very high. But there is an underlying understanding that banks, supported by central institutions like the EU and ECB, will sort themselves out. They will continue to raise fresh funds and restore their balance sheets. As this happens, yields will drop and prices will go up.

ARTEMIS STRATEGIC BOND

- Current split: 5.42% in government bonds; 46.35% investment grade corporate bonds; 46.62% high yield corporate bonds
- AA rated by OBSR
- Income paid monthly (M units) or quarterly (Q units) in May, August, November and February
- Current yield 5.6%

Selected high yield corporate bonds are also especially attractive just now. There are companies that, even if recession returns, are still looking very attractive. The high yield bond market is now discounting that 45% of companies will go bust (with 40% recovery rates) over the next five years. In banks, it is discounting that six big European banks will default (with 25% recovery) out of the 25 in the index over the next five years. These numbers are highlighting the distress in the market, as defaults on this scale are unprecedented. The value is clear.

Our job is to find and to buy for our investors the right bonds at the right times. Certainly, there will be more short-term volatility. But with the right bonds, the opportunities for profit-hunters are huge.

Concern now centres upon the ability of companies to service and repay debt in economic conditions that may deteriorate back to a state of recession. We think these fears are overdone.

We are confident that bond markets will turn positive again soon. The background of low interest rates for a sustained period is a very important driver. The panic in the banking sector will subside and the fantastic yields now available will fall, and prices will rise, as confidence returns.

Chelsea Risk Rating: 1.5

Standard initial charge: 5.25%
ISA initial charge after discount: 0%
Annual management charge: 1%

Chelsea View

We firmly believe that our investors should look at strategic bonds for their fixed interest holdings, as these funds have much greater flexibility, enabling them to outperform in different economic scenarios. Both the managers featured here have considerable experience and strong performance records.

Consolidate your investments

You may shortly receive a letter from us encouraging you to consolidate your investments to the Chelsea Portfolio fund supermarket, powered by Cofunds.

We are continually trying to improve the service we offer and we can do so if you move your funds to the Chelsea Portfolio. This involves no cost and no change in fund manager.

Why consolidate?

We at Chelsea Financial Services strongly believe that holding your funds within the Chelsea Portfolio is the best way to invest. All our staff, family and friends hold their investments within the Chelsea Portfolio and we want our clients to benefit as well.

THERE ARE A RANGE OF ADVANTAGES WHICH YOU MAY NOT CURRENTLY RECEIVE, SUCH AS:

- Free switching on over 1,600 funds
- Online dealing – same day
- Telephone dealing – same day
- Cash Reserve facility

There are many other advantages – for a full list please see opposite.

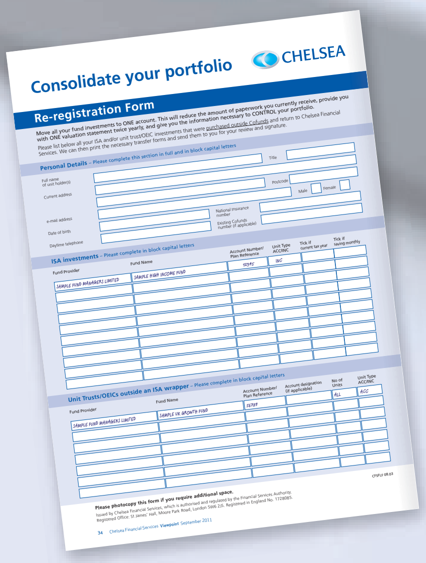
In short, it allows you to bring all your ISAs and units trusts into one easy to manage place. It puts you in control. You can manage your investments by telephone, post or online and, because you deal with us directly, you save money.

FREE switching within the Chelsea Portfolio

As a client of Chelsea Financial Services you can now switch into any fund at 0% charge. See page 4 for further details.

How do I qualify?

- Simply sign and return the forms that we may have already sent to you.
- Alternatively, complete and return the form on page 34.


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 | Male | Female

e-mail address | National Insurance number

Date of birth | Existing Cofunds number (if applicable)

Daytime telephone

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

CFSFLF 08.03

Please photocopy this form if you require additional space.

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.

34 Chelsea Financial Services Viewpoint September 2011

The benefits of our fund supermarket

Our fund supermarket, the Chelsea Portfolio, is powered 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.

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 Cofunds but your funds are managed in exactly the same way by each fund manager. There are no charges for re-registration and your funds are not sold, so you are never out of the market.

HOW DO I RE-REGISTER?

Re-registration through Chelsea Financial Services is easy. Simply complete and return the form on page 34.

FREE SWITCHING: clients of Chelsea Financial Services can switch into all funds on Cofunds at 0% charge. Get rid of poor-performing funds at 0% charge.

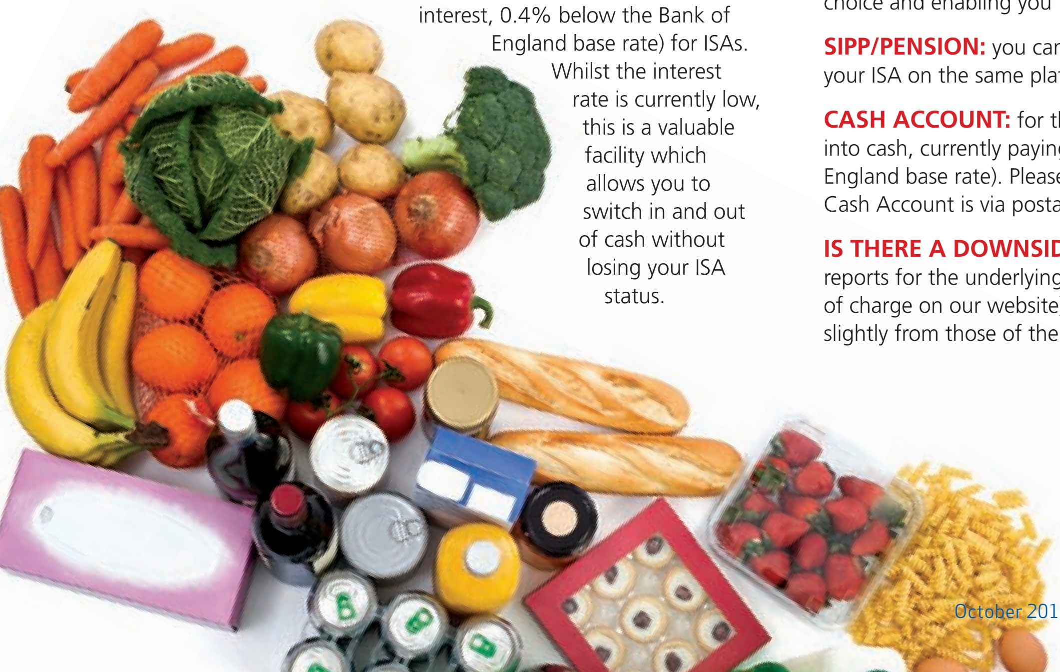
MONTHLY INVESTING MADE EASY AND COST-EFFECTIVE: it attracts the same leading discounts as lump sum investing (often not the case outside the Chelsea Portfolio), with a minimum of just £50/month.

LARGE FUND SELECTION: access to more than 1,600 funds from over 90 different providers.

FUND REVIEW: we are now providing fund commentary on nearly **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 0.1% 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.



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 PORTFOLIO MANAGEMENT: including online dealing, valuations and transactions history. If you register on our website you can also read every individual review of the top 500 funds. Visit www.chelseafs.co.uk to register.

TELEPHONE DEALING: buy your investments over the phone using your debit card. Simply call 020 7384 7300.

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 37 for further details.

CASH ACCOUNT: for those looking to switch non-ISA monies into cash, currently paying 0.1% (0.4% below the Bank of England base rate). Please note, the only way to switch into the Cash Account is via postal applications or over the telephone.

IS THERE A DOWNSIDE? You will not receive the annual reports for the underlying funds (though these are available free of charge on our website) and income payment dates will vary slightly from those of the underlying fund providers.

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

Re-registration: Getting it together

Life is so much easier with all your investments in one place: no more endless pieces of paper from different fund providers; no more time-consuming transfers and no more having to stick to one provider per tax year.

One major advantage is our online valuation service. We know from speaking to many of you that using websites can be daunting. However, we have done everything we can to make our website as user-friendly as possible. All you need to do is to register on our home page and, once enabled, you can buy, switch or top-up your investments or simply look up their current value. We thought that you might like to take a look at a snapshot of our website (see right) and what your portfolio might look like.

Chelsea Portfolio investors' experience

More and more of our clients are re-registering their investments to the Chelsea Portfolio. Here are some of our investors' experiences of investing within the Chelsea Portfolio:

Mrs Jill Gosling from Hereford

"I'm delighted that I can now switch into any fund on Cofunds through Chelsea Financial Services at 0% initial charge."

Mr George Anthis from London

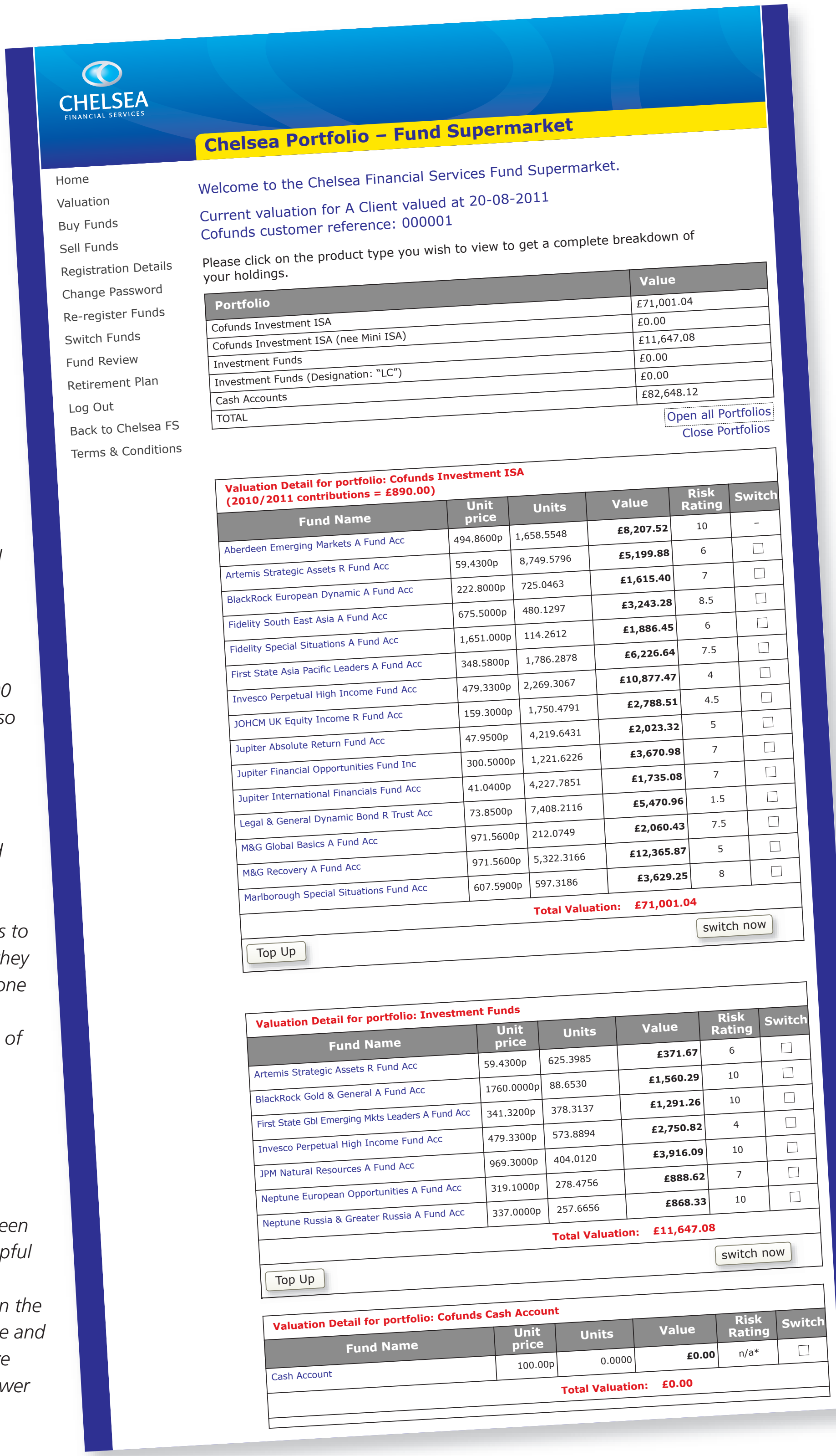
"I invest monthly and I was previously restricted to the funds of just one provider but I can now spread my £300 per month across six different funds. These funds are also available to me at 0% initial charge and I can monitor them online".

Mr Alex Willett from Liverpool

"I have investments with six different fund managers and was worried that, upon my death, my executors would have to track down these investments and send off the death certificate, grant of probate and application forms to each individual company. Now they are all on Cofunds they only have to have to send the certificates and forms to one place and the investments can be moved into the beneficiaries' names at no charge. I also have the peace of mind that Chelsea Financial Services will assist them to avoid excessive solicitor fees."

Mrs Elizabeth Linnaine from Gloucester recently consolidated her investments within the Chelsea Portfolio:

"Since re-registering my investments to Cofunds I have been able to track their performance on-line via Chelsea's helpful website. The website also allows me to make further investments into my ISA and carry out switches based on the information I have read in Chelsea's Viewpoint magazine and on my twice-yearly fund reviews. The staff at Chelsea are always available on the telephone and are happy to answer any of my questions regarding my investments."



CHELSEA FINANCIAL SERVICES

Chelsea Portfolio – Fund Supermarket

Home
Valuation
Buy Funds
Sell Funds
Registration Details
Change Password
Re-register Funds
Switch Funds
Fund Review
Retirement Plan
Log Out
Back to Chelsea FS
Terms & Conditions

Welcome to the Chelsea Financial Services Fund Supermarket.

Current valuation for A Client valued at 20-08-2011
Cofunds customer reference: 000001

Please click on the product type you wish to view to get a complete breakdown of your holdings.

Portfolio	Value
Cofunds Investment ISA	£71,001.04
Cofunds Investment ISA (nee Mini ISA)	£0.00
Investment Funds	£11,647.08
Investment Funds (Designation: "LC")	£0.00
Cash Accounts	£0.00
TOTAL	£82,648.12

Open all Portfolios
Close Portfolios

Valuation Detail for portfolio: Cofunds Investment ISA (2010/2011 contributions = £890.00)

Fund Name	Unit price	Units	Value	Risk Rating	Switch
Aberdeen Emerging Markets A Fund Acc	494.8600p	1,658.5548	£8,207.52	10	–
Artemis Strategic Assets R Fund Acc	59.4300p	8,749.5796	£5,199.88	6	☐
BlackRock European Dynamic A Fund Acc	222.8000p	725.0463	£1,615.40	7	☐
Fidelity South East Asia A Fund Acc	675.5000p	480.1297	£3,243.28	8.5	☐
Fidelity Special Situations A Fund Acc	1,651.000p	114.2612	£1,886.45	6	☐
First State Asia Pacific Leaders A Fund Acc	348.5800p	1,786.2878	£6,226.64	7.5	☐
Invesco Perpetual High Income Fund Acc	479.3300p	2,269.3067	£10,877.47	4	☐
JOHCM UK Equity Income R Fund Acc	159.3000p	1,750.4791	£2,788.51	4.5	☐
Jupiter Absolute Return Fund Acc	47.9500p	4,219.6431	£2,023.32	5	☐
Jupiter Financial Opportunities Fund Inc	300.5000p	1,221.6226	£3,670.98	7	☐
Jupiter International Financials Fund Acc	41.0400p	4,227.7851	£1,735.08	7	☐
Legal & General Dynamic Bond R Trust Acc	73.8500p	7,408.2116	£5,470.96	1.5	☐
M&G Global Basics A Fund Acc	971.5600p	212.0749	£2,060.43	7.5	☐
M&G Recovery A Fund Acc	971.5600p	5,322.3166	£12,365.87	5	☐
Marlborough Special Situations Fund Acc	607.5900p	597.3186	£3,629.25	8	☐

Total Valuation: £71,001.04

switch now

Top Up

Valuation Detail for portfolio: Investment Funds

Fund Name	Unit price	Units	Value	Risk Rating	Switch
Artemis Strategic Assets R Fund Acc	59.4300p	625.3985	£371.67	6	☐
BlackRock Gold & General A Fund Acc	1760.0000p	88.6530	£1,560.29	10	☐
First State Gbl Emerging Mkts Leaders A Fund Acc	341.3200p	378.3137	£1,291.26	10	☐
Invesco Perpetual High Income Fund Acc	479.3300p	573.8894	£2,750.82	4	☐
JPM Natural Resources A Fund Acc	969.3000p	404.0120	£3,916.09	10	☐
Neptune European Opportunities A Fund Acc	319.1000p	278.4756	£888.62	7	☐
Neptune Russia & Greater Russia A Fund Acc	337.0000p	257.6656	£868.33	10	☐

Total Valuation: £11,647.08

switch now

Top Up

Valuation Detail for portfolio: Cofunds Cash Account

Fund Name	Unit price	Units	Value	Risk Rating	Switch
Cash Account	100.00p	0.0000	£0.00	n/a*	☐

Total Valuation: £0.00

This is a genuine valuation for one of our clients, whose name has been removed to protect their identity.

Structured solutions:

Potential 7% coupon after one year

MATTHEW WOODBRIDGE
Head of Investment Products

In these times of extreme market volatility, clients have been looking for protection to their capital, whilst aware of the low returns available on cash. One possible solution is the use of structured products.

Many Chelsea clients have enjoyed excellent returns from structured products in the past few years, which have added value to their portfolios when other holdings have not. We feel that those of you who have shied away from investing in structured products previously should look again.

One of the most popular types of structure is the 'kick out' product, which offers the investor a pre-determined rate of return if an agreed measure (such as the FTSE 100 Index) performs well enough to trigger the pay-out. Any profit is usually subject to capital gains tax, enabling use of the capital gains tax annual exemption, currently set at £10,600.

If we take the **Walker Crips Annual Growth Plan 15** as an example, the closing level of the FTSE 100 on the 21/10/11 will be compared to the index's closing level on each anniversary date.

WALKER CRIPS ANNUAL GROWTH PLAN 15

22nd October 2012: Has the index closed at or above the initial index level?	YES	**7%** capital growth plus return of initial capital
NO ▼ **22nd October 2013:** Has the index closed at or above the initial index level?	YES	**14%** capital growth plus return of initial capital
NO ▼ **22nd October 2014:** Has the index closed at or above the initial index level?	YES	**21%** capital growth plus return of initial capital
NO ▼ **22nd October 2015:** Has the index closed at or above the initial index level?	YES	**28%** capital growth plus return of initial capital
NO ▼ **22nd October 2016:** Has the index closed at or above the initial index level?	YES	**35%** capital growth plus return of initial capital
NO ▼ **22nd October 2017:** Has the index closed at or above the initial index level?	YES	**42%** capital growth plus return of initial capital
NO ▼ Is the final index level at or above 50% of the initial index level?	YES	Return of your initial capital only
NO ▼ Initial capital will be **reduced by 1% for every 1%** the final index level is below the initial index level (or fraction thereof).		

Walker Crips Annual Growth Plan 16 will be available from the end of October until the beginning of December, offering the same terms.

As the illustration shows, if the closing level of the index on 22/10/12 is at or above the initial index level on 21/10/11 then the plan will pay a 7% coupon and return the initial capital. If it is below the initial index then the plan continues for another year and the same observation is made and if the closing level of the index on the 21/10/13 is at or above the initial index level the plan will pay a 14% coupon plus return the initial capital.

For investors to lose capital with this product it would have to run for the full six years (i.e. not kick out on any of the anniversaries) and the final index level would have to be more than 50% lower than the initial index level on 23/10/17.

Risks

You should not expect kick out products to mature on the first or second anniversaries, hence you should treat them as six-year products with your capital at risk. However, with the current depressed level of the markets it may be an opportunity to invest part of your portfolio in a product that will generate an attractive (tax-efficient) coupon with little or no growth in the underlying asset.

In addition, investors need to be aware that the return of capital and payment of any growth coupon is subject to the continued solvency of the counterparty, which in the case of the Walker Crips plan is HSBC, 'AA' rated by Fitch. You may notice plans offering different rates of return and this is often because providers use different banks as the counterparty. Those with the lower credit rating have to offer a higher rate to attract investment. An example would be the **Investec FTSE 100 Enhanced Kick Out Plan 23 – Option 1**, which is offering a potential annual coupon of 10.5%, with Investec Bank itself as the counterparty (Investec Bank's credit rating is 'BBB' by Fitch). Another consideration is the fact that, in the event of counterparty insolvency, you will not have recourse to the Financial Services Compensation Scheme (FSCS).

Variations on a theme

Another version of a Kick Out plan **(from Meteor Asset Management)** uses the top 10 shares on the FTSE 100 as the underlying asset, thereby increasing the risk, but the potential annual coupon of 18% reflects the added risk. An alternative strategy is provided by **Gilliat Financial Solutions** who offer three levels at which their Annual Kick Out Plan will mature, where the index level can be the same or greater, 5% lower or 10% lower to trigger the payment with varying coupons.

Discounts

If you invest in a structured product via Chelsea Financial Services you will receive a discount, usually in the form of an enhancement to your plan. Please see the structured products page on our website (www.chelseafs.co.uk/investments/structuredproducts.html) for the latest offers. Alternatively, if you are interested in any of the products mentioned above, please telephone our brochure line on 0800 071 3333 for more details and application forms.

Pensions update

How much can I contribute?

You can save as much as you like into any number and type of registered pension schemes and get tax relief on contributions of up to 100% of your earnings (salary and other earned income) each year subject to an 'annual allowance'. The annual allowance for the current and previous two tax years are shown below.

Tax year	Annual allowance
2009–10	£245,000
2010–11	£255,000
2011–12	£50,000

As you can see the annual allowance has been dramatically reduced. However, it is possible to carry forward unused annual allowance from the previous three years, up to £50,000 in each of those years.

This will be of particular interest to those high earners who wish to catch up on contributions they may have missed. And clearly it is worth making the most of the annual allowance each year while it is still there, particularly for those paying higher rate and additional rate tax.

The government has also announced changes to the lifetime allowance for tax relief on pensions. From 2012-13 onwards, the lifetime allowance for pension savings for individuals will be reduced from the current level of £1.8 million to £1.5 million.

Despite all these changes, most people remain unaffected by radical changes to pension legislation announced in the Budget, and can continue to claim full tax relief on their pension contributions.

The Cofunds Pension Account
– take control of your retirement

The Cofunds Pension Account is a pension that accepts transfers of existing personal pensions including those containing Protected Rights, lump sums (minimum £5,000) and monthly savings (minimum £250) – all at no initial cost.

The Pension Account offers access to over 1,600 funds on Cofunds, including those most popular with Chelsea clients such as Invesco Perpetual High Income, First State Asia Pacific Leaders, JPM Natural Resources and M&G Recovery. And what's more, if you are an existing Cofunds user and invest in the pension, you will receive a half-yearly statement detailing your ISA funds, investment funds and funds held within your pension, enabling you to keep track of your funds much more easily.

WHY CHOOSE THE COFUNDS PENSION ACCOUNT?

- NO set-up fee
- NO contribution fees
- NO inactivity fee
- 0% initial charge on all funds, saving you up to 5.5%
- 0% charge for switching 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 provider
- 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 on Cofunds with Buy/ Hold/ Switch recommendations.

A 'free' pension wrapper ...special offer

If you have over £50,000 worth of assets on the Cofunds platform and are looking to consolidate your personal pensions into one place OR you simply wish to make a lump sum pension payment of £20,000 or more, you will benefit from a low cost pension that has no transfer fees, no initial charges on all funds on Cofunds and, more importantly, no annual wrapper fee. All you will pay is the annual management charge of the funds chosen, which means more of your pension working for you and less taken in fees.

If you are new to Cofunds and invest or transfer the equivalent of £50,000 into the Cofunds Pension Account you will also qualify for the special offer.

Consolidate your personal pensions

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 and poor service levels. Before you decide to transfer into the Cofunds Pension Account, do check that there isn't a comparable investment choice for the same cost where you 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 whether to make a transfer after making these checks please give us a call on 020 7384 7300 to see if we can help.

To apply for the Cofunds Pension Account, please call 0800 071 3333 for an application form and key features.

ALTERNATIVE INCOME

At a time of negative real interest rates, investors may be struggling to find income in the usual places. Diversification has never been so important and here we look at three funds offering interesting alternatives for dividend seekers...

JAMES HARRIES
Fund Manager, Newton Global Higher Income

Investors are rediscovering the potential power of dividends from companies around the world as an important part of the pursuit of long-term returns. Dividend payments are the distribution of part of a company's earnings to its shareholders, and can provide an attractive source of income.

The Newton Global Higher Income fund was created with the aim of capturing the most attractive company dividend opportunities wherever they might arise in the world. The fund represents a marriage of two of Newton's long-standing investment strengths. One is its expertise in managing equity income funds, funds that seek to use dividends from company shares to provide investors with regular income; the other is its experience in managing global equity portfolios.

While some investment approaches rely heavily on following the direction of the market or on individual manager views, Newton's global thematic investment process encourages its fund managers and analysts to identify the main drivers, and the main threats, to financial markets. Its global themes encompass ideas which range from today's growing environmental pressures to the development of a world in which credit is difficult to obtain.

Going global

Equity income funds traditionally seek to deliver both capital growth and regular income payments by emphasising companies that pay higher dividends to their shareholders than the average. Until recently, funds of this type tended to focus on the UK stock market, as British companies had historically offered far higher levels of dividends than their overseas counterparts.

Recent years have, however, seen the level of dividend yield in overseas markets dramatically improve owing to a number of factors; the most prevalent being the concerted efforts made by companies in such markets to attract a wider investment audience by offering dividends, as well as the potential for capital gains

As a global equity income fund, the Newton Global Higher Income fund can help UK equity income investors to diversify their investments across a broad spread of global markets, reducing their reliance thereby on the prospects of a single stock market. It should be noted that investments in global markets can be affected by a host of factors, including political or social conditions, local custody rules, tax or exchange regulations.

The fund's approach leads to investment in companies that look thematically attractive. For inclusion in the fund's portfolio, company shares must offer an expected yield that is 25% higher than the average yield of all the company shares in the FTSE World Index.

NEWTON GLOBAL HIGHER INCOME

- Managed by James Harries since launch in 2005
- 'AA' rating from S&P
- Dividends paid March, June, September and December; currently yielding 4.78%
- Country allocation: 30.2% Europe (ex UK); 27.8% North America; 17.7% Asia Pac. (ex Japan); 11.3% UK; 3.2% Latin America

Diverse appeal

Part of the fund's appeal for UK equity income investors is that it offers true geographic diversification with only around 10% currently allocated to UK company shares.*

Because a share's dividend yield is the key determinant for us, the US market, where dividend yields are generally far lower, only accounts for around 28% of the fund's asset allocation, despite North America accounting for around 50% of the world's listed companies.

The sort of companies in which the fund is currently invested are those that are robust, well-financed businesses and which, owing to their recent falls in price, have provided opportunities to increase the fund's holdings. This has seen the fund continuing to build its holdings in industry sectors where sales and earnings remain relatively stable during difficult market conditions, due to consistent consumer demand. These are commonly known as defensive sectors, and include telecoms and healthcare. However, this 'defensive' bias is balanced by exposure to more cyclical companies, whose share price is more sensitive to economic change, such as those of Asia and Latin America. V

Chelsea View

We like the flexibility of this fund to invest in any global market without the need to mirror its benchmark. The fund manager has a long-term track record and is supported by a strong, experienced global team.

Chelsea Risk Rating: 6

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

*Source: Newton as at 30 June 2011.

SIDDARTH CHAND LALL
Co-manager, Marlborough Multi Cap Income

GILES HARGREAVE
Co-manager, Marlborough Multi Cap Income

Increasingly, investors are recognising the potential of smaller companies to provide strong long-term capital growth.

However, what is perhaps less widely appreciated is the potential these companies can also offer as dividend payers – and the opportunity this presents both for those investing for an income now and for those looking to the future, with their eye on a strong total return over the long term.

MARLBOROUGH MULTI CAP INCOME

- The fund aims to harness the potential of small and medium-sized companies for growth and income
- Approximately 100 holdings
- Current breakdown: FTSE 100 7.5%; FTSE 250 34.5%; FTSE Small Cap 23.5%; cash 20.1%; AIM 11.6%; FTSE Fledgling 1.3%; other 1.6%
- Estimated gross yield: more than 110% of that paid by the FTSE All-Share Index (currently c.4.15%)
- Income paid twice a year in April and December

The Marlborough Multi Cap Income fund was launched on 1st July to harness the potential of smaller companies to pay attractive dividends that increase year on year, as well as achieving stronger long-term capital growth than their FTSE 100 counterparts. It invests in companies listed on the FTSE 250, FTSE SmallCap, FTSE Fledgling and FTSE AIM indices – together with some smaller companies from the FTSE 100.

The portfolio blends strong growth stocks from this broad pool, with those paying healthy dividends. The objective is to provide the best of both worlds: outperformance in capital appreciation and an income more than 10% greater than the gross dividend yield of the FTSE All-Share Index.

The launch brings fresh choice to the UK equity income sector, which has traditionally been dominated by funds focused on a limited number of FTSE 100 stocks. In volatile markets investors are seeking to manage risk and one way to achieve this is through diversification – which is exactly what the Marlborough Multi Cap Income fund offers equity income investors.

Where the FTSE 100 offers approximately 90 dividend-paying stocks, Marlborough Multi Cap Income can select from around 700 dividend-paying companies. By investing in companies paying a rising dividend the fund seeks to protect income from the ravages of inflation, a perennial concern for investors. In an economic environment where it is difficult to predict how much capital growth the stock market will deliver, strong dividends that are reinvested can also play an important role in enhancing overall performance for the growth investor.

Make no mistake, there are small and mid-cap companies with the capacity to deliver strong capital growth, despite the macroeconomic environment. These are innovative, agile businesses with world-leading products, skilled management teams and in many cases a focus on overseas markets, where growth is stronger than in the UK.

Our team

Of course, smaller companies represent higher risk and identifying those that can deliver strong capital growth and pay a growing dividend takes specialist knowledge and experience. My co-manager Siddarth Chand Lall and I work with the same award-winning investment team behind the top-performing Marlborough Special Situations, Marlborough UK Micro-Cap Growth and Marlborough UK Leading Companies funds.

Every working day the investment team meet an average of five companies, many of which are not on the radar of other fund managers. For the Marlborough Multi Cap Income fund we identify businesses with a strong track record of dividend payments and good prospects for sustainable growth. Stocks held in the fund are continuously reassessed.

The new fund was launched at a time when dividends were being restored by companies that had either reduced them or stopped paying them altogether during the worst of the downturn. It also coincided with a period of volatility in markets that has provided an opportunity to buy strong companies at reduced valuations. Early purchases have included LED lighting company, Dialight and cyberspace security business NCC, two companies with very healthy growth prospects, while with an eye for their dividends we have also taken positions in Cineworld and insurance company RSA Group, which are yielding around 6% and over 7% respectively.

In short then, volatile markets and an uncertain economic outlook have made it possible for the fund to buy attractively priced stocks in companies with strong prospects for growth and healthy and rising dividend payments. And that to my mind represents a genuine opportunity for investors.

Chelsea View

This fund provides a good opportunity for investors looking for income derived predominantly from mid and small-cap companies. Giles Hargreave has an excellent track record as a first class stock picker and the Marlborough name is synonymous with UK small-cap investing.

Chelsea Risk Rating: 7.5

Standard initial charge: 5.25%
ISA initial charge after discount: 0%
Annual management charge: 1.5%

A new breed of income fund

When we were approached by INSYNERGY to discuss the launch of a new breed of equity income fund, I was excited to say the least. For some time it had been clear to me that there were obvious attractions to investing in emerging markets as an income-seeking investor but there was no way for retail investors to invest in the terrific growth opportunities in emerging markets and simultaneously enjoy a high income.

GARETH MAHER
Fund Manager, INSYNERGY New World Equity Income

New World versus the West

As a fund manager, perhaps the most appealing aspect of the equity income style is its common sense approach. By investing in companies that raise their prices, expand their businesses and reinvest into new ventures, so the dividends that you receive should rise. This rising stream of dividends should be worth more over time and hence there should also be capital growth.

When managing an equity income fund, I am naturally pushed towards companies that generate large amounts of free cashflow as this is the life blood of the dividend stream. I am unlikely to be buying the glamorous stocks, which the hot money is chasing, as these usually have sky high expectations and very low yields.

Whilst the equity income approach has worked well historically in the UK and the West, we are all aware that these countries face some headwinds over the coming years as the consumer and government attempts to pay off (or at least slow the growth of) a debt mountain. This will mean less demand for goods and services and hence these companies will have to work especially hard to keep increasing their profits and dividends.

In the emerging world, the situation is often very different. Many emerging market countries are blessed with abundant natural resources, increasingly skilled pools of cheap labour and, in many cases, far lower debt ratios than those with which we are saddled in the West. So for many emerging market companies they simply need to grow in line with the growth of the populations around them in order to deliver terrific compound profit and dividend growth.

Take India for example. With a population of around 1.2bn already, Indian companies enjoy practically limitless growth opportunities in their domestic market as they seek to sell cars, ovens, refrigerators and everything that a young and aspirational population wants. Around 50% of India's population is under 25 years of age and 10 million people are added to the population each year; a stark contrast to the greying populations in many Western countries.

INSYNERGY NEW WORLD EQUITY INCOME

- Managed by Gareth Maher from Kleinwort Benson Investors, supported by a four-man team based in Dublin
- Regional split: Emerging Asia 55.5%; Latin America 23.6%; Emerging Europe 11.1%; Africa/ Middle East 9.8%
- Approx 100 stocks with wide stock and industry diversification to mitigate volatility
- Targeting a 4.5% yield with dividends paid quarterly

Our strategy

The disciplines that we apply in managing this fund are all with both eyes firmly on the future. We are not interested in the sugar rush of a high yield just for the sake of immediate income. We do not invest in high yielding companies that we believe are paying out more than they can afford. Neither do we boost the yield by buying derivatives, bonds or convertibles that give income today at the expense of income tomorrow. Instead we stick to sound investment principles: building a well-diversified portfolio of companies from across sectors and countries and focus on well-managed businesses with straightforward accounting, a record of dividend growth and ample dividend cover. As we are comfortably able to meet the fund's current objective of a 4.5% income yield with the dividends growing each year, we believe that a disciplined conservative approach is the right one.

We are finding an abundance of great companies that have excellent growth prospects and very undemanding valuations which we believe will look like bargain basement prices. With the news filled with stories of stock market falls, the temptation can be to do nothing. History has shown time and again that the investor who can buy when others are selling is often richly rewarded.

Chelsea View

This fund represents an interesting option for those seeking income along with access to emerging markets. It provides an income paying alternative to the usual large and mega-cap UK equities but does carry a higher level of risk.

Chelsea Risk Rating: 9

Standard initial charge: 5.25%
ISA initial charge after discount: 0%
Annual management charge: 1.25%

Full of Eastern promise

SAMIR MEHTA
Fund Manager,
JOHCM Asia ex-Japan

CHO-YU KOOI
Fund Manager,
JOHCM Asia ex-Japan
Small and Mid-cap

JOHCM have just launched two exciting new Asia funds, which we thought would be of interest to investors. Manager Samir Mehta discusses their investment process and the philosophy behind these new fund launches.

With economic storms swirling around Europe and the US, investors are increasingly looking to Asia as one of the few obvious pockets of growth in the world. My colleague Cho-Yu Kooi and I are naturally excited about the prospects for the region and will be looking to exploit its abundant opportunities for investors within the latest additions to the J O Hambro Capital Management (JOHCM) fund range: the JOHCM Asia ex Japan fund and the JOHCM Asia ex Japan Small and Mid-cap fund, both of which launched at the end of September.

Cho-Yu and I worked together managing Asian equity portfolios both at Lloyd George Investment Management in Hong Kong (where I served as Chief Investment Officer) and subsequently at Silver Metis Capital Management in Singapore. Cho-Yu's expertise lies with small- and mid-cap stocks. We have worked together for almost 10 years and I have spent 21 years investing in Asia. We are based in JOHCM Singapore, making it easy to visit the companies in which we wish to invest.

Our philosophy

Cho-Yu and I share the same approach when it comes to investing. We focus on companies with long-term, sustainable quality growth characteristics, or the ability to transform into companies with these kinds of hallmarks. These are businesses that can grow over economic and liquidity cycles and which generate high returns on the financial capital that they employ. We also own what we call enterprise shift companies, by which we mean businesses with high debts that are able to restructure or sell assets and generate cash to pay off debts, as well as fallen angels, stocks that have been unduly punished for a short-term miss in earnings expectations. These three types of companies form the fundamental core of our approach and typically account for 75-80% of our portfolios. The remaining 20-25% is held in more cyclical holdings, driven by sector views that are framed by a contrarian, valuation-driven process. We build concentrated portfolios of typically 35-60 stocks. We are not influenced by benchmark weightings – we hold stocks because we like them, not because they are in the index – and we aim to own stocks for an average of three years rather than dive in and out of positions.

Current views

Stock-picking drives our investment process, but this takes place against a background of broad structural trends in Asia that contribute to our thinking. Many of you will be familiar with the story of growing domestic consumption across Asia. In contrast to many parts of the West, incomes are rising, unemployment rates are low and levels of consumer debt are modest. Inflation in commodity prices, particularly within oil and food, has sapped spending power in recent months, but the long-term trend is clear: we are seeing a deep-seated rise in consumption among the citizens of Asia. With many consumer categories underpenetrated, the scope for growth is considerable.
And increasingly ubiquitous technology and media are alerting consumers to the growing choices available to them, while improved credit availability is making possible the purchase of goods on credit. Meanwhile, local brands are making headway.

JOHCM ASIA EX-JAPAN

- Multi-cap fund
- Currently holds 38 stocks
- Managed by Samir Mehta
- Invests across Asia, including Australia and New Zealand, but unconstrained by the index
- Chelsea Risk Rating: 8.5

JOHCM ASIA EX-JAPAN SMALL AND MID-CAP

- Invests in small and mid-cap stocks
- Currently holds 50 stocks
- Managed by Cho-Yu Kooi
- Invests across Asia, including Australia and New Zealand, but unconstrained by the index
- Chelsea Risk Rating: 9.5

Just as the likes of Sony and Toyota went from being known only in Japan to become global players in their respective industries, a number of Asian brands from outside Japan are now becoming household names across the region and even worldwide. Furthermore, Asian currencies look very cheap relative to those of the West on a number of valuation measures. With their superior growth prospects and healthier balance sheets, devoid of the crushing levels of debt affecting many European countries and the US, the case for holding Asian currencies is compelling.

The storm clouds may still be circulating over the US and Europe, but with tremendous growth potential within Asian economies and valuations for Asian stocks looking cheap to fair, particularly after the recent market volatility, the East is full of promise.

Chelsea View

These two new fund offerings from boutique fund house JOHCM, appear to have excellent potential. Both managers have good performance track records.

Standard initial charge: 5%
ISA initial charge after discount: 0%
Annual management charge: 1.5% plus 15% performance fee above benchmark

Investing for children:

Junior ISAs are here

DARIUS McDERMOTT
Managing Director

Who would want to be a child born today? University education is now something you will have to pay for throughout your working life; average house prices for first-time buyers are currently over five times average salaries and the retirement age is rising inexorably.

As if that wasn't enough, they face reduced government spending for a generation and slow economic growth as the nation pays its crushing debts.

All these trends will dampen the next generation's financial prospects, making saving for your children and grandchildren a necessity. Whether to alleviate some of the financial burden of going to university, or to give your children a helping hand getting onto the housing ladder, the key is starting to save early.

In the March edition of Viewpoint, we highlighted the use of designations on your investment funds, as a means of investing for your children. However, by November, the government will have launched the Junior ISA, or JISA.

What is the JISA?

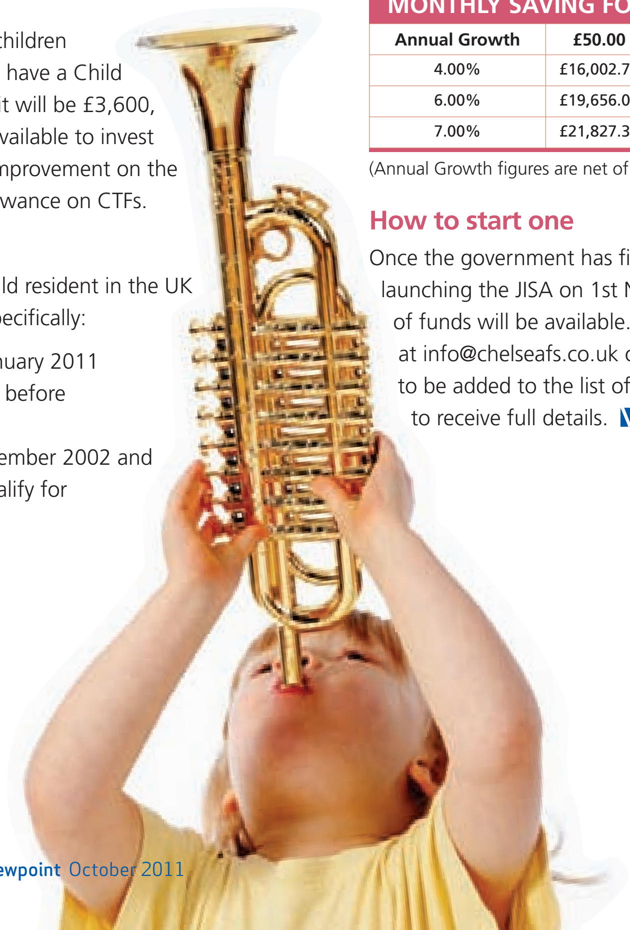
The JISA will be very similar to the normal ISA; it allows individuals to invest free from capital gains tax and doesn't incur an income tax liability on the donor. The scheme will allow parents, grandparents, and anyone with an interest in the future of a child, to pay into the account. Also, any contributions to a JISA will be a Potentially Exempt Transfer (PET) for inheritance tax purposes.

JISAs will be available to all children under the age of 18 who do not have a Child Trust Fund (CTF). The annual limit will be £3,600, with the total allowance being available to invest in stocks and shares. This is an improvement on the previous limit of £1,200 p.a. allowance on CTFs.

Who will be eligible?

JISAs will be available for any child resident in the UK who wasn't eligible for a CTF. Specifically:

- Children born on or after 3 January 2011
- Children (aged under 18) born before 1 September 2002
- Children born between 1 September 2002 and 3 January 2011 who didn't qualify for a Child Trust Fund.



Can the savings be accessed once invested in the JISA?

Access to the money will be restricted to the JISA holder once they have reached the age of 18. Whilst some see this as a potential downside, we believe that the disadvantages are far outweighed by the benefits.

Indeed, the whole process could even encourage young people to save and invest for their futures. It should also be noted that all dividends received within the JISA will have to be reinvested, since the JISA holder cannot receive income.

When to start?

The earlier the better. The JISA could be the ideal vehicle for saving for your child or grandchild on a monthly basis. £100 per month, invested from birth over 18 years, with an average growth rate of 6%, would generate over £39,000 when the child gets access to the funds. A fantastic kick start to any young person's life.

Furthermore, evidence suggests that by saving less for longer, you are able to accumulate a greater sum of capital than by saving more for a shorter period. For example, to generate £39,000 over 10 years, you would be required to save £230 per month, more than twice as much as the £100 saving for 18 years. This only strengthens the case that 'time in the market' is a far better way of generating returns than trying to 'time the market'.

The table below shows the possible capital values that could be accumulated with a JISA, based on the level of monthly saving and the potential annual rate of return.

MONTHLY SAVING FOR 18 YEARS

Annual Growth	£50.00	£100.00	£200.00	£250.00
4.00%	£16,002.74	£32,005.48	£64,010.95	£80,013.69
6.00%	£19,656.00	£33,311.99	£78,623.98	£98,279.98
7.00%	£21,827.38	£43,654.76	£87,309.52	£109,136.89

(Annual Growth figures are net of fees.)

How to start one

Once the government has finalised its proposals, we will be launching the JISA on 1st November and the current selection of funds will be available. For more details, please e-mail us at info@chelseafs.co.uk or telephone us on 020 7384 7300, to be added to the list of Chelsea investors who would like to receive full details.

We're planning some changes to Viewpoint...

We hope that Viewpoint is both informative and useful for our many clients ...and we want to keep it that way. That's why we are planning on making some changes for the next issue of Viewpoint

We've received valuable feedback from our clients over the years which we always take into consideration when introducing changes.

This time we have lots of improvements in mind, but please let us know if you have any thoughts, questions or ideas that you would like to share with us, for example:

- Is there anything you'd like to see covered in Viewpoint that isn't currently included?
- Would you like to see more information of any specific type of investment?
- Is there anything that could be improved?
- Is the information presented clearly?
- Do you like the way Viewpoint looks?
- Any comments on the application forms?
- Do you find the articles useful and informative?

If you have any feedback or ideas for us, please write to us at:

Viewpoint Changes
Chelsea Financial Services
St James' Hall, Moore Park Road, London SW6 2JS

or send us an email to:
viewpoint@chelseafs.co.uk

Thank you.

The Chelsea Premier League

All these funds are available at 0% initial charge within an ISA. Saving you up to 5.5% or £587 within your 2011/12 ISA allowance.†

UK ALL COMPANIES

Fund	Fund size*	Yield %	6 MONTHS % Growth	Rank	1 YEAR % Growth	Rank	3 YEAR % Growth	Rank	5 YEAR % Growth	Rank	10 YEAR % Growth	Rank
Artemis UK Special Situations	1185.9	1.36	-10.06	197	6.28	87	11.63	77	14.26	67	117.73	7
AXA Framlington UK Select Opps	2800.4	0.69	-5.77	35	11.78	26	23.81	25	26.88	26	114.61	8
BlackRock UK Special Situations	1497.9	0.75	-10.34	205	11.50	28	19.64	34	30.96	18	109.01	11
Fidelity Special Situations	2874.0	0.01	-14.27	280	-5.90	291	3.58	191	7.67	112	103.70	13
JOHCM UK Opportunities	800.7	3.22	-2.86	8	5.86	103	11.73	76	28.92	21	-	-
Jupiter UK Growth	806.0	1.00	-12.37	258	2.51	238	4.91	166	0.70	179	49.37	53
Legal & General UK Alpha	223.5	-	-8.25	93	22.96	4	64.09	2	108.21	1	-	-
Legal & General UK Index	4180.5	2.80	-8.85	128	4.32	165	7.36	127	7.48	113	44.09	74
Liontrust Special Situations	140.3	0.54	1.20	2	25.78	3	53.92	3	67.30	3	-	-
M&G Recovery	6303.4	0.67	-9.03	145	7.75	61	20.08	32	31.90	16	105.38	12
Marlborough UK Leading Companies	53.5	0.14	-9.11	149	13.19	20	25.73	18	34.61	13	118.57	6
Rensburg UK Mid Cap Growth Trust	472.8	0.57	-7.80	83	11.78	25	37.35	8	58.22	5	173.97	1
Schroder UK Alpha Plus	2863.9	0.34	-9.60	173	4.89	134	14.65	51	20.55	38	-	-
Standard Life UK Equity Unconstrained	436.5	0.07	-14.06	278	13.31	18	45.32	5	63.58	4	-	-
Sector average and number in sector	-	-	-9.30	296	5.30	295	7.05	278	6.16	246	42.12	162

UK EQUITY INCOME

Fund	Fund size*	Yield %	6 MONTHS % Growth	Rank	1 YEAR % Growth	Rank	3 YEAR % Growth	Rank	5 YEAR % Growth	Rank	10 YEAR % Growth	Rank
Artemis Income	3879.1	4.91	-5.90	46	3.40	74	9.85	30	11.80	21	77.08	7
BlackRock UK Income	742.8	4.03	-8.91	77	2.33	81	18.72	8	15.16	14	70.02	14
Invesco Perpetual High Income	10891.1	4.22	1.32	2	9.23	19	13.50	19	17.45	10	127.65	1
Neptune Income	1014.5	5.15	-7.16	61	5.43	59	8.46	40	10.35	26	-	-
Rathbone Income	438.9	4.64	-1.94	9	11.00	7	7.48	43	-1.33	57	76.19	10
Schroder Income Maximiser	801.4	8.53	-12.17	97	-6.37	98	9.50	34	11.48	22	-	-
Threadneedle UK Equity Alpha Income	239.5	5.00	-3.79	18	10.31	11	9.90	29	17.41	11	-	-
Sector average and number in sector	-	-	-6.47	99	6.06	98	8.43	84	2.89	77	53.20	56

UK SMALLER COMPANIES

Fund	Fund size*	Yield %	6 MONTHS % Growth	Rank	1 YEAR % Growth	Rank	3 YEAR % Growth	Rank	5 YEAR % Growth	Rank	10 YEAR % Growth	Rank
BlackRock UK Smaller Companies	478.6	0.45	-11.68	52	22.19	14	17.65	35	29.06	13	152.80	6
Cazenove UK Smaller Companies	77.2	1.30	10.46	1	40.53	1	65.66	4	71.62	2	141.32	8
Investec UK Smaller Companies	289.0	0.30	-6.28	23	25.88	8	55.90	8	57.55	6	262.88	2
Marlborough Special Situations	431.0	0.24	-2.71	8	28.95	5	48.75	12	63.58	5	289.11	1
Sector average and number in sector	-	-	-7.11	57	17.76	57	26.09	54	19.78	48	95.94	35

CORPORATE BOND

Fund	Fund size*	Yield %	6 MONTHS % Growth	Rank	1 YEAR % Growth	Rank	3 YEAR % Growth	Rank	5 YEAR % Growth	Rank	10 YEAR % Growth	Rank
Invesco Perpetual Corporate Bond	5696.0	5.45	-1.62	84	-0.50	70	22.49	19	24.52	6	67.73	5
Kames Investment Grade Bond	242.5	4.23	0.88	72	0.51	52	21.61	25	16.19	27	-	-
Kames Sterling Corporate Bond	389.2	4.70	1.85	57	1.88	24	17.03	43	9.83	52	46.71	19
M&G Strategic Corporate Bond	3652.8	4.26	4.07	14	2.76	7	42.05	1	47.95	1	-	-
Sector average and number in sector	-	-	2.30	90	0.52	89	18.07	79	14.29	72	42.87	49

HIGH YIELD BOND

Fund	Fund size*	Yield %	6 MONTHS % Growth	Rank	1 YEAR % Growth	Rank	3 YEAR % Growth	Rank	5 YEAR % Growth	Rank	10 YEAR % Growth	Rank
Kames High Yield Bond	459.9	5.57	-2.78	3	5.92	3	32.92	1	32.08	2	-	-
Threadneedle High Yield Bond	755.6	8.50	-6.41	14	0.59	12	24.38	7	23.85	7	88.12	1
Sector average and number in sector	-	-	-5.96	21	1.38	21	24.08	20	23.55	20	70.66	15

STRATEGIC BOND

Fund	Fund size*	Yield %	6 MONTHS % Growth	Rank	1 YEAR % Growth	Rank	3 YEAR % Growth	Rank	5 YEAR % Growth	Rank	10 YEAR % Growth	Rank
Artemis Strategic Bond	588.0	5.76	-3.32	51	2.34	18	18.73	24	20.45	14	-	-
Fidelity Strategic Bond	704.0	3.03	2.68	18	1.88	23	34.77	4	35.64	1	-	-
Henderson Strategic Bond	1160.0	6.82	-4.00	57	-0.22	52	18.85	20	20.66	13	-	-
Invesco Perpetual Monthly Income Plus	3283.6	7.63	-4.79	59	0.99	37	25.94	9	26.19	2	98.29	1
Jupiter Strategic Bond	447.0	4.80	-0.58	35	4.11	7	42.05	2	-	-	-	-
Kames Strategic Bond	504.2	4.11	-2.13	43	1.09	35	26.15	8	22.94	6	-	-
Legal & General Dynamic Bond	1732.7	5.30	-3.62	53	-1.86	60	49.15	1	-	-	-	-
M&G Optimal Income	5205.5	4.74	1.11	26	3.55	8	38.33	3	-	-	-	-
Sector average and number in sector	-	-	0.16	66	0.77	65	17.14	54	16.26	43	52.86	19

EUROPE EX UK

Fund	Fund size*	Yield %	6 MONTHS % Growth	Rank	1 YEAR % Growth	Rank	3 YEAR % Growth	Rank	5 YEAR % Growth	Rank	10 YEAR % Growth	Rank
BlackRock Continental European	404.1	0.43	-14.55	61	2.60	42	14.19	7	32.09	6	85.08	7
BlackRock European Dynamic	1044.9	0.15	-13.75	53	7.73	13	30.87	2	53.24	2	121.03	4
Cazenove European	1006.2	1.80	-13.45	47	-1.91	89	-2.86	37	16.89	16	65.54	16
Henderson European Growth	968.2	-	-10.87	19	4.55	27	8.36	12	18.89	15	116.40	5
HSBC European Growth	226.8	0.97	-15.03	72	5.88	18	8.17	13	14.84	22	57.00	22
Ignis Argonaut European Alpha	287.1	0.88	-6.78	4	8.57	10	20.95	5	26.73	8	-	-
Ignis Argonaut European Income	410.2	5.36	-12.76	37	0.44	63	-8.03	66	3.78	49	-	-
Jupiter European	1647.0	1.70	-12.15	32	5.51	21	23.10	4	50.42	3	131.56	2
Jupiter European Special Situations	563.0	0.60	-11.30	23	5.30	22	6.97	16	22.69	11	123.35	3
Liontrust European Growth	52.2	1.32	-9.02	10	11.65	4	11.05	9	-	-	-	-
Neptune European Opportunities	1012.9	1.07	-11.71	28	-1.12	84	-2.60	33	25.94	9	-	-
Schroder European Alpha Plus	813.1	0.80	-10.92	20	2.59	43	3.79	23	16.11	18	-	-
Threadneedle European Select	916.9	0.30	-3.53	1	12.19	3	25.01	3	30.83	7	78.96	8
Sector average and number in sector	-	-	-13.46	108	2.08	108	-4.10	96	6.25	83	48.48	62

	Fund size*	Yield %	6 MONTHS % Growth	6 MONTHS Rank	1 YEAR % Growth	1 YEAR Rank	3 YEAR % Growth	3 YEAR Rank	5 YEAR % Growth	5 YEAR Rank	10 YEAR % Growth	10 YEAR Rank
JAPAN												
GLG Japan Core Alpha	1054.9	0.64	-16.34	57	-1.93	57	20.12	10	16.06	2	52.17	2
Invesco Perpetual Japan	355.8	0.19	-22.31	62	-9.33	61	8.07	24	5.07	3	9.32	10
JOHCM Japan	163.8	-	-11.42	22	2.60	32	14.93	13	-1.99	9	-	-
Jupiter Japan Income	452.0	2.40	-11.69	25	2.68	31	13.62	18	1.23	7	-	
Neptune Japan Opportunities	152.3	-	-19.49	60	-1.51	56	35.97	2	40.41	1	-	-
Sector average and number in sector	-	-	-11.49	62	4.43	61	7.60	53	-11.97	49	4.19	34
NORTH AMERICA												
AXA Framlington American Growth	244.2	-	-3.76	6	19.30	4	22.20	3	45.21	1	16.52	12
Jupiter North American Income	303.0	1.90	-6.18	18	12.78	24	14.12	15	36.37	5	6.37	23
Neptune US Opportunities	577.4	-	-13.88	92	-0.26	96	11.82	24	41.30	3	-	-
Threadneedle American Select	1347.9	-	-6.63	24	15.04	11	17.76	6	31.53	8	24.30	8
Sector average and number in sector	-	-	-8.92	97	9.85	96	8.54	83	16.26	65	2.64	46
ASIA PACIFIC EX JAPAN												
Aberdeen Asia Pacific	2300.0	0.80	-1.43	19	4.78	47	49.92	15	89.67	15	300.98	2
Fidelity Emerging Asia	679.0	-	-2.46	32	-0.39	67	-	-	-	-	-	-
Fidelity South East Asia	2733.0	0.01	-3.19	42	7.42	26	61.71	6	116.50	7	258.64	8
First State Asia Pacific Leaders	5500.0	1.02	2.85	5	10.68	4	50.38	13	119.74	4	-	-
Invesco Perpetual Asian	619.5	0.54	-1.60	23	7.04	28	47.29	17	86.98	19	233.36	13
Newton Asian Income	1076.4	5.62	3.29	4	15.45	1	65.44	4	99.77	10	-	-
Newton Oriental	1038.6	0.71	-2.87	38	7.42	25	43.91	22	88.17	17	261.07	7
Schroder Asian Alpha Plus	208.3	1.00	-2.19	27	6.71	30	67.12	3	-	-	-	-
Sector average and number in sector	-	-	-2.92	78	5.76	76	40.62	67	77.91	60	213.93	43
GLOBAL EMERGING MARKETS**												
Aberdeen Emerging Markets	2800.0	0.50	0.52	7/53	6.31	5/47	54.94	4/35	123.51	2/31	461.14	1/21
Allianz RCM BRIC Stars	723.8	0.25	-11.80	122/158	-5.28	110/140	1.55	90/118	56.99	24/76	-	-
Fidelity Emerging Europe Middle East and Africa	92.0	0.01	-9.12	107/158	5.55	47/140	28.81	27/118	-	-	-	
Fidelity India Focus	2235.4	-	-6.79	17/34	-9.80	16/33	16.72	25/29	54.28	16/19	-	-
First State Greater China Growth#	623.0	0.85	0.92	1/27	3.42	4/27	49.95	3/21	140.32	1/14	-	-
Henderson China Opportunities	616.7	0.22	-7.51	16/27	1.46	6/27	32.63	12/21	115.83	3/14	357.72	2 /7
HEXAM Global Emerging Markets	36.7	0.27	-15.76	52/53	-11.25	46/47	-	-	-	-	-	-
JPM New Europe	221.6	-	-17.21	151/158	-7.54	121/140	-8.21	104/118	30.58	40/76	449.72	7/32
Neptune Russia & Greater Russia	578.0	-	-14.13	132/158	9.32	31/140	19.37	46/118	58.42	23/76	-	-
ABSOLUTE RETURN												
BlackRock UK Absolute Alpha	1577.9	-	-6.71	61	-1.16	47	0.74	19	24.93	5	-	-
Cazenove Absolute UK Dynamic	158.0	0.40	6.93	3	23.08	2	-	-	-	-	-	-
Henderson UK Absolute Return	370.0	-	-2.43	49	3.03	25	-	-	-	-	-	-
Jupiter Absolute Return	609.0	-	0.70	20	2.35	32	-	-	-	-	-	-
Newton Real Return	4315.8	3.37	-1.50	42	4.51	18	21.81	7	49.39	3	-	-
Standard Life Global Absolute Return Strategies	8270.2	0.41	-1.27	40	-3.25	53	23.32	5	-	-	-	-
Sector average and number in sector	-	-	-1.40	69	2.38	61	8.23	25	19.76	12	-	-
MISCELLANEOUS**												
Artemis Strategic Assets	959.6	1.03	-8.01	83 / 132	3.97	93/128	-	-	-	-	-	-
AXA Framlington Global Technology	179.6	-	-15.96	11/11	14.83	4/11	46.80	2/10	66.80	1/10	54.14	2/8
BlackRock Gold and General	3051.3	-	6.51	6/158	16.91	7/140	85.76	3/118	132.73	2/76	864.29	1/32
CF Eclectica Agriculture	159.9	-	-8.32	97/158	10.42	29/140	-14.13	106/118	-	-	-	-
CF Miton Special Situations Portfolio	648.3	-	2.31	3/142	3.31	96/137	23.65	5/116	39.00	5/90	156.34	1/54
City Financial Strategic Gilt	88.8	0.89	0.23	31/31	-0.75	29 / 29	15.70	25/25	-	-	-	-
Henderson Global Technology	382.6	-	-8.80	5/11	11.44	8/11	29.99	4/10	60.32	2/10	25.34	4/8
HSBC Open Global Return	125.1	0.26	-1.06	40/169	7.19	9/156	12.79	43/124	-	-	-	-
Investec Global Gold	240.9	-	3.76	12/158	15.10	12/140	79.61	6/118	123.77	3/76	-	-
JOHCM Global Select	639.8	-	-5.04	35/234	18.60	1/232	-	-	-	-	-	-
JPM Natural Resources	2446.6	-	-13.35	128/158	14.50	15/140	41.62	20/118	74.04	19/76	687.17	2/32
Jupiter Financial Opportunities	696.0	-	-16.43	146/158	-14.05	135/140	6.22	79/118	5.71	61/76	124.40	16/32
Legal & General UK Property Trust	581.4	3.00	0.35	12/45	5.34	22/43	4.56	13 / 40	-3.10	6/25	-	-
M&G Global Basics	6527.9	-	-4.47	30/234	15.23	9/232	16.03	37/204	53.23	6/165	247.11	1/103
M&G Global Dividend	1354.2	3.62	-3.25	18/234	10.60	32/232	26.38	11/204	-	-	-	-
Newton Global Higher Income	2000.6	4.80	-0.46	6/234	9.48	43/232	13.21	53/204	40.91	16/165	-	-
Old Mutual Global Strategic Bond	507.1	1.19	0.00	55/73	-3.37	68/71	40.32	17/61	63.50	12/52	92.90	11/34
Rathbone Global Opportunities	131.4	-	-3.71	24/234	13.45	14/232	14.78	41/204	31.36	28/165	103.95	8/103
Schroder Global Property Securities	600.7	0.50	-3.41	24/45	6.09	17/43	18.33	5 / 40	9.13	4/25	-	-

* 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%

\# 0% initial charge only until 31/12/11

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 September 2011. Yield and fund size figures as at 12th September 2011.

The Chelsea Relegation Zone

Market volatility can sometimes bring opportunities for fund managers and, with the FTSE 100 having swung between 6072 and 5007 over the past few months, there have certainly been many opportunities for managers to beat the pack and outperform their peers. However, with 40 underperforming funds still lingering in the Relegation Zone since June, it shows that some birds are just never set to fly. 111 funds now populate the dreary depths of our list of consistent laggards, which shows that volatility can also be a manager's undoing. With 71 new entries, the September Relegation Zone now has a total of £20.34bn in underperforming assets.

Old news

Whilst the number of underperforming funds in the Relegation Zone has ballooned to 111, the total amount of underperforming assets has actually shrunk by over £5.5bn. This is due to the exit of some of the large constituents of the previous Relegation Zone. However, with 11 funds contributing in excess of £500m each, and the Prudential UK Growth fund still weighing in at over £2.3bn, the list is by no means 'lightweight'. It is always pleasing to wave goodbye to past members of this not so illustrious club, however, it is also with sadness that we are presented with old familiar names.

With seven entries in the Relegation Zone, and as the most numerously represented fund group, regular readers of the Relegation Zone will surely by now be intensely bored with the seemingly eternal presence of Scottish Widows/SWIP funds. It may surprise even Chelsea investors to hear that Scottish Widows/SWIP have had the most number of entries in the Relegation Zone, in every edition of Viewpoint since March 2009. This is disappointing, especially given that they have, over that time, had funds in almost every sector in the Relegation Zone. In the interest of fairness, however, it should be noted that Scottish Widows/SWIP have around 100 funds in the retail unit trust & OEIC universe, therefore the continual inclusion of their funds in our list should be viewed with this in mind.

How the mighty have fallen

Big names include Legg Mason's Bill Miller with his US Equity fund, and the M&G Global Leaders fund managed by Aled Smith. However, a number of prestigious fund management groups are also finding they a have multiple entries. Legal & General and J P Morgan both have five entries, whilst Standard Life and Henderson both have four entries. It is also with disappointment that we see Standard Life's Karen Robertson represented twice, with her UK Equity Growth and UK Equity High Income funds. They have underperformed their three-year sector average by 11.06% and 9.26% respectively, however, we are maintaining both funds on a hold rating due to Karen's considerable experience and very long-term track record. Therefore, now may not be the best time to switch. Her cyclical stance has left her particularly exposed to recent weakness in the basic materials sector on fears over global growth, and her exposure to financials has also been a drag given the crisis in Europe.

Other notable inclusions in the Relegation Zone are Mark Lyttleton's BlackRock UK & UK Dynamic funds. Both have underperformed their sector average by more than 14% over three years, which has been largely due to Lyttleton's large-cap focus, amongst other factors. Again we maintain a hold rating on both of the funds, given Lyttleton's considerable experience and the argument that large caps may become a safe haven should economic events turn ugly, in which case one might expect his funds to fare rather better.

Learning lessons from Japan

We at Chelsea have watched with bemusement the continual false dawns for the Japanese equity market. It is therefore no surprise to see two trackers in the Japanese section of the Relegation Zone and only further highlights the need for good active management in order to negotiate volatile equity markets. This lesson may prove particularly poignant should the West slide into a sustained period of weak economic growth, where the need for a fund manager able to deliver superior returns by picking stronger sectors and stocks, will be essential.

In total, there are seven tracker funds in the Relegation Zone and we are strongly of the view that by simply buying the index, you are not in any way buying a balanced portfolio, due to the biased nature of indices, such as the FTSE 100 towards banks, mining and oil & gas companies.

THE RELEGATION ZONE – THE 'DIRTY DOZEN'

	Largest funds in the Relegation Zone	Fund size (millions)
1st	PRU UK GROWTH	£2310.2
2nd	BLACKROCK UK DYNAMIC	£1289.0
3rd	SWIP MULTIMANAGER UK EQUITY FOCUS	£1088.7
4th	M&G GLOBAL LEADERS	£1054.9
5th	HALIFAX UK FTSE 100 INDEX TRACKING	£1052.6
6th	THREADNEEDLE ASIA	£916.8

	Worst Performers	% under-performance from sector average*
1st	UBS ABSOLUTE RETURN BOND	-36.72%
2nd	MFM TECHINVEST SPECIAL SITUATIONS	-36.51%
3rd	GLG GLOBAL EMERGING MARKETS	-26.76%
4th	MARLBOROUGH UK LARGE CAP GROWTH	-26.39%
5th	SVM GLOBAL OPPORTUNITIES	-24.45%
6th	ELITE LJ CAUTIOUS MANAGED PORTFOLIO	-23.25%

*Based on three-year cumulative performance

UK ALL COMPANIES

	3 year % growth	Quartile position
BlackRock Invest Mgrs UK Ltd Charishare Common Invest	3.58	3
BlackRock Invest Mgrs UK Ltd Charishare Restricted	2.62	3
BlackRock UK	-8.23	4
BlackRock UK Dynamic	-7.89	4
CF Canlife General	-2.03	4
CF Canlife Growth	-2.48	4
CF Cornelian British Opportunities	-6.63	4
CF Taylor Young Opportunistic	-13.84	4
CIS Sustainable Leaders Trust	-4.84	4
Clerical Medical FTSE 100 Tracker	4.19	3
Family Asset	0.37	4
Family Charities Ethical	-8.99	4
Halifax UK FTSE 100 Index Tracking	1.81	3
Henderson UK Tracker	3.48	3
Insight UK Dynamic Managed	-0.69	4
JPM UK Equity	-9.36	4
JPM UK Managed Equity	-1.39	4
Legal & General Equity	-11.20	4
Legal & General UK Active Opportunities	-5.43	4
Marlborough UK Large Cap Growth	-20.20	4
Melchior UK Opportunities	-2.51	4
Premier Ethical	-2.46	4
Prudential UK Growth	1.17	3
RBS FTSE 100 Tracker	4.17	3
Smith & Williamson UK Equity Growth	0.49	4
Standard Life UK Equity Growth	-4.87	4
SWIP Multi Manager UK Equity Focus	-1.36	4
Sector Average	**6.19**	

UK EQUITY INCOME

	3 year % growth	Quartile position
CF Canlife High Income	0.96	4
EFA OPM Equity High Income	2.03	4
Epworth UK Equity	4.32	3
JPM UK Higher Income	4.09	3
JPM UK Strategic Equity Income	2.42	4
Marlborough UK Equity Income	-11.09	4
Neptune Quarterly Income	4.70	3
Scottish Widows UK Equity Income	-2.25	4
Standard Life UK Equity High Income	-0.99	4
SWIP UK Income	-3.35	4
UBS UK Equity Income	-8.96	4
Sector Average	**8.27**	

UK SMALLER COMPANIES

	3 year % growth	Quartile position
Jupiter UK Smaller Companies	9.19	4
MFM Techinvest Special Situations	-11.96	4
Scottish Widows UK Smaller Companies	12.59	4
SWIP UK Smaller Companies	11.65	4
Sector Average	**24.55**	

STERLING CORPORATE BOND

	3 year % growth	Quartile position
Architas MM High Income Portfolio	7.73	4
Barclays Sterling Corporate Bond	11.33	4
Legal & General (N) High Income	13.09	4
Sector Average	**16.99**	

STERLING STRATEGIC BOND

	3 year % growth	Quartile position
Architas Multi-Manager Cautious Income	12.08	4
Sector Average	**16.98**	

EUROPE EXCLUDING UK

	3 year % growth	Quartile position
Barclays Europe (ex-UK) Alpha	-15.78	4
Franklin Templeton Europe	-12.36	4
Halifax European	-8.63	3
Henderson European Value	-11.58	4
HSBC European Index	-7.13	3
Kames European Equity	-22.17	4
Legg Mason Continental European Equity	-16.88	4
Newton Continental European	-13.53	4
Standard Life European Equity Manager Of Managers	-8.94	3
Standard Life European Ethical Equity	-17.64	4
Sector Average	**-4.74**	

JAPAN

	3 year % growth	Quartile position
AXA Rosenberg Japan	-10.85	4
Halifax Japanese	-1.60	4
HSBC Japan Index	-0.53	3
Scottish Widows Japan Growth	-1.29	4
Scottish Widows Japan Select Growth	-0.81	4
Standard Life Japan Equity Index Tracker	-3.76	4
Sector Average	**8.15**	

NORTH AMERICA

	3 year % growth	Quartile position
Barclays US Alpha	-1.42	4
Kames American Equity	-13.23	4
Legal & General North American	1.35	4
Legg Mason US Equity	-12.15	4
Sector Average	**8.69**	

ASIA PACIFIC EXCLUDING JAPAN

	3 year % growth	Quartile position
Legal & General Pacific Growth	25.43	4
Marlborough Far East Growth	21.52	4
Neptune Asia Pacific Opportunities	24.23	4
Threadneedle Asia	28.82	4
Sector Average	**40.92**	

GLOBAL EMERGING MARKETS

	3 year % growth	Quartile position
Aberdeen Multi Manager Emerging Markets Portfolio	7.69	4
F&C Emerging Markets	14.23	4
GLG Global Emerging Markets	-3.86	4
Sector Average	**22.90**	

GLOBAL GROWTH

	3 year % growth	Quartile position
Architas MM Diversified Share Portfolio	-7.33	4
Architas MM Global Equity Portfolio	-4.61	4
Aviva Global Return	-5.16	4
EFA New Horizon Growth	-2.88	4
Franklin Templeton Growth	-3.67	4
Henderson Global Care Growth	-0.13	4
Henderson Global Focus	-7.88	4
Jupiter Ecology	-5.03	4
Legal & General (Barclays) Worldwide Trust†	-0.62	4
Legal & General Global Growth	-1.83	4
M&G Global Leaders	-5.06	4
Martin Currie Global Alpha	-16.68	4
Premier Global Alpha Growth	-7.65	4
Sarasin EquiSar Global Thematic	-3.47	4
Schroder Global Climate Change	-0.10	4
SVM Global Opportunities	-18.49	4
Thesis Fulcrum Global Diversified	-4.04	4
Wesleyan International	3.10	3
Sector Average	**5.96**	

GLOBAL BOND

	3 year % growth	Quartile position
City Financial Strategic Global Bond	2.60	4
EFA New Horizon High Income	5.27	4
JPM Global ex UK Bond	7.73	4
The 140 Investment Managers Broadway ICVC Income	17.16	4
UBS Absolute Return Bond	-11.28	4
Sector Average	**25.44**	

CAUTIOUS MANAGED

	3 year % growth	Quartile position
Barclays Balanced Portfolio	-0.80	4
CF 7IM AAP Balanced	7.64	3
CF 7IM Sustainable Balance	-3.38	4
CF Walker Crips Select Income	6.77	3
City Financial Multi Manager Income	0.27	4
COURTIERS Total Return Cautious Risk	-0.76	4
EFA Tactica Cautious Portfolio	0.92	4
Elite Hurlingham Balanced Portfolio	-8.75	4
Elite LJ Cautious Managed Portfolio	-14.83	4
F&C Blue	-4.56	4
Ignis Multi Manager Cautious	0.02	4
Insight Diversified High Income	-11.07	4
Natwest Income	2.53	4
Sarasin GlobalSar Cautious	-4.05	4
Thesis Optima Multi-Asset Strategy	-5.75	4
Sector Average	**8.42**	

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 Legal & General (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 1/9/2011.
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.

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