Viewpoint

THE MAGAZINE FOR CHELSEA INVESTORS ISSUE 31 MARCH 2012

A FRESH LOOK AT ISA OPTIONS

The European picture
an expert perspective

Sovereign debt
and why it matters

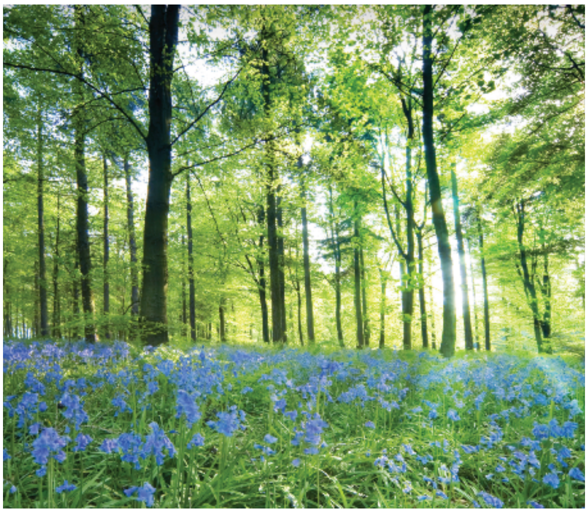
CHELSEA
Investment Intelligence™

Welcome to your new look Viewpoint **magazine**

Welcome to your newly-designed Viewpoint magazine. You will find all the usual fund research, guidance and articles, but things have moved around a bit, making everything a little easier to find.

The contents pages will guide you through the new layout and you will find all the application forms at the back.

Thank you for all your feedback which we gladly received and took into account. We hope you like the results.



4 **Market View** Chelsea Managing Director Darius McDermott shares his topical thoughts on the world of investment.

5 **ISA Update** A brief summary of all the important deadlines and allowances for this year's ISA.

New to ISAs? ...or just pushed for time?

6 We've made investing in an ISA as simple and straightforward as possible, by creating some ready-made portfolios containing a well-balanced range of funds. With an **EasyISA** you're just a few steps away from sorting your ISA investment for the year.

8 **EasyISA performance** provides a detailed report on the performance of our EasyISA portfolios over the past three years.

Experienced investor ...just looking for some guidance?

10 **DIYportfolio** is for investors who have a more substantial investment portfolio but just want some guidance. We've developed some model portfolios which offer a wider selection of funds whilst reflecting your attitude to risk.

11 An introduction to the **Chelsea research tables** which are the heart of our business.

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. 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 FundStore (formerly the Chelsea Portfolio).

Look here for the results of our research into the thousands of funds available to investors...

12-17 **The Chelsea Core Selection** – a list of funds that we think should be at the heart of investors' portfolios. We choose from these funds to create our EasyISA portfolios.

18-19 **Core Selection Spotlight** provides an in-depth look at just two of the funds that feature in the Chelsea Core Selection. This issue features **Standard Life Global Absolute Return Strategies** and **Rathbone Global Opportunities**.

20-21 **The Chelsea Selection** – the hundred or so funds that we have identified as worthy of consideration for investors. These funds might be particularly interesting to more experienced investors who are building their own ISA and non-ISA portfolios.

22-23 The **RedZone** details poor-performing funds across various sectors and the **DropZone** highlights the ten worst-performing funds versus their peer group.

If you're looking for more depth or background and useful information...

24-27 **On the cover:** Articles from leading fund providers **Henderson** and **Fidelity**. Henderson's Richard Pease discusses investing in **Europe** and Fidelity's Ian Spreadbury discusses how **sovereign debt** affects us all.

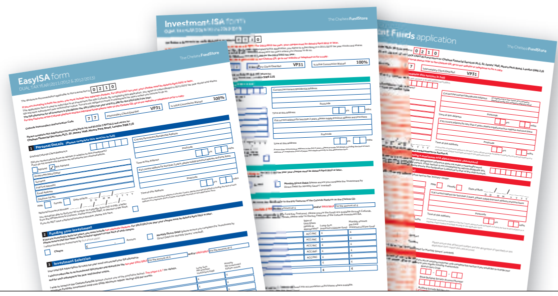
28 Darius McDermott looks at **investing for income**.

29 **Funds Update** gives you up-to-date information on popular funds.

30-32 The benefits of using our **FundStore** (the new name for our fund supermarket).

33-37 In this section, we introduce the new **Junior ISA**, provide our regular update to all things related to **pensions** and Gary Dale of Investec discusses their **FTSE100 Bonus Income Plan** structured product. We also look at **Venture Capital Trusts** – one of 2011's best-performing asset classes.

Remember, you can invest today – all the forms you need are here.



38-46 This section is our **FundStore**, which contains all the **application forms** you need to make your investment. There's a separate form for re-registration as well as forms for any type of investment you want to make – EasyISAs, a DIYportfolio or Non-ISA investments.

If you're in doubt about which form to use, call us on 020 7384 7300.

DARIUS MCDERMOTT'S

Market View

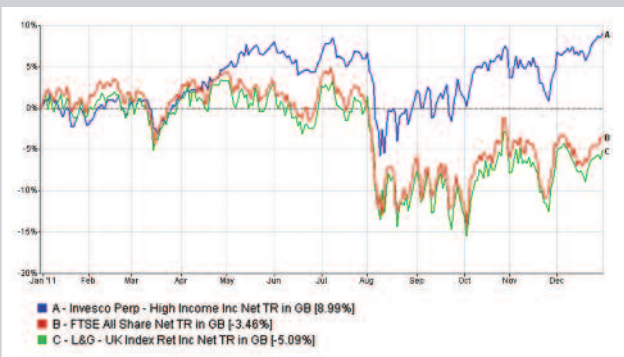
In the wake of the tragic events aboard the Costa Concordia, one wonders whether there would have been fewer fatalities, or none at all, had the captain acted differently. When we are heading towards the rocks a strong leader whose concern is for those within their protection, rather than their own safety, is vitally important. The question is, can that honestly be said of many world leaders handling the current economic turbulence? 2012 may well see that question answered.

NATURAL AND MAN-MADE DISASTERS OF 2011

Looking back, last year was really quite remarkable. We saw uprisings in Tunisia, Egypt, Libya and Syria. There was the devastation of Japan's earthquake and tsunami, which led to a near nuclear disaster. There was political paralysis in the US when the time came to review their debt ceiling. The European crisis worsened. There were riots on the streets of major cities in the UK. Standard and Poor's made free with their red pen and down-graded the sovereign debt of many countries, most significantly depriving the US and, in 2012, France of their AAA ratings.

Reviewing these dramatic events, it seems surprising that the FTSE Allshare fell only 3.46%, although Europe (Euro Stoxx 50 -18.15%) and emerging markets (MSCI EM -17.82%) fared far worse. The volatility that these events caused is apparent in the graph below. But so much for the past, what does 2012 hold in store?

2011 – A YEAR OF VOLATILITY



Source: FE Analytics, bid to bid, net income reinvested.

POTENTIAL THREATS IN 2012

Political risk and sovereign debt issues remain foremost in our causes for concern. Eurozone failure remains a possibility. In February and March considerable issuance of sovereign debt is required which could well force the ECB's hand. Will the ECB provide liquidity? Will Germany change their stance? One school of thought is that they're playing tough before giving in, so that nations are subject to moral hazard for their fiscal imprudence.

Europe is either heading for, or already in, recession and this will impact the UK, with c. 10% of our GDP based on trade with the region. Certainly the negative growth in the UK in the fourth quarter indicates that we are already heading towards recession, and eurozone failure will have a huge impact on our growth prospects.

Unfortunatley, 2012 will see elections in several major economies, which too often prevents politicians from making difficult decisions. The US, Russia and, possibly most importantly, France, with its key role in the European crisis, cannot afford to put their agendas on hold. We are dependent on our political leaders to rise to the challenges that 2012 presents, in order to chart the best course for economic recovery.

Emerging market economies continue to look much better placed than developed. However, they are not immune to recession in Europe, which may well temper growth. We must also remember that they are considered a risk asset and therefore, when investors become scared, money flows more freely away from these areas. This volatility and underperformance was very much in evidence last year.

COMFORTING THOUGHTS

Inflation looks set to slow. We have already seen a decline to 4.2% in the UK in January. We may well see further declines but we are unlikely to see any interest rate rises before 2014. I believe that the UK consumer could be weak for quite some time, but this will at least remove some pressure.

We are seeing an improvement in economic data from the US, which is extremely positive for markets given that they represent c.25% of global GDP. The housing market and unemployment appear to have bottomed and the US consumer's net worth has risen. Despite the US being the largest constituent of the MSCI World Index at over 50%, Chelsea's investors hold less than 3% in their portfolios. Markets globally will be impacted by a breakdown of the euro, but the US is one major market which will suffer least as exports to the eurozone constitute a smaller portion of its GDP. With many managers tipping the US as one of the front runners this year, it may be time to revisit your weighting to this vast economy.

Dividends remain strong when compared with the paltry rates available on cash. So savers are being tempted back into markets with the prospect of a decent real return. Those companies which continue to return income to shareholders may fare as well this year as they did last.

The market has rallied so far in 2012 and, at the time of writing, the FTSE 100 is up 4.09% from the beginning of the year. I have no idea whether this rally will be sustained; with macroeconomic factors playing such a huge part, any predictions are futile. But I do know that there are strong businesses out there that will weather these difficult times and I suspect that, when we look back, their current valuations will look attractive. Furthermore, as the graph shows, there are managers who are also capable of weathering volatile markets. So I continue to invest with managers whom I believe to be strong, capable captains, aware that I am doing so for the long term and I have learnt to live with volatility.

> *"There are strong businesses out there that will weather these difficult times and I suspect that, when we look back, their current valuations will look attractive."*
>
> DARIUS MCDERMOTT
> Managing Director, Chelsea

ISA UPDATE

Don't lose your **ISA allowance**

"ISAs are a core savings product for most investors' portfolios and still provide important tax benefits."

SAM HOLDER
Head of Operations, Chelsea

Investment ISAs are a great way to save and we believe that all investors should utilise their full allowance every tax year.

Your ISA allowances are as follows:

2011/12 TAX YEAR

You can invest up to **£10,680** into your Investment ISA.

2012/13 TAX YEAR

The ISA limit will be increased in line with inflation and will rise to **£11,280** for the 2012/13 tax year.

If you're investing monthly you can increase your contribution up to **£940 per month** by simply sending us a written instruction.

Don't forget...

MARKET-LEADING DISCOUNTS

Every fund in the Viewpoint is available at 0% initial charge within your ISA, saving you up to £587 on an investment of £10,680.

NEW

THE NEW CHELSEA JUNIOR ISA

Our Junior ISA has been extremely popular and is an excellent way for family and friends to build up tax-efficient savings to help with the cost of university, provide a deposit for a house or simply give children a great start in life. See page 33 for more details or go to our website www.chelseafs.co.uk/JuniorISA

E-VIEWPOINT

Do you want to receive our monthly e-Viewpoint newsletter? Please enter your e-mail address in the relevant section on the home page of our website or telephone us and we'll do it for you.

End of tax year deadlines

PAPER-BASED APPLICATIONS
5th APRIL 2012 – MIDDAY

TELEPHONE (WITH DEBIT CARD)
5th APRIL 2012 – 10PM

ONLINE (WITH DEBIT CARD)
5th APRIL 2012 – 11.30PM

UNIT TRUST TO ISA SWITCHES
30th MARCH 2012

JUNIOR ISA
5th APRIL 2012 – MIDDAY

Three easy ways to buy your ISA:

Call us on
020 7384 7300

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

Send us a **form**
EasyISA – go to page 39
DIY ISA – go to page 41

INVESTING MADE EASY, WITH 0% INITIAL CHARGE:

the Chelsea **EasyISA**

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.

That's why we've selected funds for the Chelsea EasyISA and put them together within four different portfolios. These funds are chosen from the Chelsea Core Selection by our research team (for more information on our research process see page 11). All you have to do is choose one of the four options based upon your own requirements and attitude to risk.

Your ISA investment will then be spread equally across the corresponding six funds, within the Chelsea FundStore (for more details see page 30 and 31).

And remember, the EasyISA is also available for ISA transfers.

> *"If you'd like to know more about the funds we've selected for our EasyISA portfolios, turn to pages 12-17."*
>
> JULIET SCHOOLING LATTER
> Head of Research, Chelsea

WHAT TO DO NEXT

Once you have selected your preferred EasyISA option, simply fill in the EasyISA application form on pages 39 & 40, 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.

Please note that the minimum investment is £500 lump sum or £50 per month into any EasyISA.

PORTFOLIO CHANGES

Cautious Growth:

Standard Life Global Absolute Return Strategies *replaces* BlackRock UK Absolute Alpha

Jupiter Strategic Bond *replaces* Legal & General Dynamic Bond

HOW MUCH YOU CAN INVEST

The 2011/12 Stocks & Shares ISA allowance is £10,680, however the 2012/13 Stocks & Shares ISA allowance is increasing to £11,280.

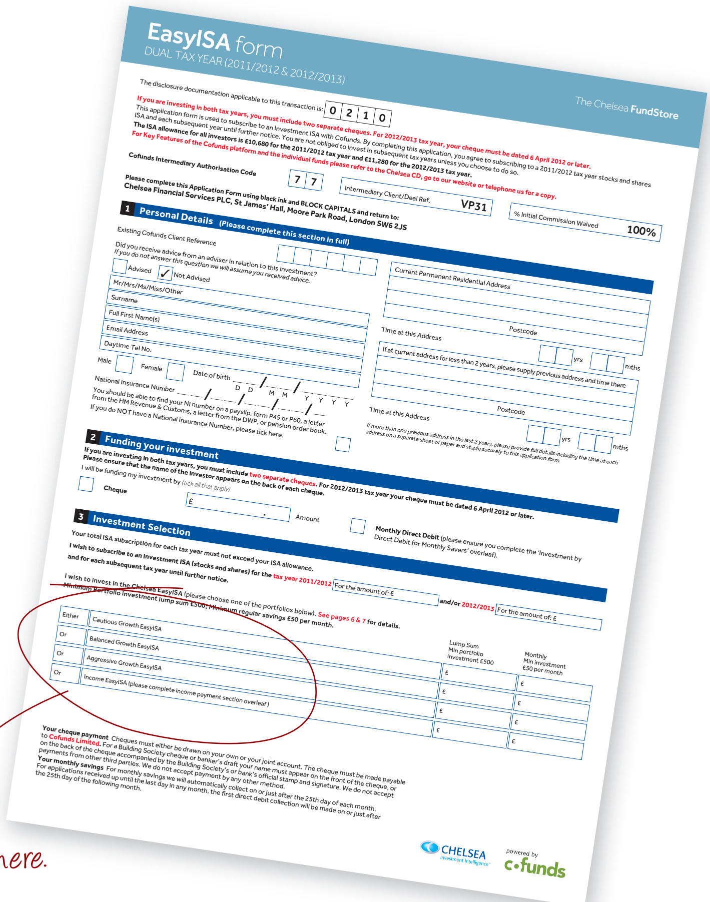
IT'S NOT CALLED EASYISA FOR NOTHING:

1. Select the EasyISA which best suits you

2. Tick the relevant box on the EasyISA application form (page 39-40) and decide how much you want to invest

3. Complete the form and return with payment to us. Easy!

You can also invest online at **www.chelseafs.co.uk/EasyISA**



EasyISA form
DUAL TAX YEAR (2011/2012 & 2012/2013)

The Chelsea **FundStore**

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

If you are investing in both tax years, you must include two separate cheques. For 2012/2013 tax year, your cheque must be dated 6 April 2012 or later.
This application form is used to subscribe to an Investment 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 and £11,280 for the 2012/2013 tax year.
For Key Features of the Cofunds platform and the individual funds please refer to the Chelsea CD, go to our website or telephone us for a copy.

Cofunds Intermediary Authorisation Code 7 7 | Intermediary Client/Deal Ref. **VP31** | % 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
Did you receive advice from an adviser in relation to this investment?
If you do not answer this question we will assume you received advice.
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 Funding your investment

If you are investing in both tax years, you must include two separate cheques. For 2012/2013 tax year your cheque must be dated 6 April 2012 or later.
Please ensure that the name of the investor appears on the back of each cheque.
I will be funding my investment by *(tick all that apply)*
☐ **Cheque** £ . Amount
☐ **Monthly Direct Debit** (please ensure you complete the 'Investment by Direct Debit for Monthly Savers' overleaf).

3 Investment Selection

Your total ISA subscription for each tax year must not exceed your ISA allowance.
I wish to subscribe to an Investment ISA (stocks and shares) for the tax year 2011/2012 For the amount of: £ **and/or 2012/2013** For the amount of: £
and for each subsequent tax year until further notice.

I wish to invest in the Chelsea EasyISA (please choose one of the portfolios below). **See pages 6 & 7 for details.**
Minimum Portfolio investment lump sum £500; Minimum regular savings £50 per month.

		Lump Sum Min portfolio investment £500	Monthly Min investment £50 per month
Either	Cautious Growth EasyISA	£	£
Or	Balanced Growth EasyISA	£	£
Or	Aggressive Growth EasyISA	£	£
Or	Income EasyISA (please complete income payment section overleaf)	£	£

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.

CHELSEA Investment Intelligence™ powered by cofunds

Select one of the EasyISA options here.

Least risky
1 ●||||||||

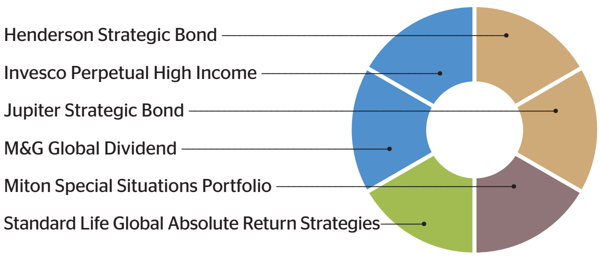
THE CHELSEA RISK RATING

This is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held; the risk controls imposed by the manager; the use of derivatives and currency issues.
We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest.

Most risky
||||||||● 10

See overleaf for in-depth EasyISA performance data...

Cautious Growth EasyISA

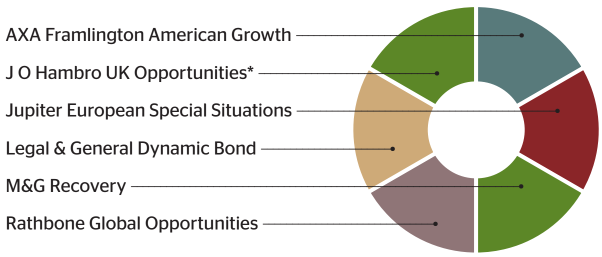


Cautious Growth is for the more risk-averse investor who is looking for steady growth with lower volatility. The portfolio has approximately one third invested in predominantly large-cap, dividend-producing equities, which tend to be less volatile. Approximately one third will be invested in fixed interest, which tends to be less volatile than equities. The final third of the portfolio will be invested in multi-asset and absolute return funds that invest in a wide range of assets and aim to produce steady, uncorrelated returns.

AVERAGE CHELSEA RISK RATING	3.66
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.33%~~ 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%
PERFORMANCE OVER 1 YEAR	-0.36%
PERFORMANCE OVER 3 YEARS	30.86%
PERFORMANCE OVER 5 YEARS	2.66%

Source: FE Analytics data as of 01/01/2012, compiled by Chelsea.

Balanced Growth EasyISA

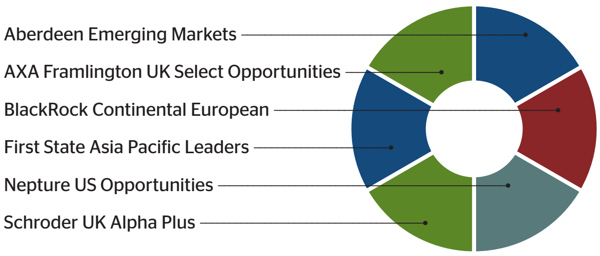


Balanced Growth offers a medium level of risk and is for investors looking to benefit from global equity markets, with some defensiveness offered through one sixth of the portfolio being invested in fixed interest. The portfolio has the majority of its assets invested in equities based in developed markets, with a mixture of defensive companies and more dynamic mid and small-cap companies. The fixed interest portion is invested in a strategic bond fund which has the ability to invest across the credit quality spectrum.

AVERAGE CHELSEA RISK RATING	5.33
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.67%~~ 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%*
PERFORMANCE OVER 1 YEAR	-5.48%
PERFORMANCE OVER 3 YEARS	35.37%
PERFORMANCE OVER 5 YEARS	6.37%

Source: FE Analytics data as of 01/01/2012, compiled by Chelsea.
*A performance fee may be applied, see page 12 for details.

Aggressive Growth EasyISA

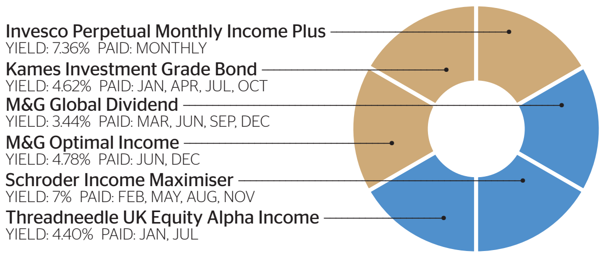


Aggressive Growth is for the investor looking for pure capital growth, who is comfortable with a higher degree of risk and willing to invest a portion in Asian and emerging market equities. The portfolio is an unconstrained global equity portfolio with exposure to large, mid and small-cap companies. It has the potential to produce greater returns through investing in faster-growing regions and more dynamic companies, but with a greater degree of risk and volatility.

AVERAGE CHELSEA RISK RATING	7.42
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.79%~~ 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.56%
PERFORMANCE OVER 1 YEAR	-8.93%
PERFORMANCE OVER 3 YEARS	40.61%
PERFORMANCE OVER 5 YEARS	11.78%

Source: FE Analytics data as of 01/01/2012, compiled by Chelsea.

Income EasyISA



Income is for investors looking to generate reasonable income with moderate prospects for capital growth. The portfolio is invested in fixed interest across the credit quality spectrum, and defensive, dividend-paying companies based largely in developed markets. The combination of equities and fixed interest aims to maintain, and even moderately grow, capital over the long term, whilst paying consistent dividends throughout the year.

AVERAGE CHELSEA RISK RATING	3.25
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.42%~~ 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.38%
PERFORMANCE OVER 1 YEAR	-0.24%
PERFORMANCE OVER 3 YEARS	42.51%
PERFORMANCE OVER 5 YEARS	16.42%
AVERAGE YIELD FOR THE PORTFOLIO	5.26%

Source: FE Analytics data as of 01/01/2012, compiled by Chelsea.

EasyISA performance

The Chelsea EasyISA portfolios are designed to keep things simple, and provide a range of options, depending on your risk appetite. The last three years haven't been without their ups and downs. However, markets have broadly been positive over that period, and the **EasyISA portfolios have more than captured those returns**.

"The Chelsea EasyISAs continue to be extremely popular with Chelsea investors. If you would like to see how they have performed, read on…"

BELINDA VENNING
Research Department, Chelsea

BUILDING THE PORTFOLIOS

The Chelsea research team meets around 400 fund managers per year and we constantly monitor performance to ensure that all funds in the Chelsea Core Selection and the Chelsea Selection are worthy of their inclusion. We also listen in to regular web and teleconferences in order to get the most up-to-date information about how the funds are positioned in what is a fast-moving environment. For each fund, we analyse all the aspects of the fund manager's process and assess how likely the fund is to produce consistent outperformance.

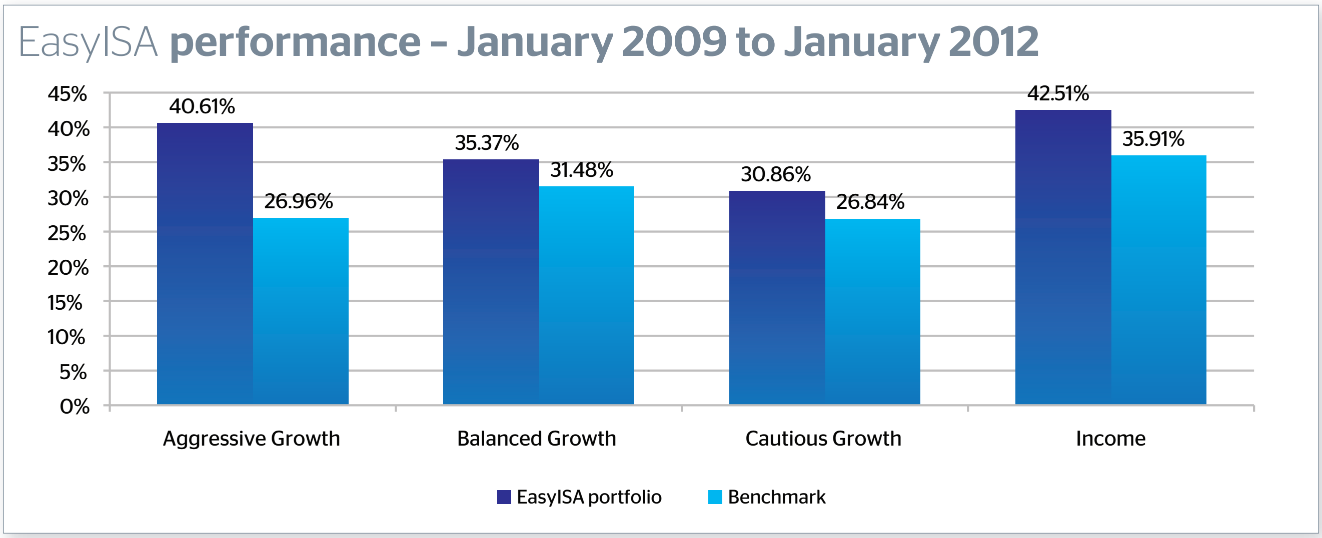
We pick the EasyISA portfolios from the Chelsea Core Selection, which represents our highest conviction funds within their sectors. The Chelsea Selection is our wider buy list and gives investors the opportunity to build their own portfolio from a broader, more diverse list.

We sometimes make alterations to the EasyISAs and these changes are detailed in each edition of Viewpoint. Moreover, all the published performance data takes these historical changes into account.

PERFORMANCE

We have assessed the EasyISA portfolios over three years, in which time they have all benefited from rising markets. Global equities and bonds have had a good run since the dark days of winter 2008/09 and we can happily report that all four of the portfolios have outperformed their benchmarks over three years. Furthermore, the risk/reward profile of each of the portfolios has been demonstrated in their performance.

The Aggressive, Balanced and Cautious portfolios have behaved as you might expect in upward moving markets, with the more equity-focused portfolios generating greater returns, albeit with greater volatility. The welcome anomaly of the group is the Income portfolio, which has the best three-year performance. This has been mainly due to the strength of defensive equities and fixed interest assets as investor appetite for income is heightened in these economically uncertain times.



Source: FE Analytics data as of 01/01/2012, compiled by Chelsea. Please note: performance takes into account all changes made to the portfolios over three years.

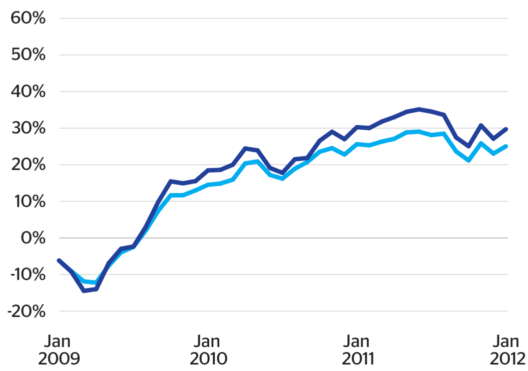
EasyISA portfolio performance 2009-2012

Cautious Growth EasyISA

The Cautious portfolio is invested in defensive equities based in developed markets, UK fixed interest and absolute return/multi-asset funds. The portfolio seeks to generate steady returns, whilst being truly cautious and focusing on capital preservation. The portfolio returned 30.86% over three years, outperforming its representative benchmark by 4.02%. The most significant outperformance was delivered by M&G Global Dividend and Miton Special Situations Portfolio.

THREE-YEAR PERFORMANCE

Cautious Growth EasyISA	30.86%
Benchmark	26.84%

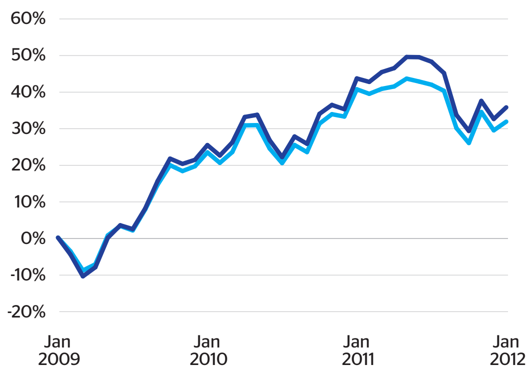


Balanced Growth EasyISA

The Balanced portfolio is mainly invested in global equities based in developed markets, with one sixth of the portfolio invested in UK fixed interest. The portfolio seeks to benefit from growth in global equities, whilst also benefiting from the balancing effects of less volatile fixed interest exposure. The portfolio returned 35.37% over three years, outperforming its representative benchmark by 3.89%. The most significant outperformance was delivered by M&G Recovery and L&G Dynamic Bond.

THREE-YEAR PERFORMANCE

Balanced Growth EasyISA	35.37%
Benchmark	31.48%

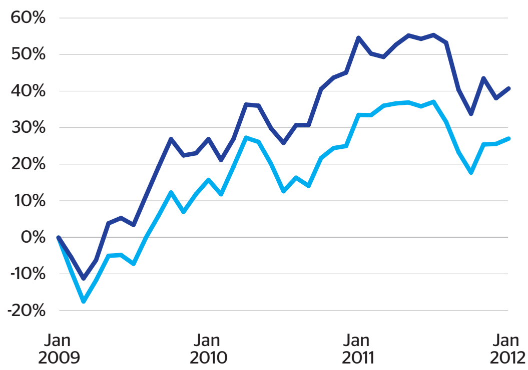


Aggressive Growth EasyISA

The Aggressive portfolio is invested in a mix of global, Asian and emerging market equities, with the explicit aim of maximising capital growth. The portfolio returned 40.61% over three years, outperforming its benchmark, the MSCI World, by 13.65%. The most significant outperformance was delivered by holdings in Aberdeen Emerging Markets and First State Asia Pacific Leaders.

THREE-YEAR PERFORMANCE

Aggressive Growth EasyISA	40.61%
Benchmark	26.96%

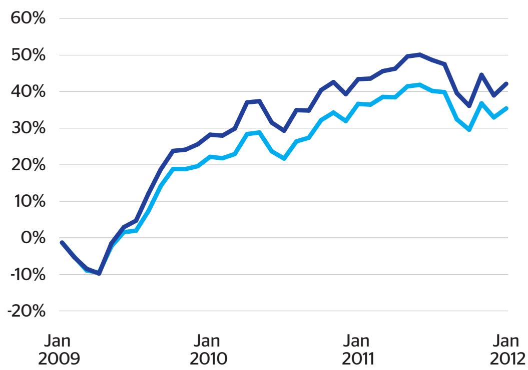


Income EasyISA

The Income portfolio is invested in income-producing equities based in global developed markets and fixed interest. The portfolio seeks to generate income, with a yield target greater than 4% and moderate prospects for capital growth. With dividends reinvested, the portfolio returned 42.51% over three years, outperforming its representative benchmark by 6.60%. The most significant outperformance was delivered by M&G Global Dividend and Invesco Perpetual Monthly Income Plus. The current yield on the portfolio is 5.23%.

THREE-YEAR PERFORMANCE

Income EasyISA	42.51%
Benchmark	35.91%



Source: FE Analytics data as of 01/01/2012, compiled by Chelsea. Please note: performance takes into account all changes made to the portfolios over three years.

WELCOME TO THE GUIDE TO BUILDING YOUR OWN PORTFOLIO:

the **DIYportfolio**

If you have a larger sum to invest or the EasyISA doesn't meet your requirements, why not do it yourself? Here's how a self-selected portfolio might look.

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, 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.

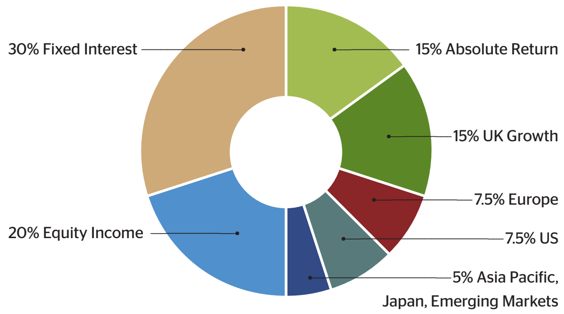
Here we provide some model portfolios as a guide. Obviously they can be altered to reflect your own preferences. It is important to have diversification to reduce risk, but spreading your assets across too many funds means that those which perform strongly will have little impact on overall performance. The number of funds held within these portfolios will vary depending upon the amount invested. As a rough guide, we would expect to have approximately 10 funds in a £20,000 portfolio and 20-25 in one of over £100,000.

So, see how your portfolio stacks up. Remember, you can switch funds for free via the Chelsea FundStore.

Cautious Growth DIYportfolio

AVERAGE CHELSEA RISK RATING: ||●||||| 3-4

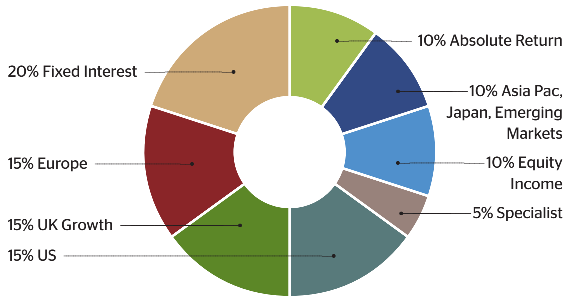
Designed for those who have a low tolerance to risk, perhaps an investor closer to retirement. With a higher proportion in bonds it should be less volatile. Those close to retirement should have an even higher allocation to fixed interest.



Balanced Growth DIYportfolio

AVERAGE CHELSEA RISK RATING: ||●||||| 4-6

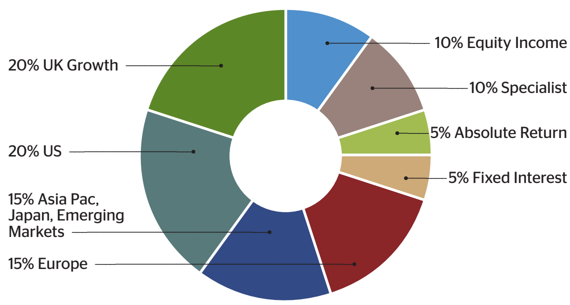
With a medium level of risk, this portfolio aims to achieve growth but will have greater volatility. Investment is predominantly in equities.



Aggressive Growth DIYportfolio

AVERAGE CHELSEA RISK RATING: |||||●||| 7-8

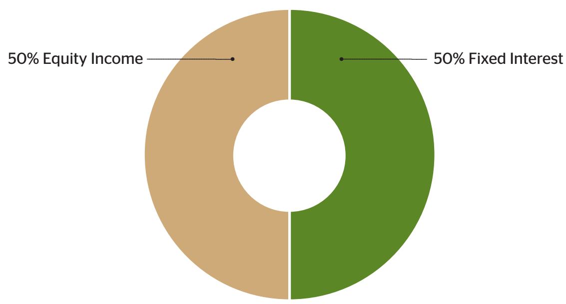
An aggressive portfolio is for investors who are comfortable with a higher degree of risk and may have a longer time horizon, so that any volatility in markets can be mitigated over time.



Income DIYportfolio

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 Core Selection (pages 12-17). The equity income portion should be a combination of UK and overseas.



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

AN INTRODUCTION TO

Chelsea **research tables**

There are approximately 3,000 funds in the entire UK market.
We shortlist those we think are worth considering as part of a diversified portfolio.

We've organised our research into four simple tables:

Chelsea **Core Selection©**

39 of the leading performers from the Chelsea Selection – individually researched and analysed by our dedicated research team.

You can use these funds to balance your **DIYportfolio** (see opposite page)

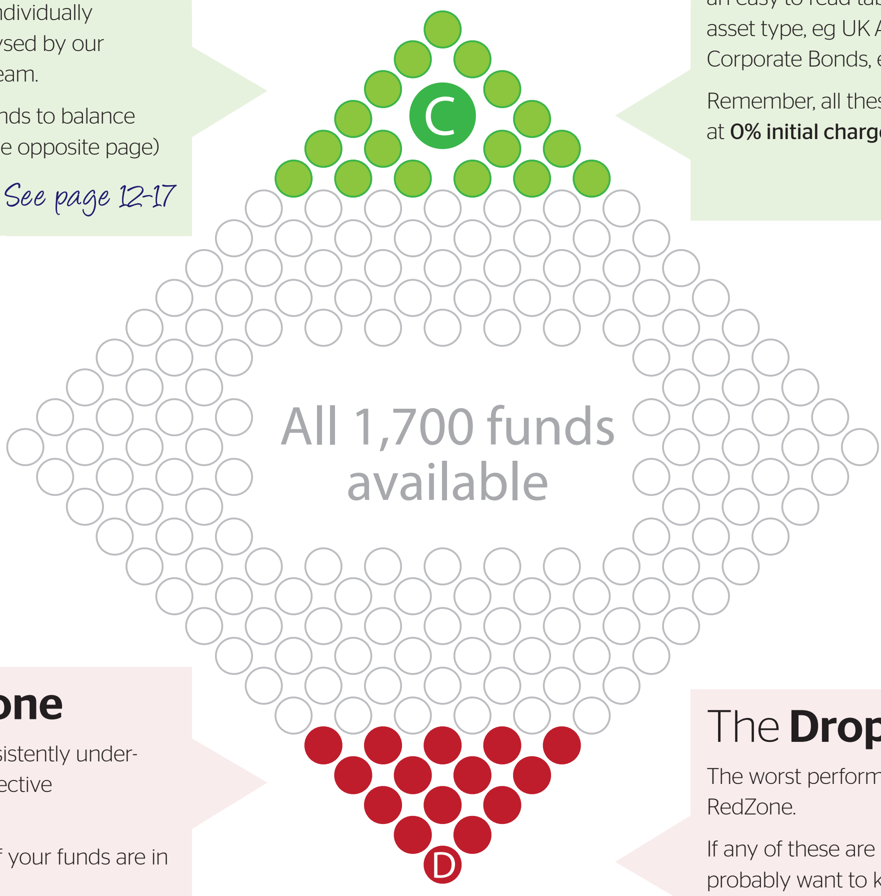
See page 12-17

Chelsea **Selection**

Around 100 of our top-rated funds in an easy-to-read table, organised by asset type, eg UK All Companies, Corporate Bonds, etc.

Remember, all these funds are available at **0% initial charge** within an ISA.

See page 20



The **RedZone**

Funds that have consistently under-performed their respective benchmarks.

Check to see if any of your funds are in our RedZone...

See page 23

The **DropZone**

The worst performers from the RedZone.

If any of these are in your portfolio, you probably want to know about it!

See page 23

CHELSEA'S RESEARCH PROCESS

You can look at the funds within our Selection tables with the knowledge that we have met and interviewed every fund manager. We conduct regular analysis of fund performance in every sector, which flags the funds we wish to investigate further. We then interview managers, grilling them on their process, and satisfying ourselves that any outperformance they may have achieved is repeatable.

Once a manager achieves a place on the Chelsea Selection we obtain regular updates. We understand that managers may have short periods of underperformance but, as long as we are confident that they can get their fund back on track, it remains on our tables.

the Chelsea **Core Selection©**

39 Core funds from the Chelsea Selection – individually researched and analysed.

UK GROWTH

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.

CHELSEA RISK RATING	6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	AAA
YIELD	1.43%
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.

CHELSEA RISK RATING	6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	AAA
YIELD	0.90%
UNIT TYPE	ACC or INC

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.

CHELSEA RISK RATING	5.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	AA
YIELD	3.04%
UNIT TYPE	ACC or INC

LIONTRUST SPECIAL SITUATIONS NEW ENTRY

This UK multi-cap fund is a 'best ideas' portfolio which encompasses any stocks regardless of size or sector. Overall, the managers try to find companies that benefit from significant economic advantages using rigorous bottom-up analysis. Furthermore, they believe that they can find companies that are experiencing rising earnings and profits, regardless of the UK economic environment. The fund is concentrated with typically around 35-45 stocks.

CHELSEA RISK RATING	6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.75%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	A
YIELD	0.51%
UNIT TYPE	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.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	AAA
OBSR FUND RATING	AAA
YIELD	0.91%
UNIT TYPE	ACC or INC

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.

CHELSEA RISK RATING	8
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	-
YIELD	0.24%
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.

CHELSEA RISK RATING	7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	AAA
YIELD	0.32%
UNIT TYPE	ACC or INC

Least risky 1

THE CHELSEA RISK RATING

This is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held; the risk controls imposed by the manager; the use of derivatives and currency issues. **We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest.**

Most risky 10

All Core Selection funds are available at 0% initial charge within an ISA. For performance statistics please refer to pages 20-21.

All data sourced from FE Analytics, 01/01/2012

the Chelsea **Core Selection**© CONTINUED

EQUITY INCOME

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.

CHELSEA RISK RATING	4
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	AAA
YIELD	4.75%
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.

CHELSEA RISK RATING	4
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	AAA
OBSR FUND RATING	AAA
YIELD	3.95%
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.

CHELSEA RISK RATING	6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	AA
YIELD	3.44%
UNIT TYPE	ACC or INC

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.

CHELSEA RISK RATING	7.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	AA
OBSR FUND RATING	AA
YIELD	5.14%
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.

CHELSEA RISK RATING	4.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.50%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	A
YIELD	4.38%
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 strongly rising markets. Income is paid in February, May, August and November.

CHELSEA RISK RATING	4.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	A
YIELD	7.00%
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.

CHELSEA RISK RATING	4.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~3.75%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	AA
OBSR FUND RATING	A
YIELD	4.40%
UNIT TYPE	ACC or INC

© *Throughout Viewpoint, whenever we mention a fund that's in the Chelsea Core Selection, we'll mark it with this icon.*

All Core Selection funds are available at 0% initial charge within an ISA. For performance statistics please refer to pages 20-21.

NOTES We always strive to reduce your costs to a minimum. Units bought with no initial charge are described as being bought at creation/NAV. You can see from our table of funds that we have secured creation/NAV on all of the funds highlighted in the tables, when purchased via an ISA.

the Chelsea **Core Selection©** CONTINUED

EUROPE

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.

CHELSEA RISK RATING	6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	AAA
OBSR FUND RATING	AA
YIELD	0.87%
UNIT TYPE	ACC or INC

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.

CHELSEA RISK RATING	6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	AA
OBSR FUND RATING	AA
YIELD	0.5%
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.

CHELSEA RISK RATING	7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.75%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	AA
YIELD	1.02%
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.

CHELSEA RISK RATING	6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	AA
YIELD	0.75%
UNIT TYPE	ACC or INC

US

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.

CHELSEA RISK RATING	7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	A
YIELD	-
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.

CHELSEA RISK RATING	8
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.60%
STANDARD AND POOR'S FUND RATING	AA
OBSR FUND RATING	A
YIELD	-
UNIT TYPE	ACC

Least risky 1

THE CHELSEA RISK RATING

This is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held; the risk controls imposed by the manager; the use of derivatives and currency issues. **We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest.**

Most risky 10

All Core Selection funds are available at 0% initial charge within an ISA. For performance statistics please refer to pages 20-21.

the Chelsea **Core Selection**© CONTINUED

ASIA PACIFIC, JAPAN AND EMERGING MARKETS

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 that 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.

CHELSEA RISK RATING	10
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.75%
STANDARD AND POOR'S FUND RATING	AA
OBSR FUND RATING	AAA
YIELD	0.5%
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.

CHELSEA RISK RATING	10
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.75%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	A
YIELD	0.25%
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.

CHELSEA RISK RATING	7.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	AAA
OBSR FUND RATING	AAA
YIELD	0.99%
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.

CHELSEA RISK RATING	10
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	AA
OBSR FUND RATING	A
YIELD	2.3%
UNIT TYPE	ACC or INC

SCHRODER ASIAN ALPHA PLUS NEW ENTRY

This Asian fund is actively managed from the bottom up, with manager Matthew Dobbs often looking for catalysts in order to provide upside in the stocks he owns. Dobbs is focused on valuations but also looks for companies that can exhibit organic growth. The portfolio will typically consist of 60-80 of the best ideas in the region. The fund is relatively unconstrained and can invest across the market-cap spectrum.

CHELSEA RISK RATING	8
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	AA
YIELD	0.93%
UNIT TYPE	ACC

SPECIALIST

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.

CHELSEA RISK RATING	6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	-
YIELD	0.95%
UNIT TYPE	ACC

MITON SPECIAL SITUATIONS PORTFOLIO

The goal of this fund is to provide investors with long-term positive returns through investment 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.

CHELSEA RISK RATING	4
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	A
YIELD	-
UNIT TYPE	ACC

All Core Selection funds are available at 0% initial charge within an ISA. For performance statistics please refer to pages 20-21.

NOTES We always strive to reduce your costs to a minimum. Units bought with no initial charge are described as being bought at creation/NAV. You can see from our table of funds that we have secured creation/NAV on all of the funds highlighted in the tables, when purchased via an ISA.

the Chelsea **Core Selection©** CONTINUED

SPECIALIST CONTINUED

J P MORGAN 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's neutral position will be 30% invested in energy, 30% gold & precious metals, 30% base metals and 10% in other resource/commodity-related areas. The fund looks to diversify stock-related risk by holding over 200 companies, though no more than 50% of the fund may be invested in any single sector. Neil Gregson replaced Ian Henderson as lead manager on 31/01/2012. Gregson has been co-manager of this fund since September 2010.

CHELSEA RISK RATING	10
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	AA
YIELD	-
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 predominantly invested in developed markets.

CHELSEA RISK RATING	7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.50%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	AA
YIELD	-
UNIT TYPE	ACC

FIXED INTEREST

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.

CHELSEA RISK RATING	1.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	AA
OBSR FUND RATING	AA
YIELD	6.19%
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 high yield bonds, but there is flexibility to move up the credit scale. The equity portfolio is constructed similarly to Neil's High Income fund.

CHELSEA RISK RATING	2.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	AA
OBSR FUND RATING	AAA
YIELD	7.36%
UNIT TYPE	ACC or INC

JUPITER STRATEGIC BOND NEW ENTRY

This fund has a flexible mandate which allows manager Ariel Bazelel to invest in a global portfolio of bonds of any credit quality. Bazelel uses this freedom, combined with bottom-up and top-down analysis, to find the most attractive parts of the global fixed interest universe. Companies with robust business models and reliable earnings streams are preferred. Income is paid in April, July, October and January.

CHELSEA RISK RATING	1.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	AA
OBSR FUND RATING	-
YIELD	5.5%
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.

CHELSEA RISK RATING	1
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.50%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	AA
YIELD	4.62%
UNIT TYPE	ACC or INC

Least risky 1

THE CHELSEA RISK RATING

This is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held; the risk controls imposed by the manager; the use of derivatives and currency issues.
We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest.

Most risky 10

All Core Selection funds are available at 0% initial charge within an ISA. For performance statistics please refer to pages 20-21.

the Chelsea **Core Selection©** CONTINUED

FIXED INTEREST CONTINUED

L&G 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.

CHELSEA RISK RATING	1.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~3.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	AAA
OBSR FUND RATING	AA
YIELD	5.2%
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.

CHELSEA RISK RATING	1.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	AAA
OBSR FUND RATING	AA
YIELD	4.78%
UNIT TYPE	ACC or INC

ABSOLUTE RETURN

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.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	AA
OBSR FUND RATING	A
YIELD	-
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.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.25%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	-
YIELD	-
UNIT TYPE	ACC

NEWTON REAL RETURN NEW ENTRY

This absolute return fund aims to provide investors with growth of 2.5% above LIBOR on a rolling five-year basis. To achieve this, manager Iain Stewart invests in equities, bonds, commodities and derivatives, though no more than 20% of the fund may be invested in a single sector. The fund typically has around 100 holdings and income is paid in March and October.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.00%
STANDARD AND POOR'S FUND RATING	AAA
OBSR FUND RATING	A
YIELD	3.12%
UNIT TYPE	INC

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.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	AA
OBSR FUND RATING	A
YIELD	-
UNIT TYPE	ACC

All Core Selection funds are available at 0% initial charge within an ISA. For performance statistics please refer to pages 20-21.

NOTES We always strive to reduce your costs to a minimum. Units bought with no initial charge are described as being bought at creation/NAV. You can see from our table of funds that we have secured creation/NAV on all of the funds highlighted in the tables, when purchased via an ISA.

Core Selection **Spotlight**

AN IN-DEPTH LOOK AT TWO FUNDS FROM OUR CORE SELECTION.
WE INVITE FUND MANAGERS TO TALK ABOUT THEIR PROCESS AND THEIR ASSET CLASS, GIVING YOU A MORE COMPREHENSIVE VIEW OF HOW YOUR MONEY IS MANAGED.

Spotlight on **Standard Life Global Absolute Return Strategies**

EUAN MUNRO
Director, Multi-asset Investing and Fixed Interest

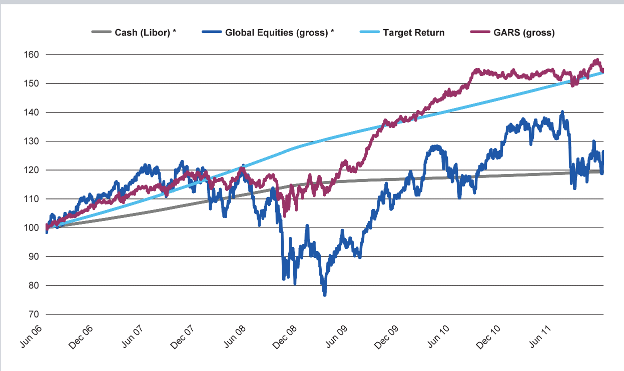
I began my career with Scottish Provident as an actuarial student. In 1995, I joined Standard Life as a fixed interest investment manager and ultimately ran all Standard Life Investments' segregated bond funds. In 2004, I established the Strategic Solutions Unit which became the Multi-asset Investing Team and, in June 2008, I was appointed Director of Global Fixed Interest in addition to Head of Multi-asset Investing.

As Director of Multi-asset Investing and Fixed Interest, I am responsible for the management of all fixed interest and multi-asset investment funds managed by Standard Life Investments. I also chair the Strategic Investment Group, which sets longer-term asset policy, and am a member of Standard Life Investments' board. In 2004, I established the Multi-asset Investing Team (MAIT), which manages the Global Absolute Return Strategies fund (GARS). The MAIT contains 23 highly talented investment professionals with an average of 16 years' investment experience.

TAKING AN ABSOLUTE APPROACH TO LONG-TERM INVESTMENT

For investors looking to reduce uncertainty in their portfolio, without compromising the potential for growth, absolute return funds can be an effective solution. We launched GARS for retail investors in May 2008. GARS aims to deliver a positive absolute return over rolling 12-month periods and has a target return of cash[1] +5% per annum (gross of fees) over rolling three-year periods. This is similar to the return historically available through a long-term investment in equities. Importantly, in seeking to meet this target, GARS is expected to exhibit only one third to one half of the volatility associated with equity markets.

SL GLOBAL ABSOLUTE RETURN STRATEGIES



Source: Standard Life

To achieve this, we carefully select 20-30 strategies across four main sources of return. First, we add returns from investing in traditional asset classes, including equities, bonds and listed property. Next, we capitalise on the stock-picking skills of our fund managers by allocating them investment mandates. Taken together, these two sources should be enough to produce a positive return in a number of market conditions. However, during extreme circumstances, they may not provide the required diversification. We therefore invest in two further sources of return, which we term 'directional' and 'relative value'.

Directional strategies are based on market opportunities relating to our views on asset classes such as foreign exchange, interest rates and inflation. For example, we are positioned against the euro, which we believe will weaken as the European economy continues to struggle. We therefore hold positions favouring the US dollar and Norwegian krone versus the euro. Relative value strategies, meanwhile, allow us to exploit differences in behaviour between two normally similar markets. For example, we currently hold a position preferring US large companies versus smaller companies.

By combining a number of different strategies from these four sources, we believe it is possible to create a fund that provides a positive return whether markets are rising or falling. This is because if one strategy performs poorly, it should be offset by positive performance from others.

Choosing a mix of strategies that work well together is therefore vitally important. Each strategy chosen for GARS must go through a rigorous process that captures the best investment ideas from our best people. The MAIT works closely with our asset class teams to gain insights into key market drivers and identify investment opportunities that are developed into strategies. These strategies are then reviewed and approved by the Strategic Investment Group, which contains our most experienced long-term thinkers, before the MAIT implements them in the most effective way possible.

LOOKING AHEAD

Going forward, our central view is that investment conditions will remain tough, with a protracted economic recovery, interest rates remaining low and further uncertainty amid the search for a lasting solution to the eurozone sovereign debt crisis. In this environment, our remit for GARS remains clear – to invest where we see return opportunities and to position the portfolio to perform in a variety of different economic scenarios. By doing so, we believe GARS can give a solid platform for investors to achieve their long-term financial objectives.

[1] Cash is defined as 6-month LIBOR, the interest rate banks use as a reference when lending to each other.

Ⓒ Spotlight on **Rathbone Global Opportunities**

JAMES THOMSON
Fund manager, Rathbone Global Opportunities

I grew up in Bermuda and was educated in the US, before moving to the UK in 2000. Moving from a tropical island to the UK was a shock to the system – it required some adaptability. In fact, managing money over the past decade has required some adaptability as well. Portfolios need to be 'weather-proofed' for the unpredictable conditions that lie ahead. I invest in fast-growing businesses, but I also recognise the benefits of stable and reliable businesses. I am pleased to report that this strategy seems to be paying off.

For those not yet familiar with my fund, this is a high conviction stock-picking fund that invests in undiscovered and under the radar growth stories – businesses with star quality from around the world that are as yet unrecognised by the market. It is a concentrated portfolio of 40 to 60 innovative businesses that consistently beat expectations, outclass their competitors and serve a growing market. A key differentiator is the scope I enjoy in terms of where I can invest – the fund is entirely flexible in terms of company size, sector and geographic location, but I tend to have a greater mid-cap bias than my peers. That is the good bit. The 'catch' is that this is an aggressively managed fund, with a higher than average volatility – investors must be prepared for that. However, that's the price one pays for a nimble fund that can exploit market inefficiencies and achieve higher returns for its investors over the longer term.

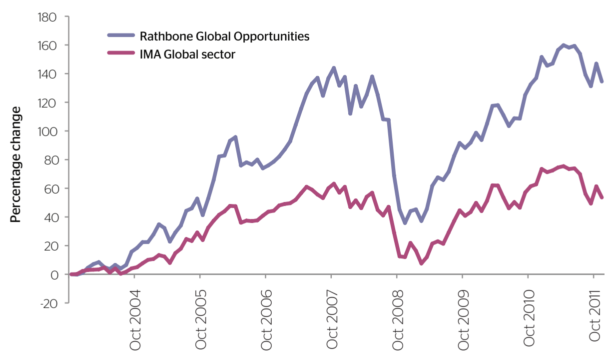
MY LIKES AND DISLIKES

The fund's philosophy – or my 'secret sauce analysis' – is a simple one in terms of what I like in a company and what I don't. I like businesses that are easy to understand; that are scalable and have a repeatable strategy; have pricing power; are entrepreneurial, prudent, have adaptable management; businesses that are different and have high barriers to entry, and where there are obvious catalysts for the share price to benefit, such as contract wins, earnings upgrades, and positive news flow.

Equally, I am clear on what I don't like: traumatised, turnaround, or 'special situations' stories; businesses that are vulnerable to high impact events; where success is based on factors out of their control; areas that are vulnerable to over-capacity or structural headwinds; early stage, capital-intensive businesses, and businesses with high levels of debt.

This provides my 'high altitude overview'. Once I have decided which companies interest me, I meet the management teams. On average, I meet around 200 management teams a year, including those of existing holdings. These meetings involve detailed questions on growth drivers, risks and strategies.

RATHBONE GLOBAL OPPORTUNITIES



Source: FE Analytics, bid to bid, net income reinvested.

Finally, I examine the valuation (is the price of the company reasonable?), timing (are there any short-term catalysts that might impact the business?) and its suitability (what type of diversification will it provide within the portfolio?). Based on this assessment, I decide whether to place it on to a watch list, start a position, or bin the idea and move on.

CURRENT POSITIONING

My approach means some sharp divergences from more traditional global funds, including having no exposure to peripheral Europe; being heavily underweight financials, where balance sheets are complex; and no miners, which are highly dependent on volatile commodity prices. I am also underweight pharmaceuticals, telcos and utilities, all of which lack growth drivers, and I have ignored the 'bulls' on Japan. Furthermore, I have no direct exposure to emerging markets, where I lack expertise, preferring more transparent companies, listed in developed markets that can benefit from the emerging markets' story. Instead, I am overweight consumer names, with exposure to tobacco, food producers, luxury goods, media and discount retailers. Examples include tobacco company Swedish Match, where an 87% market share in its home market gives it strong pricing power and predictable volume growth, and UK property company, Rightmove. Advertising spend continues to shift away from newspapers towards the internet, and Rightmove continues to push up the price.

Going into 2012, markets remain choppy and unpredictable. Consequently, I retain the weightings highlighted above, and my focus on high quality companies with sustainable and visible earnings. I am holding around 12% in cash, which I will continue to deploy selectively. I still believe that equities will provide some of the best returns for investors over the next few years; taking a long-term view will help to smooth the ride. ■

the Chelsea **Selection**

AROUND 100 OF OUR TOP-RATED FUNDS, ORGANISED BY SECTOR

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.†

	Chelsea Risk Rating	1 YEAR % Growth	1 YEAR Rank	3 YEAR % Growth	3 YEAR Rank	5 YEAR % Growth	5 YEAR Rank	10 YEAR % Growth	10 YEAR Rank	Yield %	Fund Size (m)
UK ALL COMPANIES	4-8										
Ⓒ Artemis UK Special Situations	6	-8.46	170	37.41	143	2.57	83	113.43	10	1.42	1032.0
Ⓒ AXA Framlington UK Select Opportunities	6	-0.29	17	69.49	18	23.88	12	136.43	4	0.90	2842.4
BlackRock UK Special Situations	7	-8.70	178	65.61	23	18.10	19	114.27	9	0.89	1361.1
Franklin Templeton UK Mid Cap	6	-6.06	112	80.38	12	33.55	5	194.69	1	0.50	498.0
Ⓒ J O Hambro UK Opportunities	5.5	4.28	4	39.19	123	24.64	11	-	-	3.04	855.8
Jupiter UK Growth	7	-12.44	233	44.44	74	-10.05	183	57.07	51	0.90	723.3
Legal & General UK Alpha	8	-14.43	244	120.40	3	50.07	3	-	-	-	168.5
Legal & General UK Index	4	-5.09	85	40.14	110	3.09	74	50.30	66	2.80	3833.2
Ⓒ Liontrust Special Situations	6	7.54	1	106.74	6	53.45	2	-	-	0.51	216.3
Ⓒ M&G Recovery	5	-6.29	119	53.78	35	25.35	9	126.97	5	0.90	7206.8
Marlborough UK Leading Companies	7	-8.11	160	54.52	34	20.30	16	121.88	7	0.13	54.5
Ⓒ Schroder UK Alpha Plus	7	-9.94	207	63.96	25	11.31	37	-	-	0.32	2549.5
Standard Life UK Equity Unconstrained	8	-20.47	255	119.38	5	25.23	10	-	-	0.46	364.6
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**-7.36**	**261**	**41.63**	**240**	**-2.64**	**221**	**45.95**	**148**	-	-
UK EQUITY INCOME	4-5										
Ⓒ Artemis Income	4	0.07	25	34.95	52	6.38	19	100.01	6	4.74	3949.5
BlackRock UK Income	4	-5.16	65	52.30	7	10.06	13	80.12	10	3.89	734.4
Ⓒ Invesco Perpetual High Income	4	8.99	1	32.78	58	14.45	4	139.95	1	3.97	11221.9
Neptune Income	4	-5.96	73	31.56	63	2.35	30	-	-	4.63	1032.5
Ⓒ Rathbone Income	4.5	-0.15	30	46.35	11	-6.81	51	84.93	9	4.35	458.6
Ⓒ Schroder Income Maximiser	4.5	-9.48	95	27.88	67	3.22	27	-	-	6.40	726.1
Ⓒ Threadneedle UK Equity Alpha Income	4.5	1.39	19	32.11	60	9.08	15	-	-	4.40	241.3
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**-3.18**	**99**	**37.24**	**84**	**-4.01**	**78**	**50.24**	**53**	-	-
UK SMALLER COMPANIES	7.5-8										
BlackRock UK Smaller Companies	8	-11.88	42	69.82	35	6.24	15	147.84	7	0.16	362.7
Cazenove UK Smaller Companies	8	1.21	5	131.69	6	27.76	6	108.19	16	0.80	87.6
Investec UK Smaller Companies	8	-2.21	9	134.94	5	35.28	5	271.31	2	-	336.5
Ⓒ Marlborough Special Situations	8	-2.16	8	111.45	8	38.09	3	279.24	1	0.24	383.5
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**-8.82**	**55**	**77.89**	**51**	**-0.72**	**44**	**80.44**	**34**	-	-
CORPORATE BOND	1										
Invesco Perpetual Corporate Bond	1	-1.65	77	29.47	32	20.64	15	64.17	3	5.58	5276.0
Ⓒ Kames Investment Grade Bond	1	4.63	36	37.16	13	18.04	20	-	-	4.62	259.0
Kames Sterling Corporate Bond	1	3.93	44	36.20	14	9.97	49	47.85	16	4.85	383.3
M&G Strategic Corporate Bond	1	7.87	9	43.06	3	51.81	1	-	-	4.11	4091.7
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**4.10**	**82**	**27.27**	**73**	**14.16**	**67**	**42.18**	**46**	-	-
HIGH YIELD BOND	2										
Kames High Yield Bond	2	1.52	4	84.35	2	29.40	1	-	-	7.12	515.2
Threadneedle High Yield Bond	2	-3.23	8	65.27	8	19.52	6	84.86	2	7.80	708.7
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**-3.15**	**20**	**60.00**	**20**	**19.33**	**19**	**71.52**	**15**	-	-
STRATEGIC BOND	1.5-2.5										
Artemis Strategic Bond	1.5	-2.06	45	43.28	19	15.70	18	-	-	5.44	531.7
Fidelity Strategic Bond	1.5	5.36	13	36.79	25	38.82	2	-	-	2.58	836.0
Ⓒ Henderson Strategic Bond	1.5	-2.24	47	34.85	27	17.16	16	-	-	6.19	1040.0
Ⓒ Invesco Perpetual Monthly Income Plus	2.5	-3.55	54	54.12	5	19.92	11	100.46	1	7.28	3066.7
Ⓒ Jupiter Strategic Bond	1.5	4.50	15	65.60	2	-	-	-	-	5.50	644.9
Kames Strategic Bond	1.5	-0.72	38	46.96	15	19.82	12	-	-	4.57	475.2
Ⓒ Legal & General Dynamic Bond	1.5	-3.38	52	48.68	9	-	-	-	-	5.20	1576.3
Ⓒ M&G Optimal Income	1.5	5.68	12	51.90	7	48.80	1	-	-	4.77	5453.9
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**2.02**	**59**	**34.33**	**49**	**14.24**	**43**	**54.10**	**19**	-	-
EUROPE EX UK	6-8										
Ⓒ BlackRock Continental European	6	-16.51	56	24.02	10	16.87	4	79.27	8	0.87	313.1
BlackRock European Dynamic	7	-17.83	74	44.10	3	31.32	2	110.44	5	0.13	855.4
Cazenove European	6	-15.26	40	-0.16	65	0.44	15	-	-	1.20	817.5
Henderson European Growth	6	-13.17	25	30.11	7	4.70	10	123.74	4	-	839.2
Ignis Argonaut European Alpha	7	-9.65	6	29.40	9	8.42	8	-	-	0.90	287.4
Ignis Argonaut European Income	6	-12.29	16	1.40	55	-9.19	36	-	-	5.70	332.1
Jupiter European	6	-12.92	21	44.27	2	32.03	1	140.96	1	1.60	1511.9
Ⓒ Jupiter European Special Situations	6	-13.26	26	15.11	16	6.11	9	124.19	3	0.50	523.2
Liontrust European Growth	6	-14.54	34	31.77	6	17.02	3	-	-	1.29	55.9
Ⓒ Neptune European Opportunities	7	-11.59	12	16.32	13	4.56	11	-	-	1.02	962.5
Ⓒ Schroder European Alpha Plus	6	-14.22	32	14.91	17	-1.76	18	-	-	0.74	660.0
Threadneedle European Select	6	-5.41	1	36.87	4	16.46	5	82.43	7	0.30	833.5
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**-15.54**	**94**	**8.74**	**79**	**-8.10**	**69**	**46.20**	**52**	-	-

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

Looking for ideas? The Chelsea Selection might be helpful for experienced investors building their own ISA and non-ISA portfolios.

	Chelsea Risk Rating	1 YEAR % Growth	Rank	3 YEAR % Growth	Rank	5 YEAR % Growth	Rank	10 YEAR % Growth	Rank	Yield %	Fund Size (m)
JAPAN	9-10										
JOHCM Japan	10	-14.31	31	1.70	17	3.02	5	-	-	-	152.4
GLG Japan Core Alpha	10	-16.69	41	13.07	5	12.85	2	71.49	3	0.59	1187.7
Invesco Perpetual Japan	10	-25.11	44	6.01	11	-1.16	9	39.45	6	0.45	289.3
Ⓒ Jupiter Japan Income	10	-12.33	19	-0.07	21	1.59	7	-	-	2.30	472.0
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**-11.69**	**45**	**1.57**	**39**	**-11.71**	**37**	**13.01**	**28**	-	-
NORTH AMERICA	6.5-8										
Ⓒ AXA Framlington American Growth	7	2.58	10	52.48	3	39.51	4	25.18	10	-	302.5
Jupiter North American Income	6.5	2.71	9	37.88	29	39.03	5	16.84	13	1.60	349.7
Ⓒ Neptune US Opportunities	8	-9.31	64	27.71	53	40.97	2	-	-	-	463.9
Threadneedle American Select	7	2.35	13	44.10	15	33.26	10	27.36	9	-	1420.1
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**-1.68**	**70**	**37.81**	**60**	**17.56**	**51**	**6.62**	**39**	-	-
ASIA PACIFIC EX JAPAN	7.5-10										
Aberdeen Asia Pacific	7.5	-14.77	22	70.55	6	60.39	9	267.90	2	0.90	2000.0
Fidelity Emerging Asia	10	-20.85	46	-	-	-	-	-	-	-	-
Fidelity South East Asia	8.5	-17.91	36	63.66	13	69.33	5	214.89	5	-	2169.0
Ⓒ First State Asia Pacific Leaders	7.5	-7.98	3	57.17	23	84.35	1	-	-	0.99	5309.0
Invesco Perpetual Asian	7.5	-15.82	25	64.04	11	50.84	11	189.92	11	0.94	565.7
Ⓒ Newton Asian Income	7.5	-1.45	1	94.86	2	74.53	4	-	-	5.15	1251.8
Newton Oriental	7.5	-18.35	39	58.26	21	50.74	12	191.46	10	0.73	822.9
Ⓒ Schroder Asian Alpha Plus	8	-10.78	10	109.75	1	-	-	-	-	0.93	181.0
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**-15.97**	**55**	**56.48**	**46**	**43.26**	**43**	**171.14**	**31**	-	-
GLOBAL EMERGING MARKETS**	10										
Ⓒ Aberdeen Emerging Markets	10	-11.82	5 / 40	87.10	1 / 26	85.60	2 / 22	426.26	1 / 17	0.50	2600.0
Ⓒ Allianz RCM BRIC Stars	10	-27.63	81 / 96	51.20	20 / 72	9.29	25 / 52	-	-	0.25	663.8
Fidelity Emerging Europe Middle East and Africa	10	-20.42	65 / 96	73.62	12 / 72	-	-	-	-	-	78.0
Fidelity India Focus	10	-33.70	17 / 36	52.72	7 / 30	4.89	19 / 24	-	-	-	2427.0
First State Global Emerging Markets Leaders	10	-6.55	3 / 40	80.54	4 / 26	87.34	1 / 22	-	-	0.6	2029
Henderson China Opportunities	10	-22.50	5 / 12	44.08	3 / 9	49.86	2 / 6	288.63	1 / 3	0.69	636.9
HEXAM Global Emerging Markets	10	-28.11	144 / 152	43.90	87 / 129	-	-	-	-	-	325.5
J P Morgan New Europe	10	-31.97	90 / 96	79.93	10 / 72	-0.61	32 / 52	301.92	6 / 25	-	191.1
Neptune Russia & Greater Russia	10	-28.36	84 / 96	107.90	4 / 72	10.02	23 / 52	-	-	-	451.0
ABSOLUTE RETURN	2-7										
Ⓒ BlackRock UK Absolute Alpha	5	-7.06	42	3.99	15	17.32	5	-	-	-	1221.9
Cazenove Absolute UK Dynamic	7	8.74	2	-	-	-	-	-	-	-	213.0
Ⓒ Jupiter Absolute Return	5	-0.15	23	-	-	-	-	-	-	-	712.5
Ⓒ Newton Real Return	5	-0.35	24	20.92	7	45.02	3	-	-	3.14	4985.5
Ⓒ Standard Life Global Absolute Return Strategies	5	2.14	12	32.89	4	-	-	-	-	0.39	9032.7
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**-1.21**	**48**	**12.29**	**20**	**18.27**	**10**	-	-	-	-
MISCELLANEOUS**	N/A										
Ⓒ Artemis Strategic Assets	6	-7.62	41 / 119	-	-	-	-	-	-	0.95	877.8
AXA Framlington Global Technology	10	-4.73	5 / 7	103.81	2 / 6	70.79	1 / 6	56.38	1 / 5	-	170.6
BlackRock Gold & General	10	-18.47	61 / 96	61.32	15 / 72	87.46	1 / 52	633.44	1 / 25	-	2913.3
CF Eclectica Agriculture	10	-18.10	59 / 96	26.40	41 / 72	-	-	-	-	-	109.6
City Financial Strategic Gilt	0.5	-0.20	24 / 24	6.56	19 / 19	25.76	17 / 18	-	-	-	82.2
Henderson Global Technology	10	-3.70	3 / 7	64.49	5 / 6	55.38	2 / 6	17.96	3 / 5	-	344.1
HSBC Open Global Return	2.5	-2.04	106 / 202	22.95	90 / 150	18.60	16 / 91	-	-	0.56	163.9
Investec Global Gold	10	-20.83	68 / 96	71.67	13 / 72	80.71	3 / 52	-	-	-	213.1
J O Hambro Global Select	7	-12.05	242 / 333	24.93	131 / 284	-	-	-	-	-	669.4
Ⓒ JPM Natural Resources	10	-29.74	87 / 96	102.69	5 / 72	38.97	11 / 52	580.69	2 / 25	-	2204.4
Jupiter Financial Opportunities	7	-24.53	77 / 96	-17.40	72 / 72	-9.74	41 / 52	115.66	9 / 25	0.30	495.8
Legal & General UK Property Trust	3.5	2.69	12 / 42	18.52	25 / 39	-6.22	7 / 28	-	-	2.90	606.4
M&G Global Basics	7.5	-12.34	139 / 184	51.45	9 / 164	34.35	8 / 124	222.00	1 / 82	0.07	5548.6
Ⓒ M&G Global Dividend	6	-2.36	9 / 184	49.82	11 / 164	-	-	-	-	3.37	1746.3
Ⓒ Miton Special Situations Portfolio	4	1.79	3 / 176	15.74	131 / 138	38.00	4 / 95	154.71	2 / 54	-	748.5
Newton Global Higher Income	6	2.54	2 / 16	36.76	2 / 10	34.35	1 / 5	-	-	4.73	2199.1
Old Mutual Global Strategic Bond	2	3.17	21 / 46	30.36	8 / 40	70.37	5 / 35	101.36	3 / 21	0.70	558.2
Ⓒ Rathbone Global Opportunities	7	-4.67	25 / 184	66.49	4 / 164	31.64	10 / 124	116.10	6 / 82	-	142.3
Schroder Global Property Securities	7.5	-7.07	31 / 42	41.81	8 / 39	-9.47	9 / 28	-	-	0.56	550.3

Ⓒ = Funds featured in The Chelsea Core Selection - see pages 10-14.

** Position in sector omitted due to sector amalgamation

Our **Relegation Zone**, along with the rest of Viewpoint, has had a makeover. Rebranded the RedZone, the list still names and shames the worst-performing funds over three years but the new DropZone now brings funds to your attention which have underperformed their sector averages by the largest amount over the period and which we believe should be dropped like a hot stone from investment portfolios.

Introducing the **RedZone**

A makeover generally leaves the recipient feeling better about themselves or something close to their hearts, and this makeover is no different. For the first time in more than a year, the RedZone reveals some positive news for investors.

The total number of consistent underperformers in the list, having risen steadily in 2011, has fallen dramatically from 111 to 84. The number of funds which were in the list last time round has also fallen from 40 to 31. Importantly, the amount of underperforming assets has fallen by around a third from £20.34bn to £12.86bn, partly due to many of the largest funds having turned their performance around.

A REVERSAL OF FORTUNES

One of the biggest turnarounds to note is that the number of Scottish Widows/SWIP funds in the RedZone has fallen significantly. After almost three years of having the largest number of dud funds, the company has managed to reduce the number by more than half and has handed the dubious distinction of worst offender to Standard Life Investments. Legal & General was a close runner up.

More generally, UK equity funds saw the most significant reversal of fortunes during the period, with the number of funds in the RedZone from the UK Equity Income sector falling from 11 to just one. There are also now just half the number of laggards in the UK All Companies and UK Smaller Companies sectors.

It's not all good news though. The Strategic and High Yield Bond sectors saw the number of funds in the RedZone increase. The most notable of these funds are Cazenove Strategic Bond and Investec Strategic Bond, which hold a staggering £1bn of investors' money between them. Both funds are now rated a hold, surviving a sell rating due to much better five-year numbers.

SECTOR MOST LIKELY TO SEE MORE CHANGES

One of the worst sectors for the RedZone in the recent past has been the Cautious Managed sector. This is unfortunate to say the least, given that it has also been one of the most popular sectors for investors during volatile markets. At Chelsea we have had concerns for some time that it encompasses too broad a range of funds investing in different asset classes, with widely varying degrees of risk – something of which cautious investors may be unaware.

In an attempt to redefine the sector and increase clarity for investors, the IMA changed the name of the Cautious Managed sector on 1st January 2012 and is effectively splitting the sector into two. The more low-risk funds have been moved to a new sector called Mixed Investment 0%-35% Shares. However, given the majority of funds remain in the rebranded Mixed Investment 20-60% Shares sector, we believe that investors will still need to tread carefully and do thorough research into these funds before investing as there will still be a very diverse range of funds available.

THE DROPZONE

The ten funds which find themselves in the inaugural first edition of the DropZone, underperformed their sector averages by a staggering 21% to 35% over the last three years.

Worryingly, this included funds from some of the top investment houses. Jupiter's Undervalued Assets is present as well as Neptune's Cautious Managed fund. The latter was a surprise to us as it is managed by Robin Geffen, a manager with an excellent track record on other funds. It seems that Robin has been too cautious though, as a high allocation to cash in 2009 and 2010 hurt the fund when markets rallied strongly. Entering 2012, the fund still has a substantial cash position in addition to around 30% in fixed income.

The full list of DropZone funds is in the table opposite. Perhaps it's time to make the most of our free switching if you hold any of these stinkers.

“Wondering if you have any funds in your portfolio that are underperforming? Not sure where to look? Well, you could start by taking a look at our RedZone.”

SAM SLATOR
Head Of Communications, Chelsea

the **RedZone** funds

ASIA PACIFIC EXCLUDING JAPAN	3 year % growth	Quartile Position
Baring Eastern	40.52	4
Jupiter Asian	47.87	3
Legg Mason Asia Pacific	39.37	4
D Marlborough Far East Growth	28.21	4
Neptune Asia Pacific Opportunities	35.78	4
Old Mutual Asian Select	40.88	4
Royal London Far East	52.88	3
SECTOR AVERAGE	56.48	

EUROPE EX UK	3 year % growth	Quartile Position
Halifax European	3.54	3
Invesco Perpetual European Equity	0.78	3
Morgan Stanley Euro Ex UK Equity Alpha	0.4	4
Newton Continental European	-2.48	4
Santander Premium Europe (Ex UK) Equity	2.28	3
Scottish Widows European Select Growth	0.48	4
Standard Life European Equity Index Tracker	0.63	3
SECTOR AVERAGE	8.74	

GLOBAL BONDS	3 year % growth	Quartile Position
Threadneedle European Bond	1.58	4
UBS Absolute Return Bond	2.46	4
SECTOR AVERAGE	19.03	

GLOBAL EMERGING MARKETS	3 year % growth	Quartile Position
Henderson Emerging Markets	51.94	3
Scottish Widows Emerging Markets	52.16	3
SECTOR AVERAGE	55.4	

GLOBAL	3 year % growth	Quartile Position
Architas MM Global Equity Portfolio	17.02	4
CF Canlife International Growth	24.05	3
Franklin Templeton Templeton Growth	10.94	4
GAM Global Diversified	12.94	4
Henderson Global Focus	9.49	4
Henderson Industries of the Future	22.76	3
Jupiter Ecology	18.38	4
Legal & General Global Growth	17.39	4
Marlborough Global	13.86	4
Martin Currie Global Alpha	11.1	4
Santander MultiManager Equity	23.24	3
SJP International	10.02	4
SJP Recovery	16.25	4
D SVM Global Opportunities	6.53	4
Taube Hodson International Growth & Value	12.79	4
Thesis Lion Growth	15.78	4
SECTOR AVERAGE	27.91	

JAPAN	3 year % growth	Quartile Position
AXA Rosenberg Japan	-11.13	4
Halifax Japanese	-3.94	3
HSBC Japan Index	-3.54	3
Ignis Japan Tracker	-6.77	4
Legal & General Japan Index	-3.78	3
Standard Life Japan Equity Index Tracker	-7.57	4
Standard Life Japanese Mgr Of Mgrs	-7.14	4
SECTOR AVERAGE	1.57	

MIXED INV 20%-60% SHARES	3 year % growth	Quartile Position
D Barmac The Castleton Growth	-12.53	4
CF 7IM AAP Balanced	18.1	4
CF 7IM Sustainable Balance	10.87	4
EFA Tactica Cautious Portfolio	16.06	4
D F&C Blue	1.77	4
D IFDS Apollo Multi Asset Cautious	10.65	4
D Insight Diversified High Income	2.05	4
JP Morgan Cautious Total Return	3.88	4
Margetts Greystone Cautious Managed	6.96	4
D Neptune Cautious Managed	0.39	4
Premier Navigation Euro Conservative	10.85	4
Thames River Cautious Managed	17	4
SECTOR AVERAGE	23.18	

NORTH AMERICA	3 year % growth	Quartile Position
Aberdeen American Equity	31.17	4
Barclays US Alpha	26.03	4
F&C North American	31.99	3
Legal & General North American	26.95	4
Martin Currie North American Alpha	17.11	4
SECTOR AVERAGE	37.81	

CORPORATE BOND	3 year % growth	Quartile Position
CF GHC Multi Manager Fixed Interest	19.54	4
Standard Life Ethical Corporate Bond	16.59	4
Standard Life Select Income	18.34	4
SECTOR AVERAGE	27.27	

HIGH YIELD BOND	3 year % growth	Quartile Position
Investec Monthly High Income	50.77	3
Schroder Monthly High Income	46.05	4
Standard Life Higher Income	40.86	4
SECTOR AVERAGE	60	

STRATEGIC BOND	3 year % growth	Quartile Position
Architas Multi-Manager Cautious Income	19.19	4
Cazenove Strategic Bond	32.44	3
Franklin Templeton Templeton Strat Bond	22.94	4
Investec Strategic Bond	27.38	3
SECTOR AVERAGE	34.33	

UK ALL COMPANIES	3 year % growth	Quartile Position
Barclays UK Core	33.6	3
Cazenove UK Growth & Income	32.57	4
CF Canlife General	27.79	4
CF Canlife Growth	25.22	4
CF Cornelian British Opportunities	28.58	4
EFA OPM UK Equity	23.53	4
Insight UK Dynamic Managed	31.31	4
D Jupiter Undervalued Assets	19.36	4
D Legal & General Equity	17.82	4
Legal & General UK Active Opportunities	24.61	4
D Legal & General UK Special Situations	10.38	4
Premier Castlefield UK Equity	35.84	3
Standard Life UK Equity Growth	27.16	4
SECTOR AVERAGE	41.63	

UK EQUITY INCOME	3 year % growth	Quartile Position
SWIP UK Income	25.37	4
SECTOR AVERAGE	37.24	

UK SMALLER COMPANIES	3 year % growth	Quartile Position
D Aberforth UK Small Companies	53.68	4
R&M UK Equity Smaller Companies	61.79	3
SECTOR AVERAGE	77.89	

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.

All cumulative statistics % change, bid to bid, net income reinvested, three years to 01/01/2012.

Source: FE 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.

DropZone D

THE WORST OF THE WORST FROM THE **Red**Zone.

		% underperformance from sector average*
1st	Barmac The Castleton Growth	35.71%
2nd	L&G UK Special Situations	31.25%
3rd	Marlborough Far East Growth	28.27%
4th	Aberforth UK Small Companies	24.21%
5th	L&G Equity	23.81%
6th	Neptune Cautious Managed	22.79%
7th	Jupiter Undervalued Assets	22.27%
8th	F&C Blue	21.41%
9th	SVM Global Opportunities	21.38%
10th	Insight Diversified High Income	21.13%

*Based on three-year cumulative performance

DON'T WRITE OFF **EUROPE**!

AS THE ECONOMIC TURMOIL IN EUROPE CONTINUES, WE THOUGHT YOU MIGHT LIKE AN UPDATE ON THE SITUATION FROM ONE OF THE REGION'S MOST EXPERIENCED MANAGERS. RICHARD PEASE DISCUSSES THE DIFFICULTIES FACING THE EUROZONE AND THE INVESTMENT PICTURE THERE.

RICHARD PEASE
Fund manager, Henderson European Growth

The political background in Europe has been negative for much of the past year, but more recently the politicians have begun to act in a way that could herald a better environment for investors. It was Albert Einstein who once said that "insanity is doing the same thing over and over again and expecting different results." Europe's political class were clearly ignorant of this quote if last year's eurozone turmoil was anything to go by. European summit followed European summit, each offering incremental rescue packages, but failing to satisfy the markets.

It took the sharp market falls in late summer for politicians to finally register that the market was fast losing patience and that they needed urgently to accept that Greece was insolvent and embark on some major change. Few were under any illusions that the 'voluntary' cuts in the value of Greek bonds – the so-called haircuts of 50% were proposed in October for existing bondholders – were anything other than a default dressed up as a restructuring, but it was a necessary step. If Greece is going to stand any chance of its economy escaping from the mire, there has to be some debt forgiveness.

CURRENT PICTURE

2012 has begun much as we left 2011, with the central issue for Europe being the sovereign debt problem. Countries and banks remain at the mercy of debt markets and, with approximately €800 billion of gross issuance expected from eurozone countries this year, according to figures from Société Générale, the pipeline of issuance will offer plenty of opportunities for bond vigilantes to test Europe's mettle. That said, the downgrades of France and Austria by Standard & Poor's, the ratings agency, in mid-January were so well flagged and expected that they did little to unsettle markets.

The good news is that there appears to have been a clear shift in attitude at the European Central Bank (ECB). Only two months into the job and the new president, Mario Draghi, has already reversed the folly of the two interest rate rises in 2011. It could be argued that the tightening of monetary policy in spring 2011 helped exacerbate the economic slowdown in Europe in the second half of last year. With the nominal level of gross domestic product (GDP) being such a critical denominator in the debt to GDP ratio, the paucity of growth this induced was particularly unwelcome.

TO QE OR NOT TO QE?

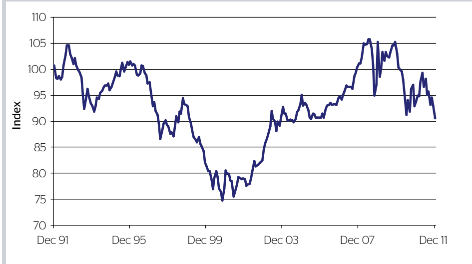
The ECB's longer-term refinancing operation suggests it is hoping to support the sovereign market indirectly through the banking system. Some €489 billion in three-year loans was taken up by banks at an interest rate of 1%. There is a hope that some of this money will find its way into higher-yielding eurozone sovereign bonds. Whether the ECB is permitted to engage in explicit quantitative easing will depend on the shifting mindsets of European politicians. Signals that Italy is matching words with action in trying to resolve its finances may persuade more cautious European policymakers to give the ECB more freedom. With the US Federal Reserve also hinting it may be prepared to engage in further monetary easing, there does appear to be a tacit acceptance that monetary policy may have to do the hard grind given the concerted austerity programmes being pursued at the fiscal level.

CAN EUROPE MUDDLE THROUGH?

Ironically, it will probably depend as much on the rest of the world as it does on domestic events. The US continues to exert a dominant pull in terms of economic direction and recent economic data has been better than expected. However, the extension to payroll tax cuts is coming to an end, which could act as a drag on the US economy. There are also concerns that structural fiscal deficits are as much a problem for the US as they are for Europe – the US simply having the advantage of a reserve currency and more relaxed central bank that is allowing it to monetise its debt (essentially using the printing presses to support government spending). Elsewhere, the prospect of a slowdown in China is a concern, particularly for Germany, which has done well from exporting to emerging markets.

Interestingly, the recent turmoil in Europe has helped to weaken the euro, particularly in the last few months as shown in the chart below. It may be no coincidence that Japan's trade surplus has shrunk dramatically in the last couple of years and recently moved into deficit. A more competitive euro means that the eurozone's exporters may be winning market share in trade.

EURO TRADE WEIGHTED INDEX



Source: Datastream, euro index 1990=100 (BOE) Trade weighted.

HOW MUCH IS PRICED IN?

The general consensus is that Europe will suffer some form of slowdown, although a significant amount of this is already in the price. Europe trades at a discount to other regions. In early January 2012, the price/earnings multiple of Europe ex UK stocks, based on earnings in the next 12 months, was 9.7, compared with 11.8 for the US and 10.8 for the world as a whole, according to regional MSCI figures from Datastream, which would suggest that European equities are inexpensive.

Moreover, most European sectors are pricing in not just a slowdown in earnings but expectations of actual earnings per share (EPS) falls. Bank of America Merrill Lynch recently compared the average peak to trough fall in EPS during the last five recessions. They then looked at the

required fall in EPS for a sector's price to be reflecting the average recession. The results are shown in the chart below. Healthcare is already pricing in a recession and most sectors are pricing in EPS falls so there is the possibility of a significant uplift if recession is avoided or is short-lived.

WORST CASE SCENARIO

Of course, there is an outside chance that there is a disorderly break-up of the eurozone, which would test market participants' resolve. Companies are already preparing contingency plans in terms of how contracts are worded with suppliers and customers if the euro were to unravel. The redenomination of national currencies would be particularly contentious and would likely be accompanied by capital flight away from the departing country (a good deal of it well ahead of the event), and massive financial shocks as market participants would not be able to hedge effectively against the exchange rate readjustments that would affect euro-denominated assets and liabilities.

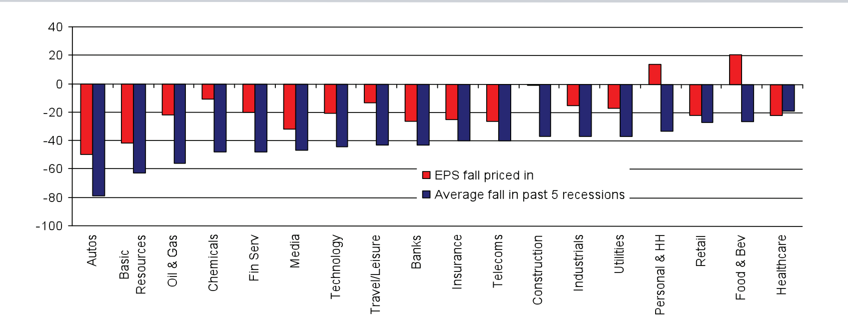
One potential way round this is the possibility of some eurozone countries operating a dual currency (the euro for existing liabilities and a domestic currency). whether this would be effective and, more importantly, whether there would be sufficient time to enact such measures when it took more than a decade to put in place the framework for the euro's launch. One thing is for certain: conjecture rules.

EQUITY PICTURE

Equities are, therefore, trading at depressed levels, because investors are understandably nervous. For the moment, it seems foolish to take unnecessary risks when good quality companies are on undemanding valuations. We, therefore, continue to avoid taking big positions in banks or heavily-leveraged cyclicals. We are also continuing to avoid highly regulated consumer utilities (telecoms, waste and energy utilities, and banking), where governments can manipulate returns and taxation charges and management is often not sufficiently incentivised by the share price. With the prospect that debt burdens will be softened through inflation, we prefer to invest in companies with pricing power that are part of the economy, as this seems a better alternative than earning a miserly return on cash at rates that fail to keep up with inflation.

The current environment leads us to structural growth and excellent management, examples of which include Symrise, the flavourings group, Novo Nordisk, the diabetes healthcare group, and Fuchs Petrolub, the lubricants specialist. In our view, companies with dominant niche businesses should offer some degree of defensiveness should the economy worsen, whilst permitting participation in any upside. ■

HOW MUCH EPS FALL IS PRICED IN AND WHAT HISTORY SUGGESTS (%)



Source: BofA Merrill Lynch European Equity Strategy, Datastream, IBES, MSCI, 5 December 2011.

HENDERSON EUROPEAN GROWTH

- Fund manager Richard Pease has managed this fund since its launch as New Star European Growth in July 2001.
- 'AAA' rating from OBSR.
- Concentrated portfolio (44 stocks currently), with low turnover.
- Current geographic breakdown: 24% Netherlands; 22.6% Switzerland; 12.1% France; 11.2% Finland; 10.3% Germany.
- Multi-cap fund, currently with 59% in large caps and 23% in mid caps.

THE CHELSEA VIEW:

“We have rated this fund as a buy since launch when Richard ran this fund at New Star. Since then he has consistently outperformed his peer group, achieving growth of almost three times that of the sector average. We like his concentrated, multi-cap approach.”

CHELSEA RISK RATING:	6
STANDARD INITIAL CHARGE:	5.25%
ISA INITIAL CHARGE AFTER DISCOUNT:	0%
ANNUAL MANAGEMENT CHARGE:	1.5%

HOW SOVEREIGN DEBT

SOVEREIGN DEBT, FORMERLY RARELY MENTIONED OUTSIDE THE FINANCIAL WORLD, HAS BECOME A POPULAR NEWS TOPIC IN RECENT YEARS. IAN SPREADBURY DELVES INTO THE ISSUES SURROUNDING SOVEREIGN OR GOVERNMENT DEBT: WHAT IT IS, WHY IN MANY COUNTRIES IT IS BEING DOWNGRADED, AND HOW IN TURN THIS IMPACTS THE ABILITY OF COMPANIES TO RAISE MONEY.

IAN SPREADBURY
Fund manager,
Fidelity Strategic Bond

Sovereign debt refers to bonds issued by governments. In the UK these are known as gilts. The aim of this process is to raise money to fund the amount of government spending that overruns tax receipts (known as a deficit). Around the world some governments choose to spend more than others, sometimes running higher deficits and therefore issuing more debt. Clearly, the higher the amount of outstanding debt the higher the chance that one day it may not be repaid. Ratings agencies are tasked with assigning each country a grade indicating how creditworthy (or not) they are. This provides investors with a crude litmus indicator of the likely risk of a particular country.

WHAT CAUSED THE CRISIS?

For a number of countries, the readings of creditworthiness have been getting significantly worse. During the financial crisis many governments across the developed world had to bail out parts of their private sector (mainly banks), increasing their own debt burden. Some governments started with too much debt, for instance the Italian government springs to mind. In other cases, such as Ireland, the government was simply drowned by the size of the bailout required. In the UK, the level of gross government debt at over 80% of GDP – is off the scale by historical standards. As a result, investors considering these bonds are asking: will these countries be able to repay this considerable amount of debt? Up until recently, fund managers have had the luxury of being able to consider government bonds 'safe havens'. Even with the guidance of ratings agencies, increasingly, and unsettlingly, it is difficult to say what or where is safe.

This problem has been most acute in the eurozone, where some governments have even required external assistance to help them manage their way out of their debt problems. In my view, the single currency framework as it stands is too rigid to allow governments to work their way out of this mess. Indeed I think it would be fair to say that it is pushing the entire euro project to the brink of collapse. Every government in Europe is now desperately trying to close the gap between what it spends and how much it collects in taxes to stop the amount of debt growing further.

WHY HAVE THESE ISSUES BEEN SO PROTRACTED?

A problem that refuses to go away is the fact that many prospective investors in government bonds believe that austerity packages are likely to cause a recession. In light of this, there is a general reluctance to invest in countries where the debt situation appears particularly unmanageable, such as Portugal, Ireland, Italy, Greece and Spain. This lack of willingness on the part of investors plays out in higher interest rates on government bonds, meaning that the countries in question have an even harder time borrowing money. All this is bad news for the man on the street, as these higher borrowing costs impact the functioning of the financial system. Banks are less willing to lend and, as a result, the cost of borrowing will also increase. In a similar fashion, companies tend to suffer as they, too, face higher borrowing costs coming at a time when profits will be lower because of slower economic growth.

The dilemma is that cutting spending in order to cut deficits reduces aggregate demand in the economy, thus reducing growth and making future debt repayments more difficult. The International Monetary Fund is well aware of this tricky dilemma. It is, however, facing a tough time from the European Central Bank and Germany, which believe in continued austerity. The reality of the situation is that striking a balance between stimulating growth and addressing deficits, is really very challenging indeed. On a brighter note, a depreciating euro is likely to boost eurozone exports.

THE GREEK ISSUE

Greece becomes an ever more important focal point of attention. In the first quarter of the year, the country faces parliamentary elections and €14 bn of maturing bonds. The government needs to agree on a second Troika (IMF, ECB and EU) programme before this debt matures. This would entail a deal with private creditors relating to agreeing new debt terms. In the event that this fails to happen, it is unclear how the Troika would react. It seems highly improbable that they would simply wash their hands of Greece, as the outcome and possible contagion could be devastating. It seems likely that the Troika would argue furiously with private creditors behind the scenes in the hope of arranging some sort of agreement.

Glossary

Austerity	government programme of cutbacks.
Corporate bond	debt issued by companies. During the life of the bond, the bondholder receives regular interest payments based on the coupon rate. On maturity the loan is repaid.
Fiscal deficit	this occurs in a situation where a government's total spending is greater than the amount it collects in taxes.
GDP	Gross Domestic Product (GDP) represents the market value of all goods and services a country produces.
High yield	bonds issued by companies with a lower credit rating, which consequently means that the income is greater but so is the risk.
Investment grade	debt issued by higher quality companies, which therefore has lower risk and also a lower yield.
Troika	the EU, the International Monetary Fund and the European Central Bank.

AFFECTS US ALL

It is entirely possible that the Greek elections will unleash some unpleasant surprises. Their timing, for a start, during negotiations regarding the second programme of debt, is slightly nerve-wracking. However, there are two key questions for Greek voters: can Greece survive without the agreement of financing arrangements from official creditors and does Greece want to remain within the euro?

Although no mainstream parties in the eurozone are suggesting a withdrawal from the eurozone, tensions are mounting over the future of the single currency. In wealthier nations, domestic opposition to the huge cost of the bailouts is gathering momentum, particularly in Germany. In the less wealthy countries, the grim reality of austerity packages and sluggish growth are becoming ever more real. The potentially dire consequences of a withdrawal from the euro should deter mainstream politicians from advocating such an option. That said, fringe parties are likely to declare euro-hostile policies.

The impact of a eurozone disintegration is difficult to comprehend, far less quantify. It would, most likely, hit weak and strong countries alike. In the event, it seems probable that weaker countries would experience a huge devaluation of any new currency, a flight of capital, a collapse of the country's banking system and indeed possibly hyperinflation. Their stronger counterparts would most likely see serious currency appreciation (damning for exports), and quite possibly large inflows of economic refugees. It is entirely possible that the eurozone could find itself breaking up as a result of the sheer power of events. It seems highly improbable, however, that decision makers, including the Bundesbank, would willingly allow this to occur.

WHERE ELSE FOR INCOME

The result of all this is a less attractive risk-return profile for gilts at the start of 2012. Consequently, I am avoiding more volatile government bonds and generally steering clear of non-core European sovereign bonds. Where I have the flexibility, I am actually taking short positions. In my view, there is better value to be found elsewhere in bond markets.

Corporate debt is generally considered higher risk compared with sovereign debt. However, in the current economic climate the gap between gilt yields and corporate debt yields has widened, creating better value in the latter. Specifically, I think there is good value in high quality investment grade corporate bonds. Company balance sheets are still in reasonable shape generally, although I am convinced that credit quality will begin to deteriorate in this low-growth environment. I therefore remain very much focused on companies that have strong market positions, with the ability to generate earnings throughout the market cycle. These companies will also benefit from pricing power and solid balance sheets – those able to survive a tough environment. I am overweight consumer staples, telecoms and utilities and underweight cyclical sectors and financials.

I also see better value in some areas of the high yield bond market, particularly as yields are now in double digits again. I favour sectors like cable television and packaging. However, I expect default rates to increase from the relatively low levels we are seeing at the present time. This is partly as a result of the very challenging macro environment, and also because it is going to be tough for leveraged companies to refinance, with banks shrinking balance sheets and with markets remaining volatile. The key thing to bear in mind is the importance of stock selection in this area. I expect dispersion to increase. ■

FIDELITY STRATEGIC BOND

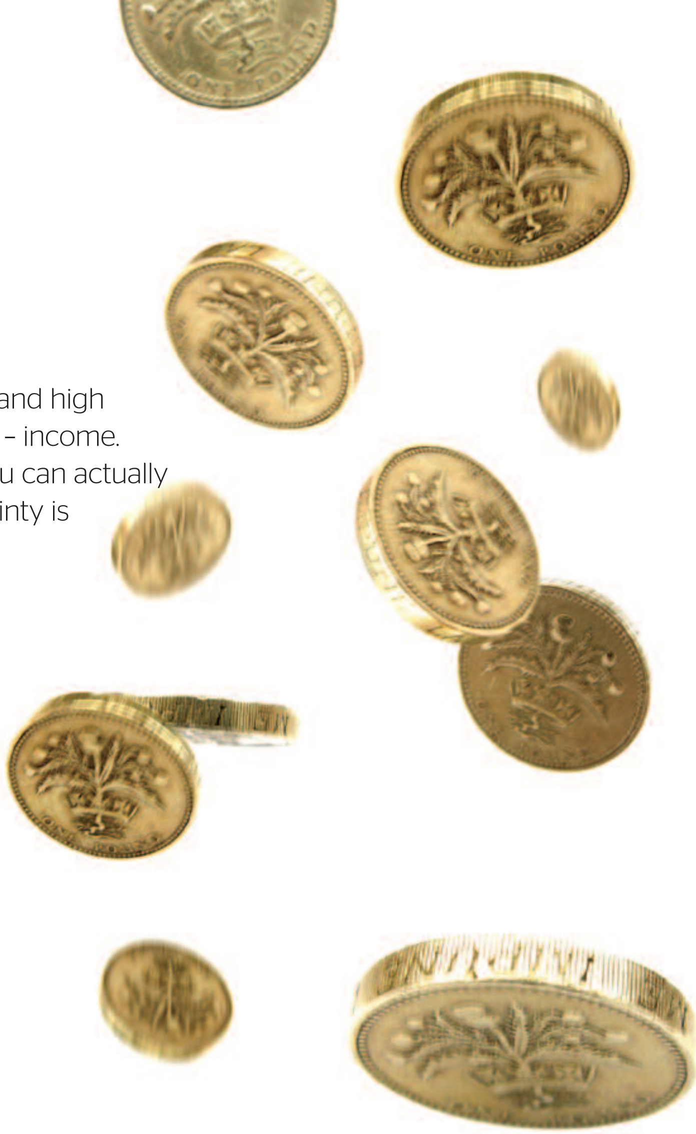
- Invests in all areas of the global fixed interest universe (credit quality and geographical location).
- A minimum of 90% of the portfolio is hedged back to sterling. Derivatives can be used to short both the market and individual companies.
- Current portfolio split is 45% in investment grade corporate bonds, 30% in sovereign debt, 15% in high yield corporate bonds, 3% in non-rated bonds and 7% in cash.
- Currently yields 2.58% which reflects the manager's cautious approach and dividends are paid monthly.
- AA rated by Standard & Poor's.

THE CHELSEA VIEW:

"Ian is a highly experienced manager, backed by a strong team. We like the low-risk approach he takes managing this fund."

CHELSEA RISK RATING:	1.5
STANDARD INITIAL CHARGE:	3.5%
ISA INITIAL CHARGE AFTER DISCOUNT:	0%
ANNUAL MANAGEMENT CHARGE:	1%

Investing for **income**



In a world of low interest rates, anaemic economic growth and high inflation, investors normally return to what they need most – income. The ability of an investment to pay physical cash, which you can actually put in your bank account has genuine value when uncertainty is so rife and the prospects of capital growth are uncertain.

Indeed, the current environment has starkly exposed the realities of investing: in order to make returns greater than those from cash, you have to take on risk. Whether that means buying bonds or equities, you have to forego the certainties of capital protection in order to make a positive real return after tax and inflation.

The best Cash ISA and savings rates are currently no more than 3.5% and, with inflation currently above 4%, you should always be reluctant to lock in a negative real return. Therefore, in these straitened times, it is no surprise that investors are returning to the equities and bonds of traditional, solid, cash-generative businesses that can weather most economic storms and reward you by paying income.

WHERE TO LOOK?

GILTS

Of the major asset classes (UK government bonds [gilts], corporate bonds and equities), gilts look the least appealing, with many commentators pointing to a worrying bubble. Indeed, with the current yield on 10-year gilts around 2%, lending money to the UK government looks distinctly unappealing from an income perspective. However, if risk aversion persists, gilts could still remain a safe haven asset that protects capital in the short term: but whilst investor risk aversion has boosted the price of gilts, and so suppressed their yields, critics are almost unanimous that with inflation above 4%, the yield on gilts is a hefty price to pay to ensure 'return of capital'.

Furthermore, with very high debts versus GDP and the likelihood of weak growth for the foreseeable future, the UK government may also find that it is not immune from the sovereign debt malaise that continues to dog many European governments (further information about sovereign debt can be found in the article by Ian Spreadbury on pages 26-27).

CORPORATE BONDS

Investing in the debt of companies via corporate bonds is the traditional port of call for income investors and, whether you look at the high or low end of the credit quality spectrum, yields of above 4% are not difficult to find. Investing in quality (investment grade) credit is a good way to avoid the volatility of equity markets and benefit from reliable dividends, though the prospects for capital growth are likely to be lower.

Higher yielding bonds offer greater dividends and improved prospects for capital growth, due to the reduced creditworthiness of the company and thus their bonds. However, you should be aware of the increased risks and volatility associated with high yield bonds. Our preferred method of accessing corporate bond markets is through strategic bond funds which can invest in both quality and high yield bonds.

EQUITIES

Equities are the other major asset class investors go to for income, albeit that recent volatility has demonstrated the need for a long-term view. With the FTSE 100 currently yielding 3.5%, investors would need to focus on higher dividend-paying stocks in order to beat inflation.

The UK Equity Income sector has a number of funds that yield 4% or more, and often these funds are invested in multi-national UK-listed companies that consistently return healthy dividends to shareholders. We are also keen to highlight the benefits of global equity income funds. These funds can invest globally with the majority in developed markets, which can add good diversification to a portfolio. For investors with a greater risk appetite, Asian markets are becoming a happy hunting ground for income investors, whilst also having strong prospects for capital growth. However, do be conscious of the increased volatility of equities, both UK, global and Asian, especially in these uncertain times.

Overall, we recommend that investors seeking income build a balanced portfolio of bonds and equities. Naturally this depends on your age and risk appetite, but generally we believe that diversification across both the credit quality spectrum for bonds and across geographies for equities should lead to a balanced portfolio that can pay consistent dividends in virtually all market conditions. Furthermore, with interest rates so low, getting a reasonable dividend income has never been so important to savers.

For income ideas, please see the **Chelsea Core Selection on pages 12-17** and the **Chelsea Selection on pages 20-21** for a broader list. **The Chelsea Income EasyISA** (pages 6-7) is also available for those looking to keep it simple.

FundsUpdate

WE WANT TO KEEP YOU UP-TO-DATE ON SOME WIDELY-HELD FUNDS, OFTEN WHERE SOME CHANGE HAS TAKEN PLACE THAT WE BELIEVE TO BE NOTEWORTHY.

FIDELITY SPECIAL SITUATIONS

BUY / **HOLD** / SWITCH

Fidelity Special Situations has for many years been one of the most popular and best-performing funds available. Managed in its heyday by Anthony Bolton before being split, Sanjeev Shah took control of the UK portion of the fund in January 2008. Shah now manages a portfolio of £2.1bn across about 100 stocks.

Recently however, Shah has had a difficult time. Over the three-year period from 2009 to 2011, Shah has managed to return 26.27%, whilst his peers in the UK All Companies sector have averaged 41.63%.

As a well-regarded, value-focused investor, Shah seeks companies where the share price does not reflect the 'actual' value of the company. This has led him to hold beleaguered part state-owned UK banks Lloyds TSB and the Royal Bank of Scotland, whilst his largest holding is HSBC. UK banking stocks have suffered significantly during the recent European financial crisis, and many believe their shares considerably undervalued, however they have also blighted many fund managers' returns.

Despite Shah's experience and history at Fidelity, performance over the past three years has been uninspiring, and we are therefore downgrading the fund from a buy to a hold. We will closely monitor this fund.

FIDELITY GLOBAL SPECIAL SITUATIONS

BUY / **HOLD** / SWITCH

Fidelity have announced that Jorma Korhonen, manager of Fidelity Global Special Situations from September 2006 to December 2011, will be replaced in March 2012 by Jeremy Podger, former manager of Threadneedle Global Select. In the interim, the fund will be managed by Sudipto Banerji, manager of Fidelity Global Opportunities.

Korhonen was sitting in the fourth quartile over his tenure and had underperformed the global sector by 17.79%. Given that performance had been so patchy, our previous rating was a switch. However the arrival of Jeremy Podger in March should bring a much-needed boost to the fund.

Whilst at Threadneedle, Jeremy Podger delivered first quartile performance during the eight years that he managed Threadneedle Global Select. Indeed, Podger managed to outperform the global sector by 24.14%, returning 79.37% from November 2003 to December 2011.

We see this as a positive change for Fidelity Global Special Situations, and will wait to see if Podger's previous success can be repeated at Fidelity. We are therefore upgrading the fund from a switch to a hold and intend to meet with Podger at the earliest opportunity in order to assess how he intends to turn things around.

INVESCO PERPETUAL EUROPEAN EQUITY

BUY / HOLD / **SWITCH**

Jeffrey Taylor has been running Invesco Perpetual European Equity since January 2001, but over the past three years the fund has had a bad spell, finding its way into the Chelsea RedZone. In each calendar year since Taylor began running the fund, he has never been in the fourth quartile, though the fund has been in the third quartile six times in 11 years.

Taylor runs the fund with a valuation focus and seeks to find companies with sound balance sheets. However, he states that his quality bias in 2009 led to poor relative performance, and that in 2010-2011, his exposure to peripheral Europe and financials also hurt performance. He does think that his decision to buy financials will pay off over the long term, but accepts that they began buying financial stocks too early.

We had previously rated the fund a hold due to indifferent performance, but now feel compelled to downgrade it from a hold to a switch, due to its inclusion in the RedZone. We feel that there are alternative European funds which have a stronger chance of delivering consistent outperformance. These can be found in the Chelsea Selection on page 20.

Log in to your FundStore account for our full switch ratings

INVEST, MONITOR AND MANAGE YOUR PORTFOLIO WITH

the Chelsea **FundStore**

POWERED BY cofunds

WELCOME TO THE FUNDSTORE

'FundStore' is the new name for the 'Chelsea Portfolio' – we think this better reflects the benefits of our service.

The FundStore still uses Cofunds as its administrative platform. There will be no change to your online access and you will be able to log in as normal and view your account online.

Free consolidation

The process of consolidating all your investments onto the FundStore platform is called re-registration.

There are no charges for re-registration and no change of fund manager.

Re-registration is easy.

Simply complete and return the form on page 38.

Invest online

- **Investment ISA**
  Lump sum or monthly savings, select one of our EasyISA portfolios, or choose from more than 1,700 funds
- **Investment funds (non-ISA)**
  Use our tools and research to diversify your portfolio
- **The Chelsea SIPP**
  Now you can manage your pension in the same place as your ISA

Manage your investments online

- **All your investments in one place**
  Seeing all your investments together gives you a holistic view of your portfolio
- **Free online dealing**
  No additional dealing costs (including switching between funds at **0% charge**)
- **Monitor performance**
  Keeping track of your portfolio means you're always in control
- **Access 24 hours a day, 365 days a year**
  No need to wait for a statement in the post to get valuations

SET UP A FUNDSTORE ACCOUNT TODAY

To register, go to www.chelseafs.co.uk and select 'Account Login' on the home page

Select the 'Registration' option on the left-hand side and complete your details

DON'T WANT TO INVEST ONLINE?

No problem. Many clients prefer to deal with us by post or telephone:

BY POST
Write to Chelsea Financial Services, St James Hall, Moore Park Road, London SW6 2JS

BY TELEPHONE
Call us on **020 7384 7300**
9am-5pm Monday-Friday

FundStore benefits

WE BELIEVE THAT HOLDING ALL YOUR INVESTMENTS IN ONE PLACE IS THE BEST WAY TO MANAGE YOUR INVESTMENTS. AND WE DON'T JUST RECOMMEND FUNDSTORE TO CLIENTS – IT'S WHERE OUR STAFF KEEP THEIR OWN INVESTMENTS.

Whether you're starting out with £50 per month into your first ISA, or have a large portfolio, the FundStore is the easiest way to manage your investments. Here's an overview of the benefits:

FREE SWITCHING
Chelsea clients can switch into all available funds at **0% charge** – get rid of poor-performing funds, also at **0% charge**.

FANTASTIC DISCOUNTS
We are able to offer the same discount, if not better, than if you were to go direct to the fund provider.

FUND REVIEW
FundStore gives you access to more than 1,700 funds from over 90 different providers. To help you choose, we now provide Fund Review and risk ratings on nearly 500 of the most popular funds within the FundStore. The fund commentary can be accessed from the log-in page of your online account and is included with your valuation statement.

LESS PAPERWORK
All your investments are under one roof so the amount of paperwork you receive will be greatly reduced. Online clients can also get all the information they need 24/7 via the FundStore website.

CASH RESERVE FACILITY
Whilst the interest rate is currently low (0.1% interest, 0.4% below the Bank of England base rate), this is a valuable facility which allows switching in and out of cash at no charge, without losing your ISA status.

INCOME REINVESTED FOR FREE
All income and dividends can be either paid out or reinvested for free. Many fund managers and other supermarkets charge for this service, so this saving can make a big difference over time, especially on income funds.

ESTATE PLANNING
If your investments are consolidated within the FundStore it is much easier for your executors to administer – everything is in one place.

A MORE FLEXIBLE ISA
Your 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
With FundStore you can now manage your pension alongside your ISA. See page 34 to find out more.

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.

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

JUNIOR ISA
The Chelsea Junior ISA is here. Choose from more than 1,700 FundStore funds or select one of our Junior EasyISA portfolios (see page 33 for further details).

VALUATION STATEMENT
You will receive one valuation statement for your entire portfolio every six months, plus a consolidated tax voucher in May each year for investments outside an ISA. You will also receive our Fund Review.

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.

Chelsea FundStore is powered by c•funds – an independent company, and one of the UK's leading investment platforms.

REMEMBER, all switches within the Chelsea FundStore – powered by Cofunds – are now available at **0% charge**.

This offer is **exclusive** to Chelsea clients.

Free switching via the FundStore

WHAT FREE SWITCHING MEANS FOR YOU:

- Get rid of poor-performing funds at 0% charge.
- Access to over 1,700 funds, from more than 90 different providers, all available at 0% charge for switches.
- Exclusive to clients of Chelsea.
- 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 then switch into funds at 0% charge. There are no upfront or annual running costs to hold cash.

HOW CAN I DEAL OR SWITCH THE INVESTMENTS IN MY ACCOUNT?

ONLINE: If you're registered, simply log in to your Chelsea FundStore 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 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:

THE CHELSEA
Junior EasyISA is here

WHAT IS THE JUNIOR ISA?

The Junior ISA is a version of the long-standing and popular ISA but aimed at parents, guardians and grandparents who wish to save for a child's future. There are subtle differences, one being the annual contribution limit of £3,600. However, the ISA advantages of no capital gains tax and no further liability to income tax are the same.

WHY SHOULD YOU USE THE JUNIOR ISA ALLOWANCE?

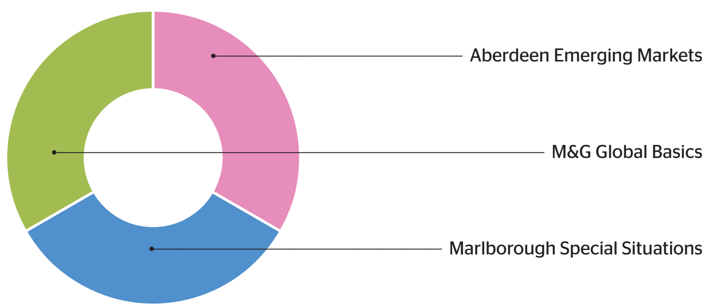
Act now to protect your child's future. The Junior ISA could be used for university costs, house deposits, a wedding or possibly a car. Alternatively, at the age of 18, the Junior ISA will be automatically rolled into an 'adult ISA' and remain invested.

UNSURE WHERE TO INVEST?

To make it as easy as possible to invest in a Junior ISA our research team has produced three Junior EasyISA portfolios to help you maximise returns.

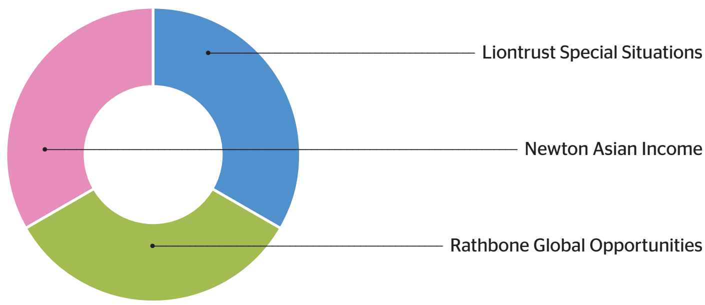
Aggressive Portfolio

AVERAGE CHELSEA RISK RATING	IIIIIII●II 8.5
AVERAGE ANNUAL MANAGEMENT CHARGE	1.58%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.42%~~ 0%



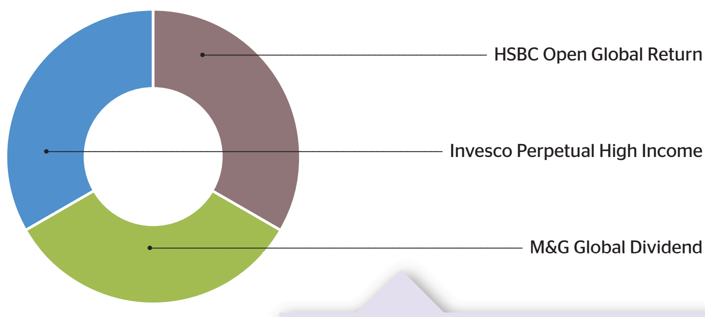
Balanced Portfolio

AVERAGE CHELSEA RISK RATING	IIIII●IIII 6.83
AVERAGE ANNUAL MANAGEMENT CHARGE	1.58%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.83%~~ 0%



Cautious Portfolio

AVERAGE CHELSEA RISK RATING	III●IIIIII 4.16
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.33%~~ 0%



All funds are chosen from the Chelsea Selection.

HOW DO I INVEST?

If the child is eligible, simply call our freephone brochure line on 0800 071 3333 for an application pack or visit **www.chelseafs.co.uk/JuniorISA** for more information and to download a copy.

Please note that children with Child Trust Funds cannot currently have a Junior ISA. However, Chelsea is supporting an e-petition urging the government to allow CTFs to be merged into Junior ISAs. To read more and sign up please visit our website at **www.chelseafs.co.uk/JuniorISA**

> *“This is the first time there has been a simple tax-efficient savings product for children with a reasonable investment limit.”*
>
> DARIUS MCDERMOTT
> Managing Director, Chelsea

POWERED BY cofunds

The Chelsea Pension Account – take control of your retirement

The Chelsea Pension Account (powered by Cofunds) 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 offers access to over 1,700 funds on the Chelsea FundStore platform, including the most popular with Chelsea clients such as Invesco Perpetual High Income, First State Asia Pacific Leaders, Marlborough Special Situations and M&G Recovery. What's more, if you are an existing FundStore user and invest in the pension, you will receive a half-yearly statement detailing your ISA funds, investment funds and funds held with your pension, enabling you to monitor your portfolio much more easily.

WHY CHOOSE THE CHELSEA PENSION ACCOUNT?

- NO set-up fee
- NO transfer fees
- NO contribution fees
- NO inactivity fee
- 0% initial charges 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 one of the four Chelsea Easy Retirement Portfolios – carefully constructed by our research team
- Access to the Chelsea Fund Review – commentary on funds held by you within FundStore with Buy/Hold/Switch recommendations.

A 'FREE' PENSION WRAPPER ...SPECIAL OFFER

If you have over £50,000 worth of assets on the FundStore platform and are thinking of consolidating 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 within FundStore 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 the FundStore and invest or transfer the equivalent of £50,000 into the Chelsea 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, frequently with higher charges and poor service levels. Before you decide to transfer a pension into the Chelsea 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 of whether to make a transfer after making these checks give us a call on 020 7384 7300 to see if we can help.

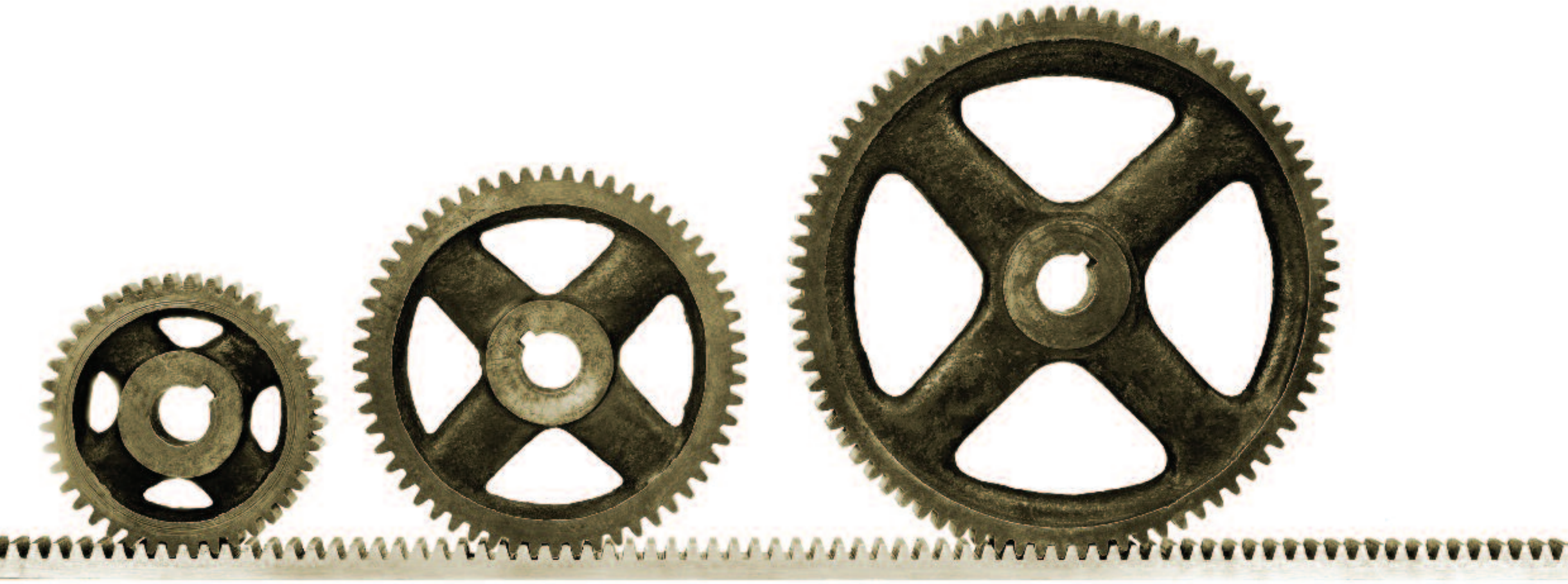
To apply for the Chelsea Pension Account, please call 0800 071 3333 for an application form and key features.

Despite all the tinkering with pension legislation by successive governments, they are still one of the most tax-efficient ways to save for your retirement. For example, you can still take up to 25% of the value of your pension fund as a tax-free lump sum at retirement, you receive tax relief of up to 50% on contributions paid (up to a cap), plus the investments grow free of income and capital gains tax. Even non-taxpayers (for example, the retired, non-working, spouses or children) can contribute up to £3,600 gross each tax year to a pension and receive 20% tax relief.

You can invest up to 100% of your earnings each year (up to £50,000) and, if you have unused annual allowance from the past three tax years, you may be able to use it this year, increasing the amount on which you receive tax relief. Remember you can contribute to both an employer scheme and personal pension, so long as the total contribution is below the annual cap.

Don't forget, another way to save for your retirement is to maximise your contributions to your ISA, which is less restrictive than a pension but without the tax relief.

To apply call us on 0800 071 3333.



Tax-efficient 'income' ...marketing spin or reality?

GARY DALE
Head of Intermediary Sales, Derivatives & Structured Products, Investec Bank

In the current environment of low interest rates, income that exceeds inflation is proving hard to find. So when we became aware of a five-year structured product from Investec that pays annual income of 6.25% we thought it would be of interest to investors. We asked Gary Dale of Investec to explain how to select a structured product and then describe their FTSE 100 Bonus Income Plan in more detail.

There are three factors that investors should take into account when selecting a structured income plan. The first is obviously the annual or monthly payments; do they meet your specific needs and are there any other products carrying less risk that may also meet your requirements, for example, fixed rate bonds? This would seem an obvious starting point, but investors should be mindful that cash rates are volatile and are prone to substantial swings.

A second factor is risk and there are multiple risks that must be considered, including risks to the regular payments, market risks, i.e. how movements in the underlying index or asset affects the regular payments or notional investment and also counterparty risks. Finally, and linked to the payments factor, is tax. How has the income plan been structured and how are the payments potentially taxed? Obviously, if the payments are liable to income tax then the notional headline payment rate would need to be reduced by 20% unless the product was being held by a non-taxpayer, or within an ISA or pension scheme wrapper. For example, a headline rate of 7.00% would effectively become a 5.60% payment in the hands of a basic rate taxpayer or 4.20% for a higher rate (40%) taxpayer. This is an important point especially when also bearing in mind the effect of inflation on future payments.

All of this would seem a lot to consider and in some cases put off potential investors. However, I believe that there are currently some very good opportunities in the structured products market offering attractive annual payment options otherwise not available within the cash deposit or traditional investment space.

The collateralised **FTSE100 Bonus Income Plan from Investec Structured Products** is one such product that may offer a potential solution. This Plan is a capital-at-risk product which has been designed to be held for the full five-year term. It is a hybrid structure, combining term deposits and a structured investment linked to the FTSE 100 index **offering annual payments of 6.25%**. These payments are a return of a proportion of the original capital invested and are paid via a series of term deposits hence not taxable in the hands of the investor. Therefore, to a higher rate taxpayer these annual payments equate to a pre-tax annual return equivalent of 10.4%. In addition, at each Plan anniversary, if the FTSE 100 is higher than the initial starting level, the investor receives an additional 0.5% (liable to income tax) meaning a gross return of up to 10.9% for a higher rate taxpayer.

Provided the FTSE 100 does not fall by more than 50% throughout the five-year investment term your initial investment will be returned in full at the end of the term. However, if the FTSE 100 should fall by more than 50% during the five-year term and not recover to at least its starting level, your capital repayment on maturity will be reduced by 1% for every 1% fall at maturity. Assuming, however, the FTSE 100 hasn't fallen by more than 50%, at maturity the gain will be 31.25%, i.e. 5 x the 6.25% annual payments taken out at the start of the Plan, which is potentially **liable to capital gains tax**.

This Plan has also been collateralised to reduce any potential loss by spreading the counterparty risk across five leading UK financial institutions; HSBC, Lloyds, Santander UK, Nationwide and RBS, with the value of the collateral being matched on a daily basis to the value of the Plan.

If you are interested in the Investec FTSE100 Bonus Income Plan, please telephone the Chelsea brochure line on 0800 071 3333 for literature. If you invest in the Plan via Chelsea you will receive a **1.5% cashback**, hence an investment of £10,000 would attract a rebate of £150.

VCTs
Generating returns in difficult times

> “Investing in VCTs is an excellent way for high net worth investors to reduce their tax bill and diversify their investment portfolio. In addition, there is the potential of dividends, which are tax free.”
>
> **MATTHEW WOODBRIDGE**
> Head of Investment Products, Chelsea

IT HAS NOT BEEN WELL DOCUMENTED BUT ONE OF THE BEST-PERFORMING ASSET CLASSES LAST YEAR WAS VENTURE CAPITAL TRUSTS.

According to research carried out by the Association of Investment Companies (AIC) six of the AIC's top ten performing members last year were VCTs.

The VCT 'Specialist: Technology' sector was up 1.5% over the year, whilst both the VCT AIM Quoted and VCT Generalist sectors were all up 1% over the year. Star performers included British Smaller Companies VCT, which was up 33% last year (to end November 2011) and an impressive 267% over 10 years. You may like to know, British Smaller Companies 2 VCT, run by the same team, is currently fund-raising and they have several investments in common.

Other 2011 VCT stars, which are also fund-raising, are Maven 3 (+28%) and ProVen (+27%). Both are available via Chelsea with a discount to reduce the initial charge. Proven VCT is profiled opposite.

All this against a backdrop of continued UK stock-market volatility which led to the FTSE 100 losing 5.5% and the FTSE 250 producing negative returns in 2011. Whilst we are not advocating moving a large part of your portfolio into VCTs, we think that allocating a small portion of your holdings into an asset class that has performed well whilst stock markets have struggled could be worth consideration if you are a high net worth investor.

TAX BENEFITS OF VCTS

- 30% income tax relief on the amount subscribed (this will be forfeited if the VCT shares are held for less than five years)
- Tax-free dividends
- Capital gains tax exemption on sale of VCT shares

VALUABLE TAX RELIEF

The 50% rate of income tax looks set to stay for the foreseeable future, together with various pension restrictions for high earners, such as the £50,000 annual contribution limit and a reduction in the Lifetime Allowance, making 30% income tax relief and tax-free distributions all the more valuable. As a result, we expect interest in VCTs this tax year to remain strong and we will make our clients aware of the most attractive offerings via **chelseafs.co.uk/vcts/currentoffers** and mailings.

We have already sent out details of the Northern 2 VCT Offer to those on our VCT mailing list. If you did not receive this and would like to join the list please telephone us on **020 7384 7300** or e-mail your details to **info@chelseafs.co.uk**.

Focus on **ProVen VCT**

Since launching in 2000, ProVen VCT (Ordinary shares) has gone from strength to strength, with a total return of 163.6p per £1 invested, comprising 107.7p in tax-free dividends and a current NAV of 55.9p (as at 31/08/11). These numbers make it one of the best-performing VCTs of all time.

The average annual dividend over the past five years has been 17p per share which, whilst not a guide to future performance, indicates the level of returns that can be achieved by investing in high growth, small and medium-sized enterprises (SMEs). The management team has particular expertise in investing in SMEs in the digital media sector and this reputation gives them access to extensive deal flow in this area. Indeed, one of their most recent disposals was Saffron Digital, a technology firm that enables users to view videos on smart phones and tablets. Saffron was sold last year to HTC, a smartphone manufacturer, for 5.8 times the original investment in a period of under four years.

Several of the firms within the portfolio are coming to maturity and the management team has stated that there are likely to be significant disposals from the portfolio within the next 12-24 months (dependent on market conditions) which would generate dividend payments to shareholders. However, VCTs are not without risk and ProVen VCT Ordinary shares is a concentrated portfolio with holdings in just 16 companies. However, the Ordinary shares are due to merge with the C share portfolio in October 2012, which will result in a more diversified fund.

At the time of going to press, ProVen VCT is seeking to raise funds. This Offer is open to new investors (as well as existing shareholders) who will gain exposure to a portfolio of mostly unquoted companies for a low minimum subscription (£5,000) run by a team with a proven track record of spotting companies with a strong demand for its product or service in high growth areas. If you are interested in investing in the Offer, with a **3.75% discount**, please telephone us on **0800 071 3333** for a Securities Note which includes an application form. ■

CURRENT VCT OFFERS

NAME OF VCT	TYPE OF VCT	MINIMUM INVESTMENT	AMOUNT RAISING	FUNDS RAISED	TOTAL DISCOUNT
Albion Linked Offer (Top Up)	Generalist	£10,000	£15m	£3m	2%
British Smaller Companies 2 (Top Up)	Generalist	£5,000	£10m	£4m	3%
Downing Income 3 (E Share)	Generalist	£5,000	£20m	£1m	4%
Downing Planned Exit 2 & 3 (F Share)	Planned Exit	£5,000	£20m	£3m	2.5%
Downing Structured Opportunities (D Share)	Planned Exit	£5,000	£20m	£4m	2.5%
Edge Performance (H Shares)	Planned Exit	£5,000	£10m	£1m	2.5%
Edge Performance (I Shares)	Planned Exit	£5,000	£10m	£4m	2.5%
Foresight Infrastructure	Planned Exit	£5,000	£20m	£5m	3%
Ingenious Entertainment 1 & 2 (G Share)	Planned Exit	£3,000	£20m	£1m	2.5%
Matrix Linked Offer (Top Up)	Generalist	£5,000	£15m	£3m	2.75%
Maven Linked Offer (Top Up)	Generalist	£5,000	£6m	£1m	3%
Northern 2 (Top Up)	Generalist	£5,000	£15m	£12m	2.5%
Octopus 3 & 4	Planned Exit	£3,000	£30m	£7m	2.5%
Octopus Titan Linked Offer (Top Up)	Generalist	£3,000	£6m	£1m	2.5%
ProVen (Top Up)	Generalist	£5,000	£15m	£5m	3.75%
Puma VIII	Planned Exit	£5,000	£30m	£3m	2.5%
Triple Point 12	Planned Exit	£25,000	£20m	£1m	1.75%
Unicorn (Top Up)	AIM	£2,000	£4m	£0.5m	3%

Source: Chelsea Financial Services plc (www.chelseafs.co.uk) Amounts raised are correct as at 01/02/2012.
For details of the latest totals, please visit the VCT page on our website where application forms can be downloaded before being sent to us.

RISK FACTORS

Please be aware that VCTs are long-term investments. VCTs usually invest in small unquoted companies and therefore carry a greater risk than many other forms of investment. In addition, the level of charges are often greater than unit trusts and OEICs. Chelsea offers discounts on all VCT investments, usually in the form of additional shares. If you have any questions about any of the current offers or wish to receive a prospectus for a VCT, please telephone us on 020 7384 7300 or e-mail us at info@chelseafs.co.uk.

Re-registration form

THE EASY WAY TO CONSOLIDATE YOUR PORTFOLIO

The Chelsea **FundStore**

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. 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

EasyISA form
DUAL TAX YEAR (2011/2012 & 2012/2013)

The Chelsea **FundStore**

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

If you are investing in both tax years, you must include two separate cheques. For 2012/2013 tax year, your cheque must be dated 6 April 2012 or later.

This application form is used to subscribe to an Investment 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 and £11,280 for the 2012/2013 tax year.

For Key Features of the Cofunds platform and the individual funds please refer to the Chelsea CD, go to our website or telephone us for a copy.

Cofunds Intermediary Authorisation Code 7 7 | Intermediary Client/Deal Ref. **VP31** | % 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

Did you receive advice from an adviser in relation to this investment?
If you do not answer this question we will assume you received advice.

☐ 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 Funding your investment

If you are investing in both tax years, you must include two separate cheques. For 2012/2013 tax year your cheque must be dated 6 April 2012 or later.
Please ensure that the name of the investor appears on the back of each cheque.

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

☐ **Cheque** £ . Amount

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

3 Investment Selection

Your total ISA subscription for each tax year must not exceed your ISA allowance.

I wish to subscribe to an Investment ISA (stocks and shares) for the tax year 2011/2012 For the amount of: £ **and/or 2012/2013** For the amount of: £
and for each subsequent tax year until further notice.

I wish to invest in the Chelsea EasyISA (please choose one of the portfolios below). **See pages 6 & 7 for details.**
Minimum Portfolio investment lump sum £500; Minimum regular savings £50 per month.

		Lump Sum Min portfolio investment £500	Monthly Min investment £50 per month
Either	Cautious Growth EasyISA	£	£
Or	Balanced Growth EasyISA	£	£
Or	Aggressive Growth EasyISA	£	£
Or	Income EasyISA (please complete income payment section overleaf)	£	£

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.

CHELSEA Investment Intelligence™ powered by cofunds

4 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

5 Income

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

6 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:
Chelsea Financial Services, St James' Hall, Moore Park Road, London SW6 2JS.

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 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.
CA51_W 12/11

Investment ISA form
DUAL TAX YEAR (2011/2012 & 2012/2013)

The Chelsea **FundStore**

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

If you are investing in both tax years, you must include two separate cheques. For 2012/2013 tax year, your cheque must be dated 6 April 2012 or later.

This application form is used to subscribe to an Investment 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 and £11,280 for the 2012/2013 tax year.

For Key Features of the Cofunds platform and the individual funds please refer to the Chelsea CD, go to our website or telephone us for a copy.

Cofunds Intermediary Authorisation Code 7 7 | Intermediary Client/Deal Ref. **VP31** | % 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

Did you receive advice from an adviser in relation to this investment?
If you do not answer this question we will assume you received advice.

☐ 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 Funding your investment

If you are investing in both tax years, you must include two separate cheques. For 2012/2013 tax year your cheque must be dated 6 April 2012 or later.
Please ensure that the name of the investor appears on the back of each cheque.

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

☐ **Cheque** £ . Amount

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

3 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 subscribe to an Investment ISA (stocks and shares) for the tax year 2011/2012 For the amount of: £ **and/or 2012/2013** For the amount of: £
and for each subsequent tax year until further notice.

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.

Tax Year	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.

CHELSEA Investment Intelligence™ — powered by cofunds

4 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

5 Income

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

6 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

cofunds

Instruction to your Bank or Building Society to pay Direct Debits

DIRECT Debit

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

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 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.
CA51_W 12/11

Investment ISA transfer form
(STOCKS AND SHARES)

The Chelsea **FundStore**

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

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
For Key Features of the Cofunds platform and the individual funds please refer to the Chelsea CD, go to our website or telephone us for a copy.

Cofunds Intermediary Authorisation Code 7 7 | Intermediary Client/Deal Ref. **VP31** | % Initial Commission Waived **100%**

1 Personal Details (Please complete this section in full)

Existing Cofunds Client Reference

Did you receive advice from an adviser in relation to this investment?
If you do not answer this question we will assume you received advice.

☐ 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 you hold within this product.
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 which will apply to all income funds you hold within this product.

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.

CHELSEA Investment Intelligence™ powered by cofunds

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 | | | | | | |

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.

Please complete all details requested

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

Address

Postcode

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 Name	A/C or Plan Nos. (*This must be completed*)	Type of Unit/Share (*delete as appropriate*)*	Number of units
		ACC/INC	
		ACC/INC	
		ACC/INC	
		ACC/INC	
		ACC/INC	

*If you do not specify ACC or INC in this column, Cofunds will not be able to process your application. If you have chosen income units/shares, please ensure you complete section 2 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 Name	A/C or Plan Nos. (*This must be completed*)

3 Cash ISA Transfer

If applicable, please indicate either of the following to be transferred into your Cofunds Investment 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 EasyISA (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 EasyISA	
Balanced Growth EasyISA	
Aggressive Growth EasyISA	
Income EasyISA (please complete income payment overleaf)	

Or select your own funds and complete this section below:

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 12/11

Investment Funds application

The Chelsea **FundStore**

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

For Key Features of the Cofunds platform and the individual funds please refer to the Chelsea CD, go to our website or telephone us for a copy.

Cofunds Intermediary Authorisation Code 7 7

Intermediary Client/Deal Ref. VP31

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

Did you receive advice from an adviser in relation to this investment?
If you do not answer this question we will assume you received advice.

☐ 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

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.

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

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 for Monthly Savers' 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 within this product.
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 which will apply to all income funds you hold within this product.

CHELSEA Investment Intelligence™ powered by cofunds

7 Investment Selection

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

***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.

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.
Cofunds may transfer your information to countries outside the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act.
If you require a Fund prospectus, please contact your adviser or Fund Manager directly.

Primary Holder Signature X	Date	Second Holder Signature	Date
Capacity (if applicable)		Capacity (if applicable)	

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

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. CA03 12/11

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:
Chelsea Financial Services, St James' Hall, Moore Park Road, London, SW6 2JS.

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	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.

Recommend a friend

Many of our clients come to us after being 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 us to a friend, we'll send you up to £50 worth of Marks & Spencer vouchers to say thank you.

If you recommend a friend (someone new to Chelsea) 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.)

Just complete the form below and return it to us. You can recommend as many people as you like – there's no limit.

YOUR DETAILS

Name:

Address:

Postcode:

FRIEND'S DETAILS

Title: First name:

Surname:

Address:

Postcode:

FRIEND'S DETAILS

Title: First name:

Surname:

Address:

Postcode:

" I have investments with seven fund managers and was worried that upon my death my executors would struggle to track down them down. Now they are consolidated, the death certificate and forms need only be sent to one place and the investments can be moved into the beneficiaries' names at no charge. I know that Chelsea will also assist them to avoid excessive solicitor fees. "

MR DAVE BARNARD
Solihull

" I originally became a client on the recommendation of a neighbour and similarly have no hesitation in recommending Chelsea to friends. The Viewpoint magazine is very readable and informative and your website is user friendly. All in all I must congratulate you on a very customer-focused organisation. "

MR TONY POWNELL
Gloucestershire

" What a bonus for dealing with Chelsea – your portfolio x-ray, bar charts, information, concise summaries and great service. What more can an investor ask for? "

MR PAUL STOKES
Wandsworth, London

DR JOHN HOLDER
Chairman, Chelsea

About Chelsea

Chelsea Financial Services was founded in 1983 as a firm of independent financial advisers by its present Chairman, Dr John Holder.

We were the first intermediary to discount initial charges on unit trusts and bonds, and later PEPs/ISAs. Over the last 29 years our clients have saved many millions of pounds they would have paid in charges had they bought direct from investment companies. And we're still leading the way.

Simply by sending your investment application to us, you can save up to 5.5%, an incredible £587 on a £10,680 ISA. So, to get your investment off to a flying start, invest through Chelsea Financial Services.

HOW CAN WE HELP?

Freephone brochure line **0800 071 3333**

General enquiries **020 7384 7300**

Visit our website **www.chelseafs.co.uk**

Complete and return an application form

Phone 020 7384 7300

Three easy ways to buy an ISA

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

CHELSEA

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

Registered in England No. 1728085