

Viewpoint

THE MAGAZINE FOR CHELSEA INVESTORS

ISSUE 32 SEPTEMBER 2012

GROWING YOUR INCOME STREAM

Our **new**
Global Income EasyISA

Introducing
a product offering **8% pa**

Exclusive **FREE** switching

Welcome to Viewpoint. The focus is still on income

Welcome to your autumn Viewpoint. We would like to draw your attention to the attached CD, which contains the platform key features, relevant application forms and the new key features for investment funds. These are known as Key Investor Information Documents (KIIDs). Please take a look at page 32 for more details.



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

7-9 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. We've also added a new portfolio to the range: the **Global Income EasyISA**.



4 **Market View** Managing Director Darius McDermott takes a topical look at the investment world.

5 **ISA Update** Offers a brief reminder of the different ways that Chelsea can help you to make the most of your finances.

6 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.

*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, chosen from the Chelsea Selection, that we think should be at the heart of investors’ portfolios.

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.

18-19 Core Selection Spotlight is a regular in-depth look at just two of the funds that feature in the Chelsea Core Selection. This issue features **Schroder Asian Alpha Plus** and **AXA Framlington American Growth**.

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: We introduce a new product – the **Gilliat Income Builder Plus** – which offers income of 8% pa, whilst articles from leading fund providers **JP Morgan, GLG** and **Artemis** cover emerging markets, investing in technology and the source of future growth.



30-31 Outlines the benefits of using our **FundStore** to invest, monitor and manage your portfolio.



28 Chelsea’s Harry Driscoll discusses the rise of **Enterprise Investment Schemes** as a tax-efficient alternative to VCTs.

32 The new **Key Investor Information Documents** explained.

29 Explains how you can make sure that you benefit from **FREE fund switching**.

33 **Funds Update** provides you with up-to-date information on some of Chelsea investors’ most popular funds.

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



34-46 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 and switching as well as forms for any type of investment you want to make – EasyISAs, Junior ISAs, 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

If you listen very carefully you can hear the sound of economic thinking shifting...

The financial crisis having been brought about by too much borrowing, by banks, governments and consumers, initial reasoning was that we needed to pay for our excesses.

This involved all of us in saving more and spending less, with echoes of our parents' words of wisdom – if you want something, save up for it, rather than buy now, pay later. However, with all areas of the economy cutting back, this otherwise sound approach has hit a stumbling block.

TIME FOR SOME STIMULATION?

The government needs to save money and pay off its debts, so it reduces its workforce and increases taxes, but we are paying off debts too, so we are spending less, so GDP growth is grinding to a halt, reducing the government's revenue and so on; you get the picture. So, whilst I admit that I was a paid-up member of the austerity brigade, even I find myself wondering whether some form of growth stimulation might aid the most hard-pressed economies. The question is, can Hollande persuade the Germans, proud devotees of austerity, that it's time to try something more stimulating?

On the other hand (a phrase often used by economists, who are renowned for their fence-sitting abilities), is the pain needed in order to rebalance economies? In the UK it has helped us to maintain our AAA rating, but I suspect if you ask those in peripheral European economies, who are suffering with high unemployment and high taxes, you would receive a very firm no. But they are rebalancing, albeit painfully and slowly, and regaining the competitiveness they had lost. If Europe is to remain united under the euro, this rebalancing must take place and greater fiscal unity must be achieved. We have heard EU leaders speak this year about their commitment towards greater fiscal unity, now we wait to see whether those

words translate into action. This requires political leaders to do what is right, not what is vote-winning, but if they can do so, we are likely to see markets globally heave a sigh of relief and they will finally be free to move on fundamentals once more. Unfortunately, this may be hampered by the German elections next year. Trying to persuade people of the merits of an unpopular policy, whilst also asking them to vote for you, could be beyond Merkel's capabilities.

The reality is that the majority of the developed world is in the midst of a long-term de-leveraging process, following an unprecedented financial crisis. So, much as economists can debate the relative merits of differing policy responses, we are navigating uncharted waters. If that sounds too depressing, we believe that we are now half way through – let's just hope that we have all learnt something from this painful experience.

OILING THE WHEELS

The fall in energy prices this year has certainly helped both businesses and consumers alike, with it declining from over \$US128/barrel in March to under \$US89 in June. The US, which seems to be doing a good job of re-industrialising, is working towards being self-sufficient in energy. Although the oil price has crept up recently, if it remains relatively low this will boost economic growth. Another positive has been the decline in inflation in the UK, having dropped from 4.2% in January to 2.6% in July. Furthermore, whilst GDP has stalled in the UK, racking up three negative quarters, unemployment has declined.

Despite European leaders' moves towards fiscal unity having been largely all talk, as I mentioned above, markets have, to some extent, been appeased by their apparent willingness finally to resolve the situation. Nevertheless markets remain skittish, reacting to economic news flow, which has been mixed: still obsessed by the macroeconomic picture, they shift downwards on any hint of a Chinese hard landing or widening of spreads on peripheral European bonds and perk up when declining inflation, positive industrial numbers, US house price recovery etc are mentioned. Bizarrely, we have also on occasion seen markets move up on bad news, the implication being that poor economic data will lead to further QE.

Year to date, the US is the best performer, with the S&P 500 up over 11%, so hopefully some heeded my plea in the last Viewpoint to take a look at this market. Now, however, the market no longer looks cheap. The FTSE All-Share has produced a creditable return of over 6%. Other markets have been largely positive, with the exception of Europe, the Euro Stoxx 50 being down over 2%.

Government bonds remain popular as a safe haven and continue to look extremely overpriced on a long-term basis, but just when that re-rating will take place is impossible to gauge. Equities, however, remain attractive on a long-term basis. In the current climate of uncertainty, those funds focusing on stocks which produce sustainable yields are likely to outperform. Furthermore, with currencies remaining volatile and hence contributing/detracting from returns, diversification remains key. With these factors in mind, we have introduced our new Global Income EasyISA (see page 9). Low interest rates look likely for some time to come, so a positive real yield in an uncertain world should prove popular and hence profitable in the long term. ■

“The fall in energy prices this year has certainly helped both businesses and consumers alike. Although the oil price has crept up recently, if it remains relatively low this will boost economic growth. Another positive has been the decline in inflation in the UK.”

DARIUS MCDERMOTT
Managing Director, Chelsea

ISA UPDATE

An all-round service from Chelsea



CONSOLIDATE YOUR INVESTMENTS

Consolidation to FundStore has never been so popular with our investors. We believe it's the best way to hold your investments - it could save you both time and money. We are continually developing our service and responding to the needs of our investors. Our exclusive **free switching** is just one example of our added value. To consolidate your investments simply complete and return the form on page 34.

You can invest up to £11,280 into your Investment ISA this tax year.

MARKET-LEADING DISCOUNTS - SAVE £££

Every fund in Viewpoint is available at 0% initial charge within your ISA, saving you up to £620 on an investment of £11,280.

ESTATE PLANNING - DON'T LEAVE YOUR INVESTMENTS IN A MESS

If your investments are consolidated it's much easier for your executors to administer.

NEW FUND MANAGER ON FUNDSTORE

We are delighted to announce that the strong-performing Troy Trojan Income fund is now available. Please contact us if you would like further details.

FED UP WITH YOUR CASH ISA?

Interest rates look likely to languish at 0.5% for the foreseeable future and an increasing number of our clients are transferring their Cash ISAs to Investment ISAs. Investors who are happy to forego the capital security of cash and transfer to Investment ISAs have the potential for higher returns. Simply complete and return the form on page 41/42.

You should be aware that Cash ISAs and Investment ISAs are very different and once you have transferred to an Investment ISA you cannot transfer back to a Cash ISA.

NEW LOOK APPLICATION FORMS

We have streamlined our application forms to make them easier for you to complete. Please see page 43 for our new switching form. Remember that you can buy and switch online through our secure website.

TOP FIVE BEST SELLING FUNDS OF 2012:

Our Viewpoint is full of ideas for where to invest but we thought you would find it interesting to know the top five most popular funds of 2012 with our clients:

1. Invesco Perpetual High Income
2. Invesco Perpetual Monthly Income Plus
3. M&G Global Dividend
4. Newton Asian Income
5. M&G Optimal Income

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 35
DIY ISA - go to page 37



“Through our Chelsea Fundstore, we are delighted to be the only broker that can offer free switching on Cofunds.”

SAM HOLDER
Head of Operations, Chelsea

THE CHELSEA Junior EasyISA

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.

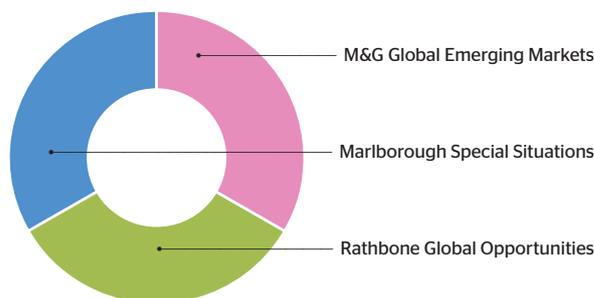
UNSURE WHERE TO INVEST?

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	● 8.3
AVERAGE ANNUAL MANAGEMENT CHARGE	1.5%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.42% 0%

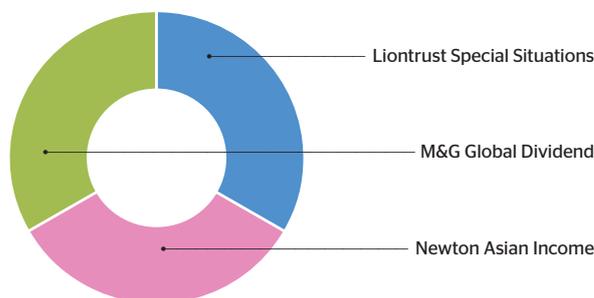
The portfolio aims to maximise capital growth by investing in a mix of UK, emerging market and global equities. Consequently, investors should be willing to accept a higher degree of risk and volatility due to the nature of the underlying investments in these regions, particularly in emerging markets.



Balanced Portfolio

AVERAGE CHELSEA RISK RATING	● 6.5
AVERAGE ANNUAL MANAGEMENT CHARGE	1.58%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.83% 0%

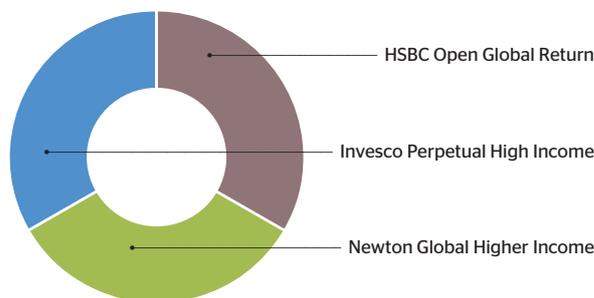
Those investors prepared to take a moderate level of risk and aiming to generate a return on capital through a mix of growth and income should opt for the balanced portfolio. The portfolio primarily invests in developed Asia and UK equity markets although it is exposed to other regions such as the US, Europe and some emerging market countries.



Cautious Portfolio

AVERAGE CHELSEA RISK RATING	● 4.3
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.33% 0%

For the more risk averse, the cautious portfolio is designed to provide steady capital growth through well-diversified investment in a broad range of asset classes and a variety of regions. As a result, the portfolio is defensively positioned to protect capital and reduce volatility.



HOW DO I INVEST?

An application form can be found on page 39. Please take a look at the KIIDs on the enclosed CD before you invest. You will also find further information on our website at www.chelseafs.co.uk/JuniorISA.

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

All funds are chosen from the Chelsea Selection.

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 five 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 five 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 pages 30 and 31).

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

WHAT TO DO NEXT

Once you have selected your preferred EasyISA option, please read the appropriate KIIDs (see page 32) and then simply fill in the EasyISA application form on pages 35 & 36, ticking one box only to select either Cautious, Balanced, Aggressive, Income or Global Income. Then 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.

HOW MUCH YOU CAN INVEST

The 2012/13 Investment ISA allowance is £11,280.

IT'S NOT CALLED EASYISA FOR NOTHING:

1. Select the EasyISA which best suits you (and read the KIID* for each relevant fund) (*see page 32)
2. Tick the relevant box on the EasyISA application form (page 35-36) 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

“Take a look at our newly-launched Global Income EasyISA, offering income investors diversification.”

JULIET SCHOOLING LATTER
Head of Research, Chelsea

PORTFOLIO CHANGES

Balanced Growth: Threadneedle European Select replaces Jupiter European Special Situations

Aggressive Growth: M&G Global Emerging Markets replaces Aberdeen Emerging Markets (This fund has been soft closed and so had to be removed from the portfolio. The fund retains a buy rating and we do not suggest a switch); AXA Framlington American Growth replaces Neptune US Opportunities

Income: RWC Enhanced Income replaces Schroder Income Maximiser

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.

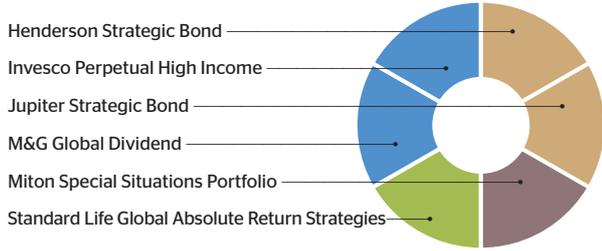
We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest.

Most risky

||||| ● 10

Please select one EasyISA
 - whichever best suits your risk profile and requirements

Cautious Growth EasyISA

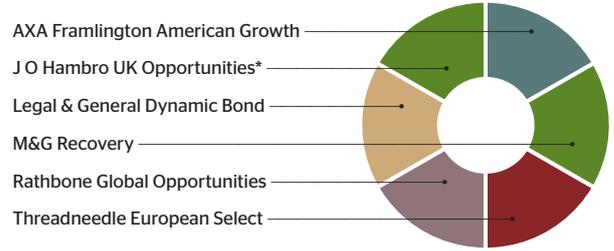


Cautious Growth is for the more risk-averse investor who is looking for steady growth with lower volatility. The portfolio has approximately one third invested in predominantly large-cap, dividend-producing equities, which tend to be less volatile. Approximately one third will be invested in fixed interest, 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	● 3.75
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.33% 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%
PERFORMANCE OVER 1 YEAR	3.57%
PERFORMANCE OVER 3 YEARS	28.77%
PERFORMANCE OVER 5 YEARS	8.00%

Source: FE Analytics data as of 01/08/2012, 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	● 5.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.42% 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%*
PERFORMANCE OVER 1 YEAR	-5.72%
PERFORMANCE OVER 3 YEARS	35.89%
PERFORMANCE OVER 5 YEARS	13.34%

Source: FE Analytics data as of 01/08/2012, compiled by Chelsea.
 *A performance fee may be applied, see page 12 for details.

Aggressive Growth EasyISA

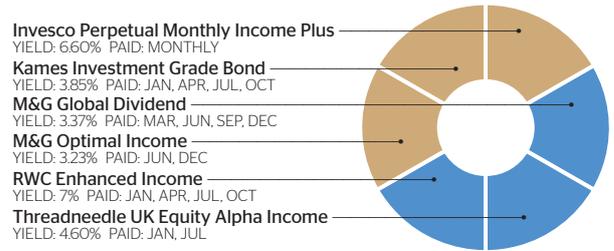


Aggressive Growth is for the investor looking for pure capital growth, who is comfortable with a higher degree of risk and willing to invest a portion in Asian and emerging market equities. The portfolio is an unconstrained global equity portfolio with exposure to large, mid and small-cap companies. 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	● 7.25
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.46% 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.50%
PERFORMANCE OVER 1 YEAR	-0.49%
PERFORMANCE OVER 3 YEARS	36.78%
PERFORMANCE OVER 5 YEARS	12.20%

Source: FE Analytics data as of 01/08/2012, 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	4.38% 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.38%
PERFORMANCE OVER 1 YEAR	5.71%
PERFORMANCE OVER 3 YEARS	36.80%
PERFORMANCE OVER 5 YEARS	27.10%
AVERAGE YIELD FOR THE PORTFOLIO	4.78%

Source: FE Analytics data as of 01/08/2012, compiled by Chelsea.



Introducing the new **Global Income** EasyISA

We are delighted to announce the latest addition to our EasyISA family - the Global Income EasyISA.

With persistently low interest rates and a constant need for income in the lives of our investors, we have widened our search for equity funds which promise to pay out a healthy dividend.

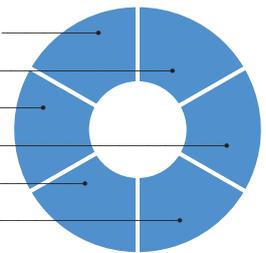
WHY GLOBAL?

At Chelsea we believe in maintaining a diversified portfolio and we have applied this thinking to our new EasyISA portfolio. The UK stock-market's dividend distributions derive predominantly from just a few large FTSE 100 companies (just five companies account for around 40% of the total annual dividend distribution), meaning that many UK equity income funds hold the same stocks as each other and thus investors' portfolios are far more concentrated than they may believe them to be. Our research shows that our investors often hold a significant proportion of their portfolios in UK equity income funds and we are concerned about the lack of diversification.

Furthermore, the number of dividend-producing sectors is far greater globally than it is on a domestic level, giving the investor even greater diversification. Added to that, there is a range of different currencies represented within a global portfolio, which evens out any currency bias and gives exposure to some of the world's few growth stories. Global equity income funds could therefore offer the investor some much-needed diversity and income and here we have hand-picked what we believe to be some of the best-performing funds which fit the bill.

Global Income EasyISA

- BlackRock Continental European Income**
YIELD: 4.01% PAID: SEP, DEC, MAR, JUN
- Fidelity Enhanced Income**
YIELD: 7.29% PAID: NOV, FEB, MAY, AUG
- Invesco Perpetual Global Equity Income**
YIELD: 3.09% PAID: NOV, MAY
- JPM Emerging Markets Income**
YIELD: 3.83% PAID: FEB, JUL
- Legg Mason US Equity Income**
YIELD: 2.60% PAID: NOV, FEB, MAY, AUG
- Schroder Asian Income**
YIELD: 4.60% PAID: OCT, APR



Global Income offers investors a medium to high level of risk within a globally-diversified portfolio and the funds are selected for their potential to grow their yields over time. Approximately one fifth of the portfolio is invested in US equities and the same portion in European equities, with a slightly lower weighting in both UK and Asian equities.

AVERAGE CHELSEA RISK RATING	● 6.58
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.21% - 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.5%
PERFORMANCE OVER 1 YEAR	-
PERFORMANCE OVER 3 YEARS	-
PERFORMANCE OVER 5 YEARS	-
AVERAGE YIELD FOR THE PORTFOLIO	4.24%

Source: FE Analytics data as of 01/08/2012, compiled by Chelsea.

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.

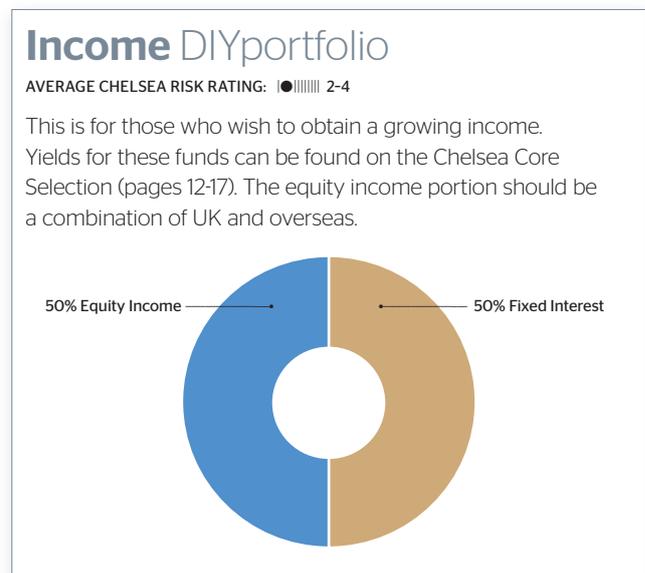
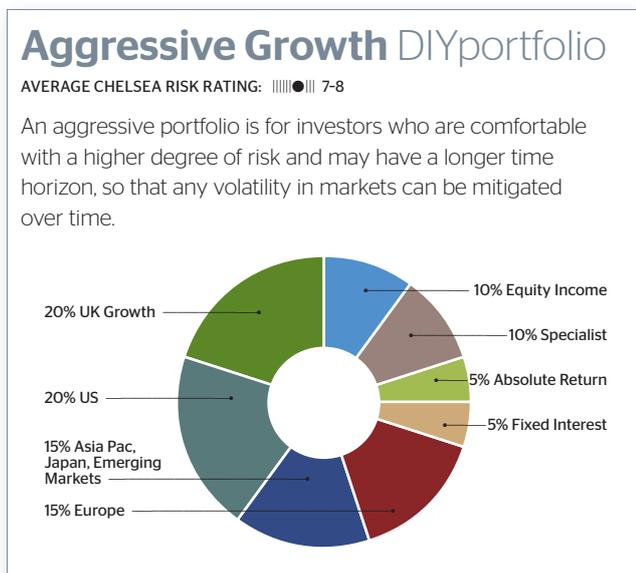
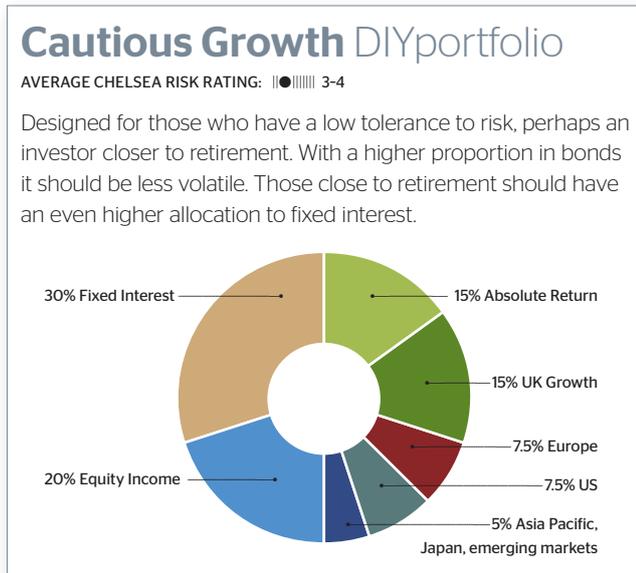
The idea is that you determine your own attitude to risk. If you are comfortable with short-term losses and happy to invest for a long period of time, then you might think of yourself as 'Aggressive'. However, if swings in valuation worry you and perhaps you are closer to retirement, you might prefer 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 portfolio of over £30,000 and 15-20 in one of over £100,000.

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



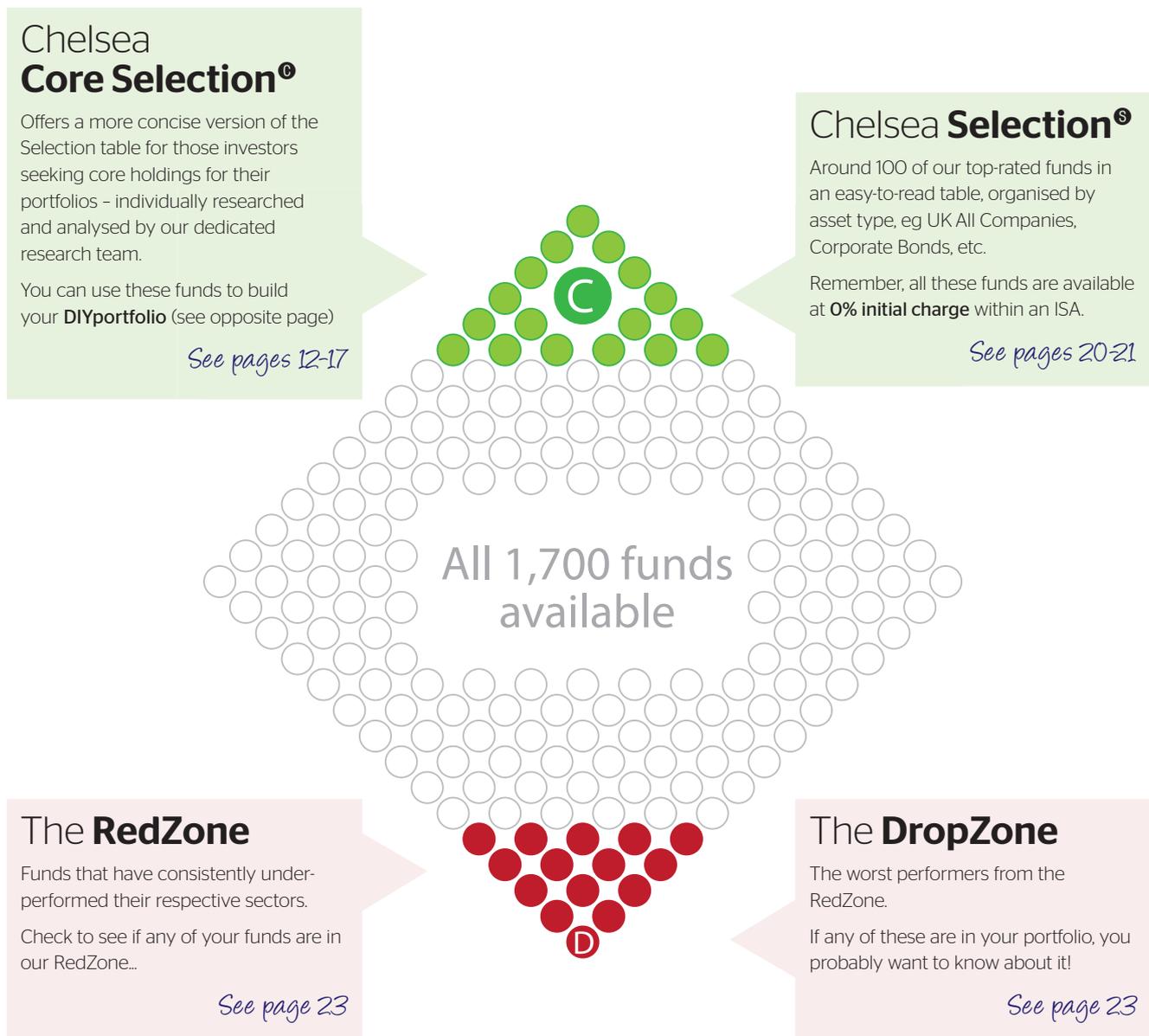
Please note: these portfolios do not take into account cash weightings.

AN INTRODUCTION TO

Chelsea **research tables**

There are approximately 3,000 funds in the entire UK market - with more than 1,700 available via the Chelsea FundStore. We shortlist those we think are worth considering as part of a diversified portfolio.

We've organised our research into four simple tables:



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 within the Chelsea Selection we obtain regular updates. We understand that managers may have 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[®]

38 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 Keatch 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	GOLD
YIELD	1.40%
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	GOLD
YIELD	0.85%
UNIT TYPE	ACC or INC

JO 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	SILVER
YIELD	3.04%
UNIT TYPE	ACC or INC

LIONTRUST SPECIAL SITUATIONS

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	BRONZE
YIELD	0.74%
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	● 6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
OBSR FUND RATING	GOLD
YIELD	1.11%
UNIT TYPE	ACC or INC

MARLBOROUGH SPECIAL SITUATIONS

Since 1998 the manager, Giles Hargreave, has built up a reputation as an astute and pragmatic stock-picker. The fund is currently well diversified with around 200 holdings, with 87% in small-cap and 13% mid-cap exposure, to ensure fund liquidity. Giles' investment style is very research driven and consequently he meets a huge number of company management teams. He focuses on company fundamentals to identify both growth and value stocks. Macroeconomic themes are of secondary importance but his preferred sectors are tech and oil, and he is currently negative on UK property.

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	0.36%
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	3.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	GOLD
YIELD	0.90%
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, 01/08/2012.

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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	GOLD
YIELD	4.60%
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 up to 20% 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	PLATINUM
OBSR FUND RATING	GOLD
YIELD	3.76%
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	SILVER
YIELD	3.36%
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	GOLD
OBSR FUND RATING	SILVER
YIELD	4.46%
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	BRONZE
YIELD	4.19%
UNIT TYPE	ACC or INC

RWC ENHANCED INCOME NEW ENTRY

Managers Nick Purves, Ian Lance and John Teahan deploy a flexible value-driven style, carefully selecting a concentrated portfolio of around 30 stocks, with low turnover. Their stock selection process encompasses three key criteria; low starting valuation, strong cash generation and how management uses that cash. They will hold some overseas stocks and do hold high cash weightings when they think valuations are high. The strategy uses call options to enhance income and boost yield, the purpose of which is to deliver total returns over the long term.

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	BRONZE
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	GOLD
OBSR FUND RATING	BRONZE
YIELD	4.60%
UNIT TYPE	ACC or INC

*SSP and OBSR have changed their ratings gradings.
SSP Capital IQ now rate funds either Platinum, Gold, Silver or Bronze, and OBSR rate funds either Gold, Silver or Bronze.*

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All data sourced from FE Analytics, 01/08/2012.

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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	PLATINUM
OBSR FUND RATING	SILVER
YIELD	0.84%
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	GOLD
OBSR FUND RATING	SILVER
YIELD	0.90%
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 pre-determined 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	SILVER
YIELD	1.24%
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	3.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	SILVER
YIELD	0.70%
UNIT TYPE	ACC or INC

THREADNEEDLE EUROPEAN SELECT NEW ENTRY

Manager David Dudding focuses on buying companies with a competitive advantage, high quality defensible earnings and consistent growth rates. His approach is growth orientated, but other factors such as brand loyalty or pricing power are also key. Consequently, he favours certain sectors and may choose not to invest in some sectors altogether. The fund is fairly concentrated and currently has 46 holdings, of which around 80% are in large-caps.

CHELSEA RISK RATING	● 6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	3.75% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	-
YIELD	0.60%
UNIT TYPE	ACC

US

AXA FRAMLINGTON AMERICAN GROWTH SPOTLIGHT

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	BRONZE
YIELD	-
UNIT TYPE	ACC

Least risky



THE CHELSEA RISK RATING

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We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest.

Most risky



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ASIA PACIFIC, JAPAN AND EMERGING MARKETS

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% split). 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	-
YIELD	0.29%
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	PLATINUM
OBSR FUND RATING	GOLD
YIELD	0.94%
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	GOLD
OBSR FUND RATING	BRONZE
YIELD	2.40%
UNIT TYPE	ACC or INC

M&G GLOBAL EMERGING MARKETS **NEW ENTRY**

Matthew Vaight and Michael Godfrey seek to deliver capital growth by identifying quality stocks they deem undervalued. They invest in any emerging market region or in companies whose business is conducted primarily in these regions and avoid stocks affected by political risk. As a result, the fund tends to be more defensive. Between 50 and 70 stocks are selected through strict bottom-up analysis, reflecting the managers' core beliefs that value creation, and not economic growth, will deliver returns over the long term.

CHELSEA RISK RATING	● 10
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	SILVER
OBSR FUND RATING	BRONZE
YIELD	0.60%
UNIT TYPE	ACC or INC

SCHRODER ASIAN ALPHA PLUS **SPOTLIGHT**

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. Matthew 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	3.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	SILVER
YIELD	0.28%
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	0.90%
UNIT TYPE	ACC

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	BRONZE
YIELD	-
UNIT TYPE	ACC

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SPECIALIST CONTINUED

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 managers. 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	BRONZE
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	SILVER
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 invest globally, although 80% must be hedged back to sterling. They typically hold between 120-150 positions. Income is paid in March, June, September and December.

CHELSEA RISK RATING	●■■■■■ 2
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	-
OBSR FUND RATING	SILVER
YIELD	5.60%
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	GOLD
OBSR FUND RATING	GOLD
YIELD	6.61%
UNIT TYPE	ACC or INC

JUPITER STRATEGIC BOND

This fund has a flexible mandate which allows manager Ariel Bezalel to invest in a global portfolio of bonds of any credit quality. Ariel 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	5.40%
UNIT TYPE	ACC or INC

KAMES INVESTMENT GRADE BOND

This fund, managed by Euan McNeil and Stephen Snowden, 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	SILVER
YIELD	4.02%
UNIT TYPE	ACC or INC

Least risky



THE CHELSEA RISK RATING

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Most risky



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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	-
OBSR FUND RATING	SILVER
YIELD	4.70%
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	PLATINUM
OBSR FUND RATING	SILVER
YIELD	3.08%
UNIT TYPE	ACC or INC

ABSOLUTE RETURN

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

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, property 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	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
OBSR FUND RATING	BRONZE
YIELD	2.87%
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	GOLD
OBSR FUND RATING	BRONZE
YIELD	0.96%
UNIT TYPE	ACC

® 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.

All data sourced from FE Analytics, 01/08/2012.

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 Schroder Asian Alpha Plus



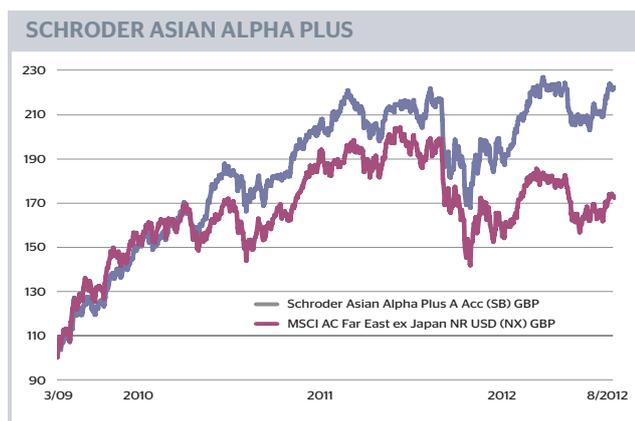
MATTHEW DOBBS
Fund manager,
Schroder Asian Alpha Plus

I joined, what was then, the Investment Department of J. Henry Schroder Wagg in 1981. My Asian connection began when I was seconded to Schroders' Singapore operation in early 1985, and I have run Asian equity portfolios ever since. However, while Asia has been my core competence, my career has always involved active engagement in more global equity roles.

I have been active in the management of large-cap growth equity portfolios, and am currently Head of Global Small Companies. My current role also unites two areas where I am convinced that disciplined active management can deliver material added value to clients.

Given my responsibilities, it will come as little surprise that my process is very focused on stock selection, and fundamental research is the key input for any decision I make in the portfolio. The key input into decisions comes from the in-house research generated by 25 dedicated equity analysts across the Pacific ex Japan region located in Schroders' offices in Hong Kong, Singapore, Seoul, Shanghai, Sydney and Taipei.

These analysts give us very comprehensive coverage and, while we draw on external sources of information where appropriate, the core of the research is originated in-house including an on-going programme of company contacts and visits. I interact closely with the analysts, both through internal research circulated via email and our Global Research Database, but also daily research calls, and my own fact-finding trips to the region (as well as meeting many companies here in London). Along with the detailed earnings, cash flow and balance sheet models and their specialist understanding of their industries, the analysts also produce ratings on stocks and a transparently substantiated price at which our analysts think a stock should trade (and therefore always open to testing by me to make sure I can gain conviction for any new or existing holding).



Source: Datastream, 22/08/12.

THE SEARCH FOR VALUE

The difference between the current stock price and the price at which our analysts think a stock should trade is a key input into my portfolio construction, though always accompanied by a concept of the risk. Within risk constraints, I will go wherever I think value resides, although there has to be a minimum level of quality to any company I own in terms of shareholder focus, cash generation, transparency and corporate governance. A key measure of value (and by implication mispricing) is the upside (or potential increase in the stock's value) to the price the analyst thinks the stock should trade at, and I constantly monitor this upside in each stock to ensure we are optimising the use of the capital entrusted to us. This is a key feature of a more concentrated "alpha" approach.

In addition to the stock-driven portfolio construction, we do run a number of country and stock screens, and use these to inform our country allocations incorporating both quantitative and qualitative considerations (for example political factors) into our portfolio construction. However, the country screens will not override stock selection as the key determinant of our positioning, while sector positioning is, to an even greater extent, a function of stock picking.

ASIAN EXPECTATIONS

So where are we now in terms of policy? It should be apparent by now that big macro calls play a minor role in my portfolio construction, but it is difficult to operate without some kind of central view. It would broadly be that the developed world faces a protracted period of stagnation, that interest rates are likely to remain low for an equally extended period, and that the Asian region is going to have to be more self-reliant in terms of generating growth (although the region is likely to remain the workshop of the world for a while yet!). Valuations in the region are reasonable, and monetary and fiscal flexibility remains enviable.

On this basis, we see no reason to be overly defensive. However, it is upside to fair value that dictates the portfolio, with areas of good value including (by country) Hong Kong, Singapore and Thailand; by sector consumer cyclicals, industrials and selected financials and information technology. Key countries with fewer attractions include China (particularly large-cap state owned enterprises), Taiwan and Korea, while by sector we see less compelling value in telecoms, utilities and materials. ■





Spotlight on **AXA Framlington American Growth**



STEVE KELLY
Fund manager, AXA
Framlington American
Growth

I started my career in equity research, joining the US desk of Capel Cure Myers in 1992. From then on my focus has been the US equity market. I joined AXA Framlington in 1997 as lead fund manager on AXA Framlington American Growth and have recently passed my 15 year anniversary.

Our bottom-up investment approach is very much growth focused, reflecting our central belief that companies with good, open-ended growth opportunities, high quality management, and the capital to maximise those opportunities, can deliver superior returns over the long term.

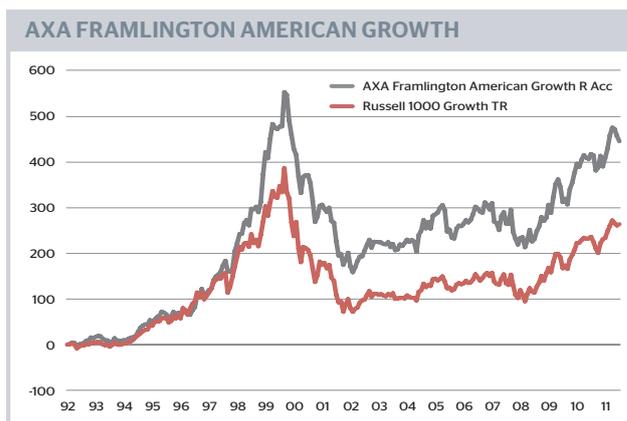
Accordingly, we are looking to identify companies displaying above average revenue and earnings growth that are leaders in their field. Importantly, we focus on companies that benefit from consistent revenue growth, as opposed to cyclically-driven growth or companies growing their earnings primarily through cost-cutting or financial restructuring. We seek true growth companies that are controlling their own destiny, rather than having it dictated by the health of the economy. This steers us towards companies that are showing innovation and driving change in their market.

As a result we have traditionally had some heavy biases towards sectors where companies can successfully change consumer behaviour. In the technology sector companies are focused on enabling both consumers and companies to do something better, faster, more efficiently. In healthcare, if you can come up with a product that treats a disease better than something on the market then it will be adopted. And in consumer discretionary, new brands will be used if they are popular. In essence successful creativity will be rewarded in these industries.

This is harder to achieve in the consumer staples or financials sectors which have never been characterised by innovation; are you ever likely to change the way you bank or the way you wash your hair? Our focus on companies with strong runways of growth ahead of them leads the portfolio to have a mid-cap bias. However, we need to see proof of successful execution on the opportunities we believe to exist, so we do not look at small-cap investments.

US GROWTH STOCKS APPEAR UNIQUELY POSITIONED

We are now in a growth cycle, for the simple reason that growth is becoming more highly prized. Credit is no longer as abundant as it was between 2003 and 2008. In such periods of excess credit, growth is plentiful and consequently not a valuable asset. However, we believe our style is well suited to the current environment in which credit is scarce and growth consequently a more precious commodity. In our opinion, this is the environment we are likely to be in going forward and investors will be prepared to pay a premium for companies offering robust, deliverable growth supported by strong management.



Source: AXA IM, Lipper. 30 June 2012.

We are also excited by some structural changes we are seeing in America. The US is in the early stages of an industrial renaissance, as companies such as Ford and Caterpillar begin to re-shore plants and facilities after salary, energy and property inflation have eroded China's competitive advantage. Industrials are also benefiting from the exploitation of America's vast oil and gas shale reserves. This surge in supply has led to a collapse in natural gas prices, providing huge benefits for the petrochemical industry. America, is fast moving towards energy independence which has a range of implications, not least for the country's balance of payments deficit. It is our belief that these trends can act as catalysts to drive a secular bull market in American equities.

OUTLOOK

Current economic data suggests that US economic growth is slowing once again. Although, much of this appears to be related to seasonal factors, with some demand having been pulled forward to earlier in the year as a result of an exceptionally mild winter. The biggest risk to our positive outlook revolves around the eurozone and the risk that the ongoing problems in Europe could damage the global banking system and credit availability. As witnessed in the 2008 downturn, credit availability is the single most important factor that drives economic cycles. Indicators suggest that Europe is entering a recession and this will act as a headwind to earnings growth in the US in 2012. However, we continue to believe the US economy has solid underpinnings. Real interest rates are negative and credit is still becoming more readily available, with bank lending continuing to grow, a key leading indicator of future economic health. There remains significant pent-up demand in the economy and, we believe, we are in the early stages of this demand being unlocked. ■

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 £620 within your 2012/13 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											
Artemis UK Special Situations	6	-3.19	178	30.93	169	5.32	92	146.45	19	1.40	9745
AXA Framlington UK Select Opportunities	6	2.21	37	60.22	16	27.63	15	193.10	5	0.85	3098.7
BlackRock UK Special Situations	7	-2.23	161	58.35	17	21.30	25	164.08	15	1.36	1410.5
Cazenove UK Opportunities	6	9.10	4	71.99	7	46.40	6	172.89	11	1.80	4213
Franklin UK Mid Cap	6	5.23	12	70.97	9	46.92	5	308.37	1	0.50	558.0
JOHCM UK Opportunities	5.5	9.66	3	52.74	22	34.63	8	-	-	3.04	931.8
Legal & General UK Alpha	8	-22.81	254	37.86	72	21.52	23	-	-	-	156.5
Liontrust Special Situations	6	10.68	2	103.77	2	60.51	2	-	-	0.74	405.5
M&G Recovery	6	-4.03	195	36.51	88	18.43	30	176.41	8	1.11	7531.1
Marlborough UK Leading Companies	7	-1.37	123	60.91	15	27.05	16	189.22	6	0.27	751
Schroder UK Alpha Plus	7	-3.86	191	34.27	118	10.69	54	163.53	16	0.93	2783.1
Standard Life UK Equity Unconstrained	8	-9.60	233	65.88	11	31.76	10	-	-	0.84	405.0
SECTOR AVERAGE AND NUMBER IN SECTOR	-	-2.28	256	35.22	237	1.31	218	90.74	152	-	-
UK EQUITY INCOME											
Artemis Income	4	5.98	10	41.78	33	15.03	19	139.91	4	4.60	4194.3
Evenlode Income	4	10.43	1	-	-	-	-	-	-	3.65	11.7
Fidelity Enhanced Income	4	7.17	8	42.68	31	-	-	-	-	7.56	64.0
Invesco Perpetual High Income	4	9.76	2	48.25	15	21.46	10	177.13	1	3.77	11694.6
Neptune Income	4	2.64	39	37.25	50	11.15	25	-	-	4.00	971.8
Rathbone Income	4.5	5.75	13	49.54	11	0.90	48	106.68	17	4.19	448.2
RWC Enhanced Income	4	3.05	19 / 69*	-	-	-	-	-	-	7.00	88.0
Threadneedle UK Equity Alpha Income	4.5	4.75	21	44.87	25	18.57	14	-	-	4.60	282.4
Troy Trojan Income	4	8.91	4	50.32	9	35.64	2	-	-	4.34	72.9
SECTOR AVERAGE AND NUMBER IN SECTOR	-	1.34	97	37.98	90	3.00	76	87.02	53	-	-
UK SMALLER COMPANIES											
Cazenove UK Smaller Companies	8	-1.96	21	99.43	2	35.65	3	224.18	9	0.50	157.4
Fidelity UK Smaller Companies	8	4.42	4	99.53	1	-	-	-	-	0.37	52.0
Investec UK Smaller Companies	8	0.55	11	83.81	7	37.69	2	336.83	3	-	390.0
Marlborough Special Situations	8	-2.12	22	82.01	8	28.26	7	428.50	1	0.22	450.6
Marlborough UK Micro Cap Growth	9	2.33	9	89.08	4	39.74	1	-	-	-	96.0
SECTOR AVERAGE AND NUMBER IN SECTOR	-	-4.83	53	54.62	52	1.97	45	145.20	32	-	-
CORPORATE BOND											
Invesco Perpetual Corporate Bond	1	3.57	70	25.59	59	33.62	15	79.93	2	4.84	5498.2
Kames Investment Grade Bond	1	9.50	16	34.53	23	31.64	17	-	-	3.85	373.0
Kames Sterling Corporate Bond	1	7.18	51	39.82	10	22.07	44	56.08	14	4.48	418.4
M&G Strategic Corporate Bond	1	10.90	5	35.09	22	66.46	1	-	-	3.24	5157.4
SECTOR AVERAGE AND NUMBER IN SECTOR	-	7.47	77	29.87	70	26.02	64	50.62	42	-	-
HIGH YIELD											
Kames High Yield Bond	2	6.61	3	50.36	1	41.57	1	112.40	3	6.21	940.1
SECTOR AVERAGE AND NUMBER IN SECTOR	-	3.26	21	35.44	19	32.30	18	98.18	15	-	-
STRATEGIC BOND											
Artemis Strategic Bond	2	2.56	51	33.66	19	25.65	23	-	-	4.70	544.9
Fidelity Strategic Bond	1.5	8.79	14	32.67	23	51.18	3	-	-	2.89	1075.0
Henderson Strategic Bond	2	4.54	37	30.73	29	30.28	13	-	-	5.60	1020.0
Invesco Perpetual Monthly Income Plus	2.5	3.00	48	38.33	9	33.31	10	156.44	1	6.60	3256.4
Jupiter Strategic Bond	1.5	8.72	15	44.26	3	-	-	-	-	5.30	1013.8
Kames Strategic Bond	2	4.00	44	31.23	26	31.67	11	-	-	4.16	528.6
Legal & General Dynamic Bond	1.5	1.71	53	26.15	42	60.16	2	-	-	4.70	1535.1
M&G Optimal Income	1.5	8.96	13	34.11	18	60.28	1	-	-	3.22	8064.9
SECTOR AVERAGE AND NUMBER IN SECTOR	-	5.89	59	30.20	53	24.69	43	66.89	23	-	-
EUROPE EXCLUDING UK											
BlackRock Continental European	6	-10.02	33	31.22	8	22.33	3	151.26	5	0.84	325.4
BlackRock Continental European Income	6	-5.39	12	-	-	-	-	-	-	4.01	38.0
BlackRock European Dynamic	7	-7.78	20	4.78	3	41.22	1	231.99	1	0.56	900.3
Henderson European Growth	6	-7.13	16	28.04	11	4.34	10	166.72	4	-	807.3
IM Argonaut European Alpha	7	-11.8	46	22.80	16	5.29	8	-	-	-	234.5
Jupiter European	6	-1.90	5	52.33	1	35.27	2	207.22	2	0.40	1510.2
Jupiter European Special Situations	6	-10.77	42	19.77	21	5.68	7	173.48	3	0.90	515.7
Liontrust European Growth	6	-10.47	40	29.13	9	2.91	12	-	-	1.36	50.5
Neptune European Opportunities	7	-13.38	63	6.20	64	-4.34	19	-	-	1.24	812.8
Schroder European Alpha Plus	6	-8.88	26	22.69	17	1.78	14	-	-	0.69	673.4
Threadneedle European Select	6	-0.87	3	47.52	2	20.24	4	145.98	6	0.60	1052.6
SECTOR AVERAGE AND NUMBER IN SECTOR	-	-11.14	92	13.68	85	-9.44	69	90.66	53	-	-

† Please note that the initial charge for 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	% Growth	1 YEAR Rank	% Growth	3 YEAR Rank	% Growth	5 YEAR Rank	% Growth	10 YEAR Rank	Yield %	Fund Size (m)
JAPAN											
JOHCM Japan	10	-3.50	7 / 63*	7.27	28 / 58	11.08	5 / 51	-	-	-	1977
Ⓢ Jupiter Japan Income	9.5	-9.41	18	12.54	12	5.32	10	-	-	2.40	490.7
SECTOR AVERAGE AND NUMBER IN SECTOR	-	-9.17	43	6.98	40	-7.26	35	19.16	-	-	-
NORTH AMERICA											
Ⓢ AXA Framlington American Growth	7	10.32	23	60.73	2	44.80	4	87.58	5	-	484.9
Jupiter North American Income	6.5	13.04	10	48.90	26	45.58	3	92.58	4	1.60	363.6
Legg Mason US Equity Income	6.5	-	-	-	-	-	-	-	-	2.60	33.2
Threadneedle American Select	7	9.22	30	49.84	24	37.72	11	83.41	6	-	1733.9
SECTOR AVERAGE AND NUMBER IN SECTOR	-	8.10	67	43.97	63	24.52	50	56.33	38	-	-
ASIA PACIFIC EXCLUDING JAPAN											
Aberdeen Asia Pacific	7	-0.69	12	45.69	9	65.53	6	318.29	2	0.80	2100.0
Fidelity Emerging Asia	10	-9.18	28	-	-	-	-	-	-	-	2.3
Ⓢ First State Asia Pacific Leaders	7.5	-0.68	11	47.50	7	75.29	3	-	-	0.94	5934.0
Invesco Perpetual Asian	7.5	-9.03	27	31.83	18	40.00	10	232.36	9	0.91	530.6
Ⓢ Newton Asian Income	7.5	8.37	1	79.56	1	75.45	2	-	-	4.48	2087.4
Newton Oriental	7.5	-13.15	42	30.59	21	40.35	9	218.11	11	0.41	621.7
Ⓢ Schroder Asian Alpha Plus	8	-0.17	7	56.78	3	-	-	-	-	0.28	262.1
Schroder Asian Income	7.5	4.33	3	55.84	4	65.55	5	-	-	4.60	209.3
SECTOR AVERAGE AND NUMBER IN SECTOR	-	-8.45	54	28.84	46	28.62	42	214.59	29	-	-
GLOBAL EMERGING MARKETS**											
Aberdeen Emerging Markets	10	0.34	6/42	55.69	2/32	81.22	2/22	502.62	1/16	0.50	3200.0
Ⓢ Allianz BRIC Stars	10	-22.31	88 / 102	5.61	56 / 71	-10.01	40 / 51	-	-	0.29	560.1
Fidelity Emerging Europe Middle East and Africa	10	-6.06	50 / 102	45.44	5 / 71	-	-	-	-	0.22	86.0
Fidelity India Focus	10	-20.64	146 / 181	18.01	85 / 137	-2.55	61 / 89	-	-	-	2345.0
Fidelity Latin America	10	-8.30	8 / 38	38.48	5 / 33	46.34	3 / 26	-	-	-	2228.0
First State Global Emerging Markets Leaders	9	5.54	3/42	55.15	3/32	81.74	1/22	-	-	0.56	2762.0
Henderson China Opportunities	10	-22.14	10 / 12	2.12	6 / 10	3.58	5 / 8	317.09	1 / 3	0.51	479.0
J P Morgan Emerging Markets Income	9.5	-	-	-	-	-	-	-	-	3.83	6.6
J P Morgan New Europe	10	-18.85	85 / 102	34.62	13 / 71	-4.30	35 / 51	341.99	6 / 23	0.80	178.6
Ⓢ M&G Global Emerging Markets	10	-8.89	15/42	31.91	8/32	-	-	-	-	0.59	643.0
Neptune Russia & Greater Russia	10	-27.46	92 / 102	32.08	16 / 71	0.14	27 / 51	-	-	-	370.3
ABSOLUTE RETURN											
BlackRock European Absolute Alpha	5	10.88	1	15.20	11	-	-	-	-	-	34.8
Ⓢ Jupiter Absolute Return	5	7.05	5	-	-	-	-	-	-	-	727.9
Ⓢ Newton Real Return	5	0.74	19	25.97	4	42.31	2	136.89	1	2.87	5979.3
Ⓢ Standard Life Global Absolute Return Strategies	5	8.26	3	28.54	3	-	-	-	-	0.96	11666.9
SECTOR AVERAGE AND NUMBER IN SECTOR	-	-0.90	52	7.75	31	13.48	11	-	1	-	-
MISCELLANEOUS **											
Ⓢ Artemis Strategic Assets	6	-2.18	45 / 122	27.34	42 / 103	-	-	-	-	0.90	825.0
AXA Framlington Global Technology	10	7.36	3 / 7	65.53	3 / 7	68.94	1 / 6	195.42	2 / 5	-	191.1
BlackRock Gold & General	10	-22.64	90 / 102	22.39	35 / 71	51.48	4 / 51	374.72	5 / 23	-	2440.9
CF Eclectica Agriculture	10	-9.92	63 / 102	25.70	32 / 71	-3.57	32 / 51	-	-	-	82.2
City Financial Strategic Gilt	0.5	-0.35	25 / 25	5.19	21 / 21	23.96	18 / 18	-	-	-	64.6
Henderson Global Technology	10	6.04	4 / 7	51.35	6 / 7	52.41	2 / 6	126.26	3 / 5	-	383.0
HSBC Open Global Return	3	0.65	109 / 185	20.96	99 / 148	18.87	25 / 90	-	-	0.50	163.1
Invesco Perpetual Global Equity Income	6	8.53	3 / 19	49.36	1 / 12	-	-	-	-	3.09	256.1
Investec Global Gold	10	-22.51	89 / 102	28.01	28 / 71	45.24	6 / 51	-	-	-	162.7
JOHCM Global Select	7	-4.52	148 / 233	33.77	72 / 201	-	-	-	-	-	692.5
Ⓢ J P Morgan Natural Resources	10	-33.90	97 / 102	13.41	49 / 71	-8.04	39 / 51	410.58	4 / 23	-	1578.5
Jupiter Financial Opportunities	8	-9.63	62 / 102	-12.38	69 / 71	-3.68	34 / 51	138.22	10 / 23	0.30	437.8
Legal & General UK Property Trust	3.5	0.24	24 / 43	26.41	25 / 38	-7.76	9 / 32	-	-	2.50	662.5
M&G Global Basics	7.5	-14.49	186 / 192	30.60	71 / 164	16.76	33 / 133	245.06	2 / 85	0.08	5206.2
Ⓢ M&G Global Dividend	6	5.99	10 / 192	51.62	5 / 164	-	-	-	-	3.37	3009.0
Ⓢ Miton Special Situations Portfolio	4	1.66	9 / 122	14.30	93 / 103	29.38	5 / 69	176.71	2 / 36	-	835.1
Newton Global Higher Income	6	8.83	2 / 19	47.41	2 / 12	37.28	1 / 8	-	-	4.28	2703.6
Old Mutual Global Strategic Bond	2	10.57	4 / 51	28.40	12 / 39	79.71	6 / 32	103.98	3 / 22	1.50	699.5
Ⓢ Rathbone Global Opportunities	7	-1.21	75 / 192	46.91	7 / 164	8.13	60 / 133	185.51	5 / 85	-	165.6
Schroder Global Property Securities	7.5	6.44	8 / 43	57.00	5 / 38	14.03	7 / 32	-	-	0.51	604.2

Ⓢ = Funds featured in The Chelsea Core Selection - see pages 12-17.

* These funds are domiciled offshore and therefore sit within a different sector.

** Multiple sector amalgamation, hence the sector positions shown are within various different underlying sectors.

Whilst every effort has been made to ensure the accuracy of this information, including discounts, Chelsea Financial Services take no responsibility for any errors, omissions or inaccuracies contained therein. Please read the Important Notice on page 2. Past performance is not a guide to future returns. Source: FE Analytics, 01/08/2012. Compiled by Chelsea.

The **RedZone** names and shames the worst-performing funds over three years. The **DropZone** 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.

The **RedZone**

It's eight months on from the first edition of the RedZone and I have to say, the second edition makes for depressing reading.

When I started running the numbers for this page, I was still enjoying the euphoria of the London Olympics and the amazing achievements of Team GB. But, as I sat writing this article, with half an eye on the closing ceremony, my bubble of joy deflated rapidly.

How bad can it be? I hear you thinking. So bad that I couldn't fit all the funds on the table, so if you want to see the whole list, you'll need to visit our website (www.chelseasfs.co.uk/redzone). Not only has the total number of RedZone funds increased by almost 55% to a staggering 130 but, importantly, the total amount of underperforming assets has more than doubled from £12.86bn, to an overwhelming £32.86bn. That's a lot of people's money failing to get off the starting blocks.

TEAM UK ALL COMPANIES BRINGS HOME THE WOODEN SPOON

The sector with the most problems in respect of the number of funds languishing in the RedZone is the Global sector with 28 funds. This is followed by UK All Companies with 25 and Mixed Investment 20%-60% with 21. However, when you look at the underachievers in terms of assets, the UK All Companies sector is by far the worst, with a whopping £13.77bn of poorly-managed assets.

The company posting the worst tally on the medal table is RedZone favourite, Scottish Widows, with seven funds, followed by JP Morgan and Standard Life Investments with six funds apiece. Now, it's only fair I point out that these companies run a large number of funds, so in terms of overall numbers it's not as bad as it would be for a smaller asset manager. But

having said that, continual underperformance of a fund should be addressed, not lost in the crowd.

Looking at the funds in terms of assets again and the figures are even more concerning. Scottish Widows has a record £10bn worth of dud funds, no less than one-third of the overall assets residing in the RedZone. They are followed by Fidelity, with almost £3bn and then BlackRock, with £1.7bn. Now I know we've all become a little complacent with big



numbers following trillions of pounds and dollars worth of quantitative easing, but we really need to sit up and take notice of these figures. And it could have been a lot worse for Scottish Widows – a number of underperforming funds are not included in the RedZone as they started the process of transitioning them to an enhanced index basis in April this year. Let's hope this strategy works and improves the performance.

BIG FUNDS FAIL TO JUMP THE MARKET HURDLES

The huge amount of assets in the RedZone is largely due to six Goliaths, accounting for around 40% of the total underperforming assets. Four of these funds are run by Scottish Widows, and the other two by Fidelity and Schroders. The largest underperforming fund is Halifax UK Growth, with £3.78bn assets under management. This is followed by Scottish Widows HIFML Corporate Bond (£2.5bn) and Fidelity Special Situations (£2.3bn).

STARS FAILING TO LIVE UP TO THEIR HYPE

And unlike Usain Bolt, who managed to live up to all his hype, a number of star managers have failed to impress in the last three years. Veteran managers, all with very good longer-term records, find themselves failing to live up to investor expectations. Karen Robertson, Mark Mobius, Richard Skelt, Crispin Odey and Sanjeev Shah have all seemingly dropped their respective batons and it's with particular sadness that we see funds under their management failing to bring home a medal. Fidelity Special Situations seems to have started to recover slightly, as performance so far year to date is much improved. Let's hope they can all regain their investment fitness sooner rather than later.

THE DROP ZONE

Two funds from the inaugural edition of the DropZone (Barmac The Castleton Growth and SVM Global Opportunities) find themselves amongst the ranks of the Sculling Sloth and Eric the Eel, although seemingly, without the possibility of improvement and certainly viewed with less affection than the slowest competitors of the Games. And only one of the last DropZone ten has managed to make its way off the RedZone completely. The rest are still failing to qualify for a turnaround.

The full list of Drop Zone funds are highlighted in the table. If you haven't already booted them out of your portfolio, now may be the time to make the most of our free switching and ditch them. ■



“ This issue's RedZone makes for depressing reading: the total amount of underperforming assets has more than doubled from £14.08bn, at the start of the year, to an overwhelming £32.86bn. ”

SAM SLATOR
Head Of Communications, Chelsea

the RedZone funds

	3 year % growth	Quartile Position
ASIA PACIFIC EXCLUDING JAPAN		
Henderson Asia Pacific Capital Growth	17.03	4
HSBC Asian Growth	16.59	4
Legg Mason Asia Pacific ¹	15.54	4
Marlborough Far East Growth	7.21	4
Threadneedle Asia	18.62	3
SECTOR AVERAGE	29.77	

	3 year % growth	Quartile Position
EUROPE EX UK		
Halifax European	5.29	4
Ignis European Growth	7.01	3
Invesco Perp European Equity Income	5.03	4
Legg Mason Continental European Equity ⁴	3.62	4
M&G European Index Tracker	5.26	4
Morgan Stanley Euro Ex UK Equity Alpha	6.07	3
Stan Life Inv European Equity Mgr Of Mgrs ²	5.1	4
Stan Life Inv European Ethical Equity	1.24	4
Templeton Europe	1.58	4
SECTOR AVERAGE	12.94	

	3 year % growth	Quartile Position
GLOBAL EMERGING MARKETS		
Henderson Emerging Markets	20.88	4
Marlborough Emerging Markets	18.62	4
① Templeton Global Emerging Markets	0.71	4
SECTOR AVERAGE	25.28	

	3 year % growth	Quartile Position
GLOBAL EQUITY INCOME		
JPM Global Equity Income	25.99	4
Legg Mason Global Equity Income ³	29.41	4
SECTOR AVERAGE	37.07	

	3 year % growth	Quartile Position
GLOBAL		
Aberdeen Multi Mgr Constellation Portfolio	20.89	4
① Allianz Global Eco Trends	-13.94	4
CF Lacom World	13.81	4
CF Odey Opus	8.52	4
EFA Clarion Explorer Portfolio	18.74	4
Fidelity International	24.78	3
GAM Global Diversified	12.99	4
IFDS Brown Shipley MultiMgr International	19.33	4
Ignis Global Growth	9.63	4
IM Matterley International Growth Portfolio	21.97	3
Investec Global Special Situations	20.86	4
Jupiter Ecology	16.81	4
M&G Global Leaders	22.53	3
Marlborough Global	14.1	4
Premier Liberation VII ⁴	23.85	3
Premier Sentinel Enterprise Portfolio ⁵	16.64	4
Sarasin EquiSar Global Thematic	21.82	3
Schroder Global Climate Change	14.35	4
SJP International	15.11	4
SJP Recovery	16.26	4
Skandia Ethical ⁶	18.75	4
① SVM Global Opportunities	-2.69	4
Taube Hodson Int'l Growth & Value	18.31	4
Templeton Growth	13.84	4
① Thesis Fulcrum Global Diversified	4.09	4
Thesis Joral Global Growth	13.43	4
Thesis Lion Growth	13.35	4
Wesleyan International	22.26	3
SECTOR AVERAGE	27.41	

	3 year % growth	Quartile Position
NORTH AMERICA		
Aberdeen American Equity	36.29	4
Allianz US Equity	40.17	3
F&C North American	42.74	3
Kames American Equity	31.06	4
Legg Mason US Equity	26.54	4
Martin Currie North American	32.27	4
Scot Wid HIFML US Strategic ⁷	35.5	4
UBS US 130/30 Equity	36.11	4
SECTOR AVERAGE	45.5	

	3 year % growth	Quartile Position
CORPORATE BOND		
BAM Corporate Bond	26.97	4
IFDS Brown Shipley Sterling Bond	19.28	4
M&G High Interest	6.28	4
Schroder All Maturities Corporate Bond	20.21	4
Schroder Corporate Bond	17.04	4
Scot Wid HIFML Corporate Bond	23.32	4
Stan Life Inv Ethical Corporate Bond	25.36	4
Stan Life Inv Select Income	24.18	4
SECTOR AVERAGE	29.37	

	3 year % growth	Quartile Position
STRATEGIC BOND		
Cazenove Strategic Bond	20.67	4
Investec Strategic Bond	21.45	4
JPM Strategic Bond	21.62	4
Premier Strategic High Income Bond	10.54	4
SECTOR AVERAGE	29.88	

	3 year % growth	Quartile Position
UK ALL COMPANIES		
Barclays UK Core	26.1	4
BlackRock UK Dynamic	19.63	4
Cazenove UK Growth & Income	26.49	4
CF Canlife General	21.45	4
CF Canlife Growth	25.65	4
Fidelity Special Situations	16.66	4
Fidelity UK Growth	24.4	4
Halifax UK FTSE 100 Index Tracking ⁸	28.16	3
Halifax UK FTSE All Share Index Tracker ⁸	30.98	3
Halifax UK Growth ⁹	29.08	3
JPM UK Equity	29.5	3
JPM UK Managed Equity	26.7	4
L&G (A&L) Capital Growth	30.92	3
L&G Equity	26.13	4
L&G UK Active Opportunities	22.27	4
L&G UK Special Situations	19.54	4
Lazard UK Alpha	26.71	4
① Manek Growth	-34.22	4
Neptune UK Equity	19.49	4
NFU Mutual UK Growth	31.53	3
Reliance British Life	25.09	4
S&W Opportunities	28.78	3
Skandia UK Strategic Best Ideas	25.82	4
Stan Life Inv UK Equity Growth	19.08	4
① Stan Life Inv UK Opportunities	2.58	4
SECTOR AVERAGE	33.89	

	3 year % growth	Quartile Position
UK EQUITY INCOME		
CF Canlife UK Equity Income	31.64	3
Elite Charteris Premium Income	28.38	4
JPM UK Strategic Equity Income	28.41	4
Premier ConBrio B.E.ST Income ⁹	22.43	4
Stan Life Inv UK Equity High Income	27.63	4
SECTOR AVERAGE	37.24	

	3 year % growth	Quartile Position
UK SMALLER COMPANIES		
Aberforth UK Small Companies	37.26	4
Henderson UK & Irish Smaller Companies	29.88	4
HSBC UK Smaller Companies	41.51	4
Jupiter UK Smaller Companies	48.87	3
① UBS UK Smaller Companies	3.37	4
SECTOR AVERAGE	53.18	

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 01/08/2012.

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.

¹Managed by Batterymarch Financial Management

²Managed by Wilshire Associates

³Managed by Global Currents Investment Management

⁴Managed by Collins Stewart Wealth Management

⁵Managed by Williams de Broe

⁶Managed by Impax

⁷Managed by UBS

⁸Managed by Scottish Widows

⁹Managed by Castlefield Investment Partners

DropZone[®]

THE WORST OF THE WORST FROM THE RedZone.

	% underperformance from sector average*
1st Manek Growth	68.11
2nd UBS UK Smaller Companies	49.81
3rd Allianz Global Eco Trends	41.35
4th Barmac The Castleton Growth	39.75
5th Neptune Japan Opportunities	37.05
6th Std Life Inv UK Opportunities	31.31
7th SVM Global Opportunities	30.1
8th JPM Cautious Total Return	25.07
9th Templeton Global Emerging Mkts	24.57
10th Thesis Fulcrum Global Diversified	23.32

*Based on three-year cumulative performance



The search for income of **8% p.a.**

At a time of low interest rates and an uncertain outlook for major asset classes, structured products can provide investors with attractive yields and clarity of investment returns.

“With the Gilliat Income Builder Plus offering income of 8%, it is easy to see why structured products are becoming more and more popular with Chelsea clients.”

ROBERT DOUGHTY
Senior Operations Consultant, Chelsea

Defensively-minded structured products can provide excellent returns in volatile market conditions, and add an extra dimension to your portfolio. With the economic outlook uncertain, investors are looking to structured products to provide stability and diversification to their portfolio.

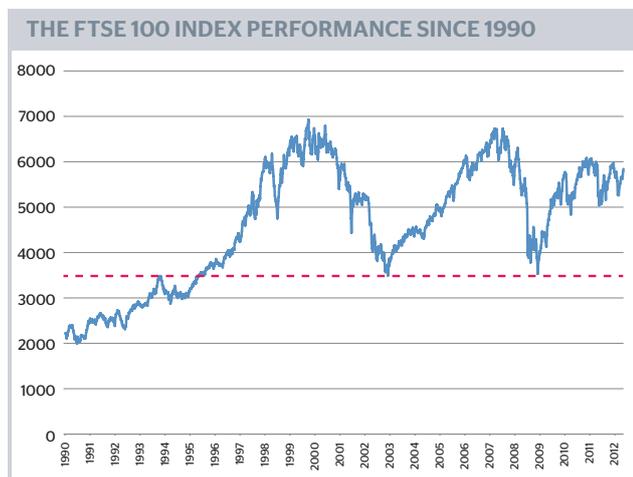
The **Gilliat Income Builder Plus** offers up to 8% p.a, provided the FTSE 100 stays above 3,500 points during the six-year term. Interest is paid quarterly.

HOW DOES THE PLAN WORK?

Interest is accrued weekly if the FTSE 100 is above 3,500 on the weekly observation date. Any accrued interest is then paid out at the end of the quarter.

At the the end of the six-year term your initial capital will be returned in full if the FTSE 100 is above 3,500 on the maturity date. If the FTSE 100 is below 3,500 at maturity then your capital will be at risk and the value of your investment will be reduced by the same percentage that the FTSE 100 has fallen.

With the income accrual level at 3,500 points, the Income



Source: Yahoo! Finance, 10/08/2012.

Builder Plus still offers attractive returns even if the FTSE 100 were to fall significantly from its current level. In fact, the FTSE has only been below the 3500 level for eight days since 2 January 1996.

This investment is suitable for clients who are willing to put their capital at risk in order to receive higher payments than could otherwise be achieved from cash products, and therefore are likely to have a medium attitude to risk.

This offer is only available until 22/10/2012 so if it is of interest please call 020 7384 7300 to request a brochure.

RISKS

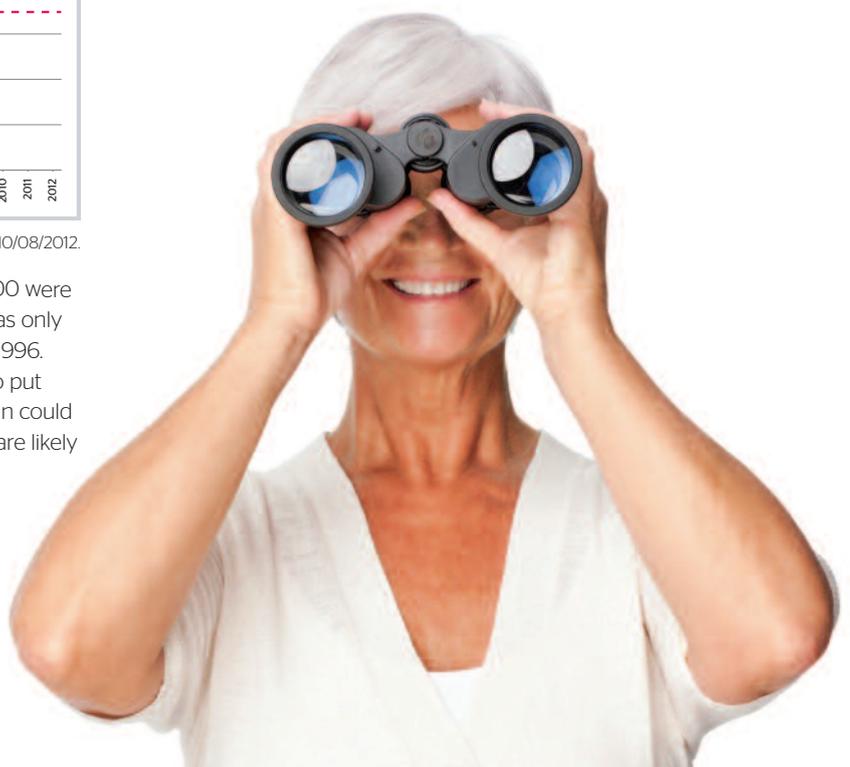
- If the counterparty becomes insolvent (in this case Morgan Stanley) investors may not receive any income payments and may lose some or all of their capital.
- Neither the income payments nor return of capital are guaranteed and are dependant on the FTSE 100.
- Penalties may apply if you wish to retrieve your capital early.

The Gilliat Income Builder Plus provides a fixed amount of interest for the structured product's term. This can be particularly valuable in setting a level of income from your portfolio, providing the FTSE 100 stays above 3500.

This product is available as an ISA, and is also available for ISA transfers. This means you will receive 8% income tax free. Please note, interest is paid directly to a nominated bank account and cannot be reinvested back into the product.

If you invest, you will receive a discount of 1.5%, in the form of an enhancement. However, if the investment is inside an ISA, your discount will be in the form of cashback.

If this is of interest please call **020 7384 7300** to request a brochure or refer to our website www.chelseafs.co.uk/structuredproducts/currentoffers to see all our current offers. ■



Emerging markets are paying dividends

EQUITY INCOME FUNDS HAVE BECOME INCREASINGLY POPULAR WITH INVESTORS. RICHARD TITHERINGTON, MANAGER OF THE NEWLY-LAUNCHED JP MORGAN EMERGING MARKETS INCOME FUND, DISCUSSES WHY HE THINKS IT IS IMPORTANT FOR INVESTORS TO DIVERSIFY THEIR PORTFOLIOS TO TAP INTO THE GROWING EQUITY INCOME OPPORTUNITIES IN EMERGING MARKETS.



RICHARD TITHERINGTON
Fund manager, JPM
Emerging Markets Income

In these uncertain market conditions, many investors are increasingly risk averse. However, with government bonds and many bank savings accounts paying

an income below inflation, the savings of investors in these asset classes are being eroded. Dividends from company earnings are less susceptible to inflation, so investing in equity income funds can improve your ability to generate inflation-beating income.

Many UK investors are recognising the benefits of investing in equities for income. However, those who limit themselves to the UK stock market are heavily reliant on a few big payers in a handful of sectors. Diversifying an investment portfolio to include emerging markets allows investors to look beyond the concentrated UK equity income market and access high yielding stocks across a wide range of companies, countries and sectors. Emerging market countries are delivering stronger growth than developed markets, while emerging market companies typically have lower debt and higher growth rates, meaning they are more willing and more able to pay dividends.

The chart below highlights the difference in growth between emerging and developed markets. As equity investors we look beyond the headlines on economic

growth to the underlying earnings and dividends of individual companies. As the chart shows, both earnings per share (EPS) and dividends per share (DPS) have grown more strongly over the long term in emerging markets. The long-term nature of the opportunity offered by emerging market income investing is illustrated by the resilience of emerging market dividends in the financial crisis. Dividends in emerging markets fell less than earnings, and, in contrast to developed markets, quickly bounced back to previous levels.

Over the long term, exposure to the faster growth of emerging markets can quite literally pay dividends. Investors cannot overlook the importance of what Einstein termed the eighth wonder of the world, compounding.

INFLATION-BEATING RETURNS

Recent market falls mean the yields of many stocks, both in the UK and around the world, look very attractive, but this is where the compounding element becomes of key importance. A UK company and an emerging market company may both yield 5% currently. However, if the UK company has the ability to grow its dividend at 5% a year and the emerging market company at 10%, the difference over a decade is significant. Looking forwards, our experienced team of emerging markets specialists forecast that the compound growth of dividends in emerging markets will average more than 12% pa over the next five years, significantly higher than UK and developed markets.

Companies with high, robust or growing dividend yields also outperform the wider market over the long term, meaning income investing in emerging markets makes sense not only for investors looking for income, but for those seeking

JPM EMERGING MARKETS INCOME

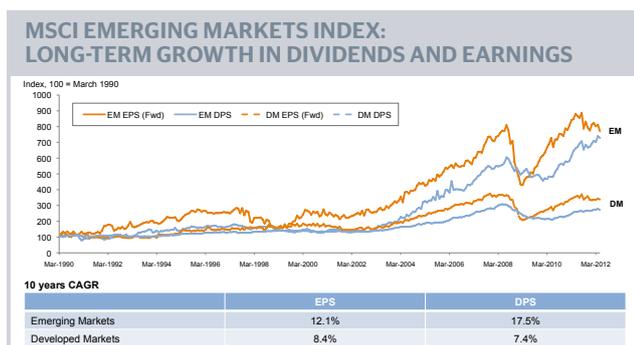
- **Targets 4% yield pa, paid November, February, May and August.**
- **Managed by the CIO of emerging market equities, Richard Titherington.**
- **Exposure to emerging markets, combining capital growth with income.**
- **50-80 stocks diversified across over 15 countries, tends to have a mid-cap bias.**
- **Current geographic breakdown; Asia 46%, Europe Middle-East & Africa 30%, Latin America 14% and emerging market bonds 8.4%.**

capital growth. For UK investors looking to broaden their income horizons, emerging market equities therefore present compelling opportunities. High yielding stocks across a wide range of sectors in fast-growing markets offer the potential for a powerful combination of income and growth. ■

THE CHELSEA VIEW:

“This newly-launched fund's manager is a highly experienced investor in emerging markets and has a track record of managing this strategy via his investment trust. We like his process and the diversification this gives to income-seeking investors.”

CHELSEA RISK RATING:	■■■■■● 9.5
STANDARD INITIAL CHARGE:	5.25%
ISA INITIAL CHARGE AFTER DISCOUNT:	0%
ANNUAL MANAGEMENT CHARGE:	1.5%



Source: UBS, Data as at end May 2012

TECHNOLOGICAL INNOVATION OUT WITH THE OLD



ANTHONY BURTON
Fund manager, GLG
Technology Equity



PHIL PEARSON
Fund manager, GLG
Technology Equity

After a lost decade in technology, from an innovation perspective, it is easy to forget why investors became so excited about the sector in the past. However, history tells us that the technology winners win big, and typically keep on winning, which is clearly a very attractive trait. The obvious by-product of this is that the losers are severely punished and can shed upwards of 70% of their value across an innovation wave. Consequently, it is a very challenging arena in which to pick stocks, but potentially a very rewarding one.

BACK TO THE FUTURE

In the mid 1980s we witnessed the first innovation wave, with the transition from mainframe to PC. This saw IBM capitulate from an unchallengeable giant to fossil, losing 80% of its relative market value over a period of seven years. Conversely, over a similar timeframe, shares in Microsoft appreciated by 62% per annum.

The second innovation wave followed a decade later, with the transition to open networks; we now know this period as the 'Internet Boom'. This era was characterised more by big winners than losers and a lot of value was initially created, only to be destroyed when the bubble burst. The 1990s equivalent of IBM was Nortel, which found itself unable to compete in a rapidly-evolving world and succumbed to bankruptcy.

TODAY'S WORLD OF CONNECTED COMPUTING

Fast forward to today and technology users demands have evolved. The key criteria now include long battery life, fast product cycles and software/hardware integration. The question now is which index bellwethers will fail to adapt to the burgeoning and rapid growth of 'connected computing' - the third wave of creative destruction - and who has most to gain?

Connected computing has evolved from a consumer theme to something with the ability to deliver huge efficiency improvements to businesses. In this respect, the arrival of the 'surface tablet' is a defining moment as it could constitute 'all the PC a corporate user requires in one single, hand-held device'. As such, this latest development in the iPad/PC convergence theme is finally bridging the dividing line between the consumer and corporate markets.

Consequently, the corporate leviathans of the traditional PC market have no option other than to seek to penetrate the handheld market in order to ensure their long-term survival. If the early evidence constitutes a reliable indicator, this could prove a struggle.

For example, we have had the opportunity to touch and feel initial surface tablet designs from two firms at opposite ends of the PC/handheld spectrum, Intel and ARM Holdings. Intel's model is 40% thicker, 40% heavier and twice the cost of that of ARM's. Sure, it provides additional functionality, such as compatibility with legacy software, but this is unlikely to be seen as a major competitive edge relative to user comfort.

AN ATTRACTIVE STOCK-PICKING ENVIRONMENT

At a time when correlations are high across asset classes, we therefore

GLG TECHNOLOGY EQUITY

- 40-60 holdings in mid and large-cap stocks.
- Invests globally, with a current geographic split of: US 44%; UK 18%; Taiwan 8%; Russia 7%; Germany 5%; Netherlands 4%; France 2%; South Korea 2%; China 2% and India 0.3%.
- Experienced team, each with over 16 years experience of technology investing.
- An 'absolute return' mindset, utilising options to provide protection and smooth returns.

maintain our conviction that technology is an arena with clear winners and losers, meaning that we should continue to see attractive opportunities for active stock-pickers.

For instance, within our portfolio, we typically underweight companies with business models linked to traditional PC markets. Conversely, we maintain a much more positive stance in respect of tablet makers and manufacturers of components used in their production.

In conclusion, we can look back on the first two waves of creative destruction and see a clear pattern that is likely to repeat itself in the months and years ahead. The third wave will result in those companies at the head of the technological and innovation curve benefiting from a surge in capital expenditure, while those that are unable to adapt to the changing environment are likely to become virtually obsolete. This scenario has the potential to create a very attractive and dynamic trading environment for active stock-picking. ■

THE CHELSEA VIEW:

“ We like their absolute return mentality and focus on risk. Their passion and knowledge shine through when discussing the future of the technology sector and the stocks likely to win over the long term. ”

CHELSEA RISK RATING:	■■■■■● 10
STANDARD INITIAL CHARGE:	5.25%
ISA INITIAL CHARGE AFTER DISCOUNT:	0%
ANNUAL MANAGEMENT CHARGE:	1.75%



WHERE HAS THE GROWTH GONE?



RECENT GLOBAL ECONOMIC GROWTH FORECASTS HAVE BEEN BLEAK, DRAGGED DOWN BY THE UNCERTAINTY IN THE EUROZONE. SIMON EDELSTEN, MANAGER OF THE ARTEMIS GLOBAL SELECT FUND, OFFERS HIS THOUGHTS ON WHERE ECONOMIC GROWTH WILL COME FROM IN THE FUTURE.



SIMON EDELSTEN
Fund manager, Artemis Global Select

Over the last few years, although the economic performance of developed and emerging economies has been highly diverse, stock-market returns

have been strangely similar. Most emerging markets have growing workforces, small social security obligations and solvent governments and banks. Indeed, during the Western banking crisis from 2008 to 2010, GDP in China grew by over 9% each year, while developed markets went into recession. Yet Russia, China and India all saw stock-market falls of around 50% in 2008 and so, while the economics was right, the diversification did not work.

NOT JUST DEMOGRAPHICS

More recently, emerging markets have again failed to offer much shelter from developed markets' woes. The World Bank maintains databases on nations which used to be classed as emerging, such as Korea, Taiwan and, further back, Japan. These countries all showed a 'middle income' slowdown, this occurs when a country's GDP per capita moves into the middle third of global GDP per capita levels.

Low income countries with rapid urbanisation frequently show GDP growth of 10% and more. But when a country moves into the 'middle income' sector (currently defined as GDP/capita of \$US4,000), its attractiveness as a location for outsourcing slows; and inflation, particularly wage inflation, may become a feature when GDP growth exceeds 5-6%.

These issues have affected China and India recently and perhaps these economies cannot and should not try to grow much faster than 6% pa for the next decade. This was the level Japan's growth fell to in the 1970s; and Taiwan's and Korea's

during the 1990s, after decades of much faster growth. It is still a very respectable growth rate, and one which will look rocket-fuelled compared with developed countries. Perhaps too many emerging market investors are relying on bare demographic data to decide their asset allocation.

To find emerging countries which are capable of the 9-10% GDP growth levels, one probably has to look further afield. We view the Indochinese countries as offering the best prospects, as Indonesia, Malaysia, Thailand and the Philippines start to trade more freely with Myanmar, Cambodia and Vietnam. We have made investments in Total Access (Thai mobile), Bangkok Bank and Fraser & Neave, a Singapore-listed leader in beer and soft drinks that recently received a takeover approach from Heineken for their main brewing asset.

STEADY GROWTH IS MORE STABLE

One implication of these more modest growth prospects is that it rather puts paid to some 'commodity super-cycle' forecasts. China and India will, no doubt, continue to dominate growth in consumption of imported fuel but, with globally traded natural gas growing rapidly, supply may keep up perfectly well with demand. That is why our fund is only modestly exposed to commodity sectors and why we have not held mining shares at all.

Little has been written about the impact of \$US140 oil in 2008. Most economies were too busy with the banking crisis. The following recession was undoubtedly made deeper by dearer oil, even though the crude price then collapsed into the \$US40 range for a while. Similarly, more modest fuel inflation over the next decade could significantly improve prospects for longer-term growth. In the US, a cut in fuel prices will certainly help the trade deficit. In emerging markets, many governments have had to reduce social programme spending, due to the cost of fuel subsidies. It is said that each \$1 on the

ARTEMIS GLOBAL SELECT

- Co-managed by Simon Edelsten, Alex Illingworth and Rosanna Burcheri since launch in June 2011.
- Current geographic breakdown: US 41.0%, Japan 17.8%, Europe 13.6%, developed Asia 9.9%, emerging markets 9.0%.
- 55-70 global stocks, large and mid-cap bias.
- Concentrates on investment themes and identifies companies with leading positions in their sector.

crude price costs the Indian government \$US1bn - that is a lot of schools and hospitals.

Overall, more balanced growth in emerging countries should lead to fewer imbalances in global trade in the next cycle; and thus, perhaps, to a longer and more stable upturn. For equity investors, who prefer to invest in stocks which may see years of stable growth ahead of them, we focus on South East Asia and even when selecting investments in developed markets, we view a company with some scepticism if its business plan does not tap into the potential of that emerging half of the world's population most likely to fuel economic growth. ■

THE CHELSEA VIEW:

“The fund provides investors with exposure to a concentrated portfolio of global equities, each of which is carefully scrutinised before investing. We like the theme driven investment philosophy and so far this has proved successful, as the fund was top quartile in its first year.”

CHELSEA RISK RATING:	■■■■● 7
STANDARD INITIAL CHARGE:	5.25%
ISA INITIAL CHARGE AFTER DISCOUNT:	0%
ANNUAL MANAGEMENT CHARGE:	1.5%

Enterprise Investment Schemes

Coming of age



“ We like the tax benefits of EISs, particularly in relation to IHT. Also, the shorter holding period may allow an exit after three years. ”

HARRY DRISCOLL
Senior Research Analyst, Chelsea

While EISs have long been considered a more specialised and high-risk investment than Venture Capital Trusts (VCTs), the recent rule changes have widened their appeal. So much so that EISs raised approximately twice as much money as VCTs in 2011/12 and that trend looks set to continue into the current tax year.

WHAT HAS BROUGHT ABOUT THE REVERSAL OF FORTUNES FOR EISs?

There have been a number of rule changes over the last 18 months that have made EISs more attractive. Below is a comparison of the tax benefits associated with both EISs and VCTs:

	VCT	EIS
Annual investment limit	£200,000	£1m
Income tax relief	30%	30%
Minimum holding period	5 years	3 years
Tax-free dividends?	Yes	No
Tax-free capital gains?	Yes	Yes
Able to defer capital gains?	No	Yes
Loss relief?	No	Yes
Able to carry back income tax relief?	No	Yes
Inheritance tax free?	No	Yes (min 2yr hold period)
Secondary market for shares?	Yes	No

The most significant rule change is that EISs now have the same 30% income tax relief rate as VCTs. Faced with the choice of the two, it seems investors have opted for EISs to take advantage of the shorter qualifying period. Typically EIS companies have taken 7-10 years to mature, but in light of the changes some companies will begin to seek exit opportunities after the minimum three-year holding period has been attained.

Many EISs are moving into sectors that are uncorrelated with the wider equity market, such as renewable/sustainable energy and leisure. While it remains to be seen if client money will be returned after the three-year holding period, EISs can potentially offer clients a tax-efficient way of getting exposure to resilient sectors, while not having to tie up their money for extended periods.

Other tax benefits, such as IHT relief and the ability to defer capital gains tax, offer a clear advantage over VCTs when it comes to estate planning.

QUALIFYING COMPANIES

Historically an advantage of VCTs over EISs was their diversification, and this continues to be true. Many generalist VCTs have up to 40 holdings, while single EIS companies have only one and EIS funds usually have 10-15. However, the government has relaxed the rules for firms eligible for both EISs and VCTs, with qualifying companies now allowed 250 employees (up from 50) and £15m assets (up from £5m). While this has benefited both VCTs and EISs, it should reduce the risk profile of EISs, and is perhaps one reason why they have become more attractive.

CONCLUSION

While we continue to favour VCTs in the tax-efficient space, largely due to their superior track record and the ability to receive tax-free dividends, we believe the recent rule changes and the launch of new products make EISs an increasingly interesting proposition.

We believe they are most suitable for investors who are interested in estate planning and can make use of the various tax benefits, or clients who wish to take advantage of the shorter qualifying period. Below are the details of some of our more popular EISs. Please see our website www.chelseafs.co.uk for a full list of EISs on offer.

The City Pub Companies EISs:

- An “asset backed” opportunity with considerable potential upside.
- The manager has a track record of producing strong cash returns. The previous Capital Pub Company EIS returned £2.43 for every £1 invested (not including any tax breaks)*.
- The management team have invested £0.5m of their own cash, on equal terms as private investors.
- **Early Bird Offer:** Applications received before 12 October 2012 will be issued at 100p per ordinary share. Applications received thereafter will be issued at 110p per ordinary share.
- The minimum investment is £10,000 and a 2.25% discount (in the form of extra shares in the EISs) will apply.

Ingenious Energy Efficiency 2 EIS Fund:

- Ingenious is a leading EIS specialist, with a consistent track record of delivering target returns to investors.
- This EIS invests in companies which provide energy efficiency services to the non-domestic sector. Savings from increased efficiency (up to 25%) are shared, creating predictable and stable revenue streams for the EIS.
- Minimum investment of £10,000 and discount of 2.5% (in the form of extra shares in the EIS) will apply.

Please call **020 7384 7300** to discuss further or request a brochure. Alternatively please refer to our website www.chelseafs.co.uk/eis for more information. ■

* Past performance is not an indicator of future performance.

RISK WARNING

Please be aware that EISs are long-term investments. EISs 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.

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: Simply complete the form on page 43 and return it to us in the enclosed pre-paid envelope. Alternatively, you can download a switch form from the literature page on our website.

Make sure you benefit from **free switching** with all your funds...

If you have a Cofunds account with another intermediary, all you need to do is to appoint Chelsea as your servicing agent - just 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:

INVEST, MONITOR AND MANAGE YOUR PORTFOLIO WITH

the Chelsea **FundStore**

WELCOME TO THE FUNDSTORE

'FundStore' is the new name for the 'Chelsea Portfolio' - we think this better reflects the benefits of our fund supermarket, which combines Chelsea's service with Cofunds' expert administration.

In a little more detail: Chelsea and Cofunds are separate companies. Chelsea introduces you as a client to Cofunds, who have the systems, the expertise and the financial backing to safeguard and administer your investments.

There will be no change to your online access and you will be able to log in as normal and view your account online.

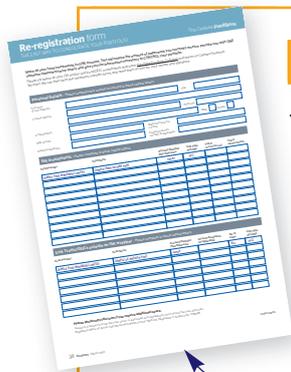
POWERED BY **c•funds**



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



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 34.

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

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 ISA 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



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**.

FANTASTIC DISCOUNTS

99% of the funds on FundStore are available at 0% initial charge within an ISA.

CHELSEA FUND REVIEW

Our research team provide fund commentary, Chelsea Risk Ratings (from 1 to 10) and a buy/hold/switch rating, with your valuation statement*. Our Fund Review is also available online.

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

Our supermarket offers a temporary Cash Reserve facility. Whilst the interest rate is currently low, this is a valuable facility which allows you to switch in and out of cash (at 0% charge), without losing your ISA status.

MONTHLY SAVINGS PLANS

Made easy and cost-effective: the same leading discounts as lump sum investing, with a minimum of just £50 per month.

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.

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 6 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.

You will need to complete a withdrawal form or send in a written instruction to sell your funds. Please note that this process can take 5-10 working days.

*Available on over 350 of our most widely-held funds.

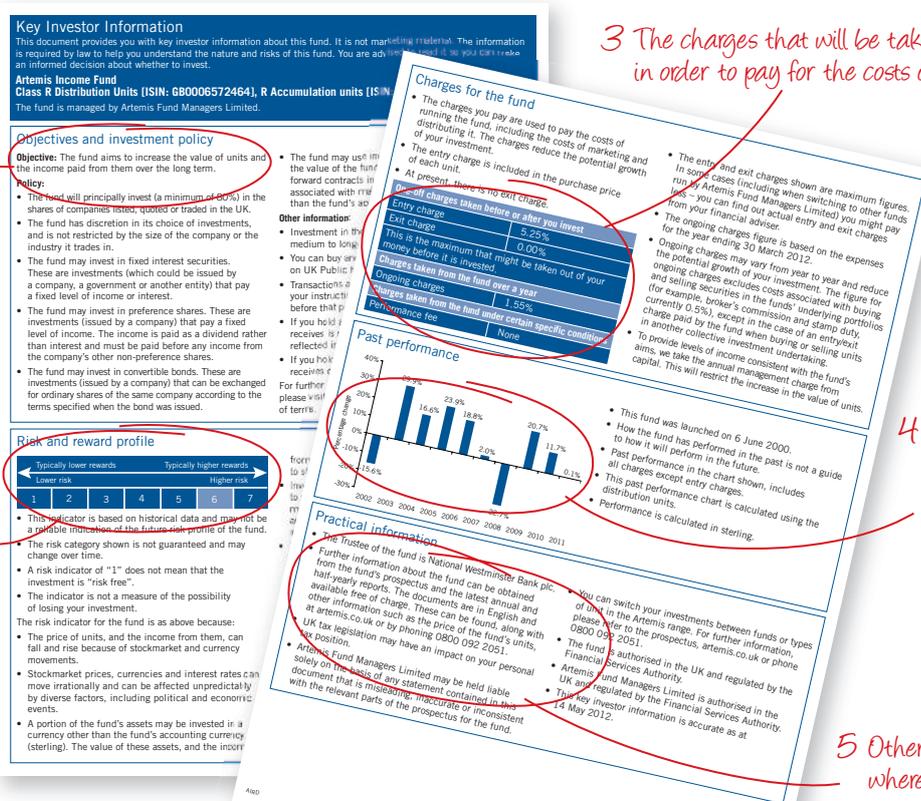
Key Investor Information Documents explained

A new two-page document, called a Key Investor Information Document (KIID), has now been introduced to replace the Simplified Prospectus for investment funds.

Please note that investors wishing to make an investment into a fund will now need to confirm that they have seen the relevant KIID before the investment can be made.

KIIDs have been designed to make it easier for investors to compare funds when they are deciding where to invest their money. It gives five categories of information on a fund: its objective, risk profile, charges, past performance and other practical information.

THE KIID GIVES FIVE CATEGORIES OF INFORMATION:



1 The fund's objective and investment policy

2 Details of the risks associated with investing in the fund using a risk indicator (from 1 to 7, being the most risky).

NB These are different from the Chelsea Risk Ratings.

3 The charges that will be taken from your investment in order to pay for the costs of running the fund

4 Information on how the fund has performed in previous years

5 Other information including where and how to obtain more detailed information about the fund

WHERE CAN I FIND KIIDS?

KIIDs for all the funds mentioned in this Viewpoint magazine are on the enclosed CD. KIIDs for all funds available on the Chelsea FundStore can be found on our Key Features Builder page of the website, where you can select the funds relevant to you (www.chelseafs.co.uk/literature). Alternatively, please contact our client service team on 020 7384 7300 or 0800 071 3333 and they will be able to send you a copy.

HOW OFTEN WILL THE KIID BE UPDATED?

Each KIID must be updated by the fund provider at least annually, within 35 business days of 31 December. They may also be updated on an ad hoc basis to reflect any key changes that happen (for example a change of investment objective or risk rating).

CAN I STILL INVEST IF I HAVEN'T SEEN THE KIID?

No. Unlike the Simplified Prospectus, the KIID is a pre-contractual requirement. Therefore, for all new investments, you must confirm that you have read the appropriate KIID so that your application can be processed. We would not be able to proceed with your investment until we have received that declaration from you.

FundsUpdate

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

GLG JAPAN CORE ALPHA

BUY / HOLD / SWITCH

This fund has significantly underperformed its sector over the last three years. Stephen Harker and his co-managers have been impacted by events beyond their control and their, previously successful, investment strategy has come under pressure. Consequently, the fund has fallen down the rankings. However, with the fund looking cheap compared with the market, we believe now is the wrong time to sell.

The fund's emphasis on large and mid-cap value has caused problems on two fronts. Firstly, the small-cap sector has outperformed, while large and mid-cap stocks have struggled, due to weak export markets and a strong yen. Secondly, Stephen's commitment to his value-based investment strategy

has seen him build a large position in the financial sector, which has been adversely affected by the turmoil in the eurozone. It is worth noting that, while his investment process is struggling at present, historically it has outperformed 62% of the time.

An increase in the risk profile of the fund to take advantage of cheap valuations following the tsunami backfired when the floods in Thailand disrupted the supply chains of several portfolio companies. The fund has a large position in Sony, which has also come under pressure.

Despite all of this, the combination of cheap valuations and our convictions in the manager's pedigree, mean we rate this fund as a hold.

JUPITER INCOME

BUY / HOLD / SWITCH

Jupiter Income is managed by Anthony Nutt and remains one of the largest UK equity income funds. While it is well documented that he was wrong-footed by the financial crisis, we believe the fund has shown signs of recovery in recent months.

Anthony enjoyed considerable success in the early noughties looking for long-term value situations across all sectors. However, his exposure to cyclical stocks going into the crisis and his under-exposure when equity markets bounced meant his fund has struggled for the last few years.

At a recent meeting, Anthony said he had concerns

regarding the global economy, and thought worldwide over-indebtedness and the crisis affecting the eurozone are hampering the recovery. Consequently he said he was looking for value opportunities in reliable, defensive stocks with global franchises. While he still holds financials, he is now underweight banks and miners, and the fund has large holdings in oil and pharma companies. This conservative approach, while likely to underperform a strong rally, has seen the fund climb up the rankings. We are keeping this fund as a hold, with an eye for a potential upgrade if the recent performance continues over the medium term.

JP MORGAN NATURAL RESOURCES

BUY / HOLD / SWITCH

After 20 years at the helm, Ian Henderson stepped down as manager in February 2012, to be replaced by Neil Gregson, the co-manager since September 2010. We recently met Neil to discuss the fund and his outlook going forward.

The fund has had a tough time of late, with it losing around 40% of its value since February 2011. The mining sector has underperformed, due to a slowdown in emerging markets and the stuttering recovery in the developed world having an adverse effect on commodity prices. The fund, with 60% in small and mid-caps, has been particularly hard hit. However, Neil believes most of the bleak outlook is now in the price, with companies trading at post-Lehman valuations, but with much stronger balance sheets.

Neil intends to continue with the previous manager's investment strategy of splitting the fund between gold, energy and base metals, with a bias towards small and mid-cap stocks. The fund will continue to be well diversified, with around 220 holdings, to account for the high risk but high return nature of the portfolio companies.

While this fund is extremely sensitive to the global economy and should be considered high risk, we have confidence that Neil can continue to implement the previous manager's successful investment strategy and believe that current valuations offer an attractive entry point if you have a bullish outlook. We therefore maintain our buy recommendation.

Log in to your
FundStore account for our
full switch ratings at
www.chelseafs.co.uk

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

Email 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	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

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.

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

The disclosure documentation applicable to this transaction is: **0 5 1 2 S D**

This application form is used to subscribe to an Investment ISA with Cofunds. By completing this application, you agree to subscribing to a 2012/2013 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 £11,280 for the 2012/2013 tax year.

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

Cofunds Intermediary Authorisation Code

7 7

% 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

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I have not received advice from a financial adviser in relation to this investment.

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

Please make your cheque payable to Cofunds Limited. Please ensure that the name of the investor appears on the back of each cheque.

If a third party is funding all or part of this investment please ensure a Confirmation of Verification of Identity (CVI) is included with this application.

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 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).

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	£ <input type="text"/>	£ <input type="text"/>
Or	Balanced Growth EasyISA	£ <input type="text"/>	£ <input type="text"/>
Or	Aggressive Growth EasyISA	£ <input type="text"/>	£ <input type="text"/>
Or	Income EasyISA (please complete income payment section overleaf)	£ <input type="text"/>	£ <input type="text"/>
Or	Global Income EasyISA (please complete income payment section overleaf)	£ <input type="text"/>	£ <input type="text"/>

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.

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.

<input type="checkbox"/> 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.	<input type="checkbox"/> Cofunds Cash Account Income generated will be paid into your cash account to be held on platform for withdrawals or future investment.	<input type="checkbox"/> 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 (Self-directed) and by signing this application form I agree to be bound by them.
- I have received the relevant product Key features/fund specific information and/or Key Investor Information Documents relating to my investment.
- I understand that the Terms & Conditions of the Cofunds Platform (Self-directed) 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 (Self-directed) 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 	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 Intermediary. 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 Intermediary 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 Intermediary. 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



Instruction to your Bank or Building Society to pay Direct Debits



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.

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

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

Issued and approved by Cofunds Limited, 1st Floor, 1 Minster Court, Mincing Lane, London EC3R 7AA.
 Registered in England and Wales No. 3965289. Authorised and regulated by the Financial Services Authority (FSA) under FSA Registration No. 194734.
 CA07 06/12



The disclosure documentation applicable to this transaction is: **0 5 1 2 S D**

This application form is used to subscribe to an Investment ISA with Cofunds. By completing this application, you agree to subscribing to a 2012/2013 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 £11,280 for the 2012/2013 tax year.

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

Cofunds Intermediary Authorisation Code

7 7

% 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

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I have not received advice from a financial adviser in relation to this investment.

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

Please make your cheque payable to Cofunds Limited. Please ensure that the name of the investor appears on the back of each cheque.

If a third party is funding all or part of this investment please ensure a Confirmation of Verification of Identity (CVI) is included with this application.

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 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 5, 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.

6 Investment Selection (continued)

*ACC/INC

If you do not specify ACC or INC in this column. Cofunds will invest into accumulation units/shares where available. If you have chosen income units/shares the income generated will be reinvested. We cannot pay the income out.

Your cheque payment

Cheques must either be drawn on a UK bank account in Sterling. The cheque must be made payable to **Cofunds Limited**. For a Building Society cheque or banker's draft the name of the child 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 payment by any other method.

7 Declaration and Authorisation

I declare that:

The child named above will be the beneficial owner of the account investments.

- I am aged 16 years or over.
- I am the child/I have parental responsibility for that child (delete which does not apply).
- I/the child does not have a Child Trust Fund account.
- I will be the registered contact for the Junior Investment ISA.
- The child is resident and ordinarily resident in the UK, or is a UK Crown servant, a dependant of a UK Crown servant or is married to/in a civil partnership with a UK Crown servant.
- I have not subscribed and will not subscribe to another Junior Investment ISA for this child.
- I am not aware that this child has another Junior Investment ISA.
- I am not aware of other Junior Investment ISA subscriptions that will result in this child exceeding the annual limit.
- I will not knowingly make subscriptions to Junior Investment ISAs for this child that will result in the subscription limit being exceeded.

I authorise Cofunds Limited to:

- I agree to the Junior Investment ISA Terms & Conditions and confirm that to the best of my belief the information in this form is true.
- to make on the child's behalf any claims to relief tax in respect of Junior Investment ISA investments.

I agree to the Junior Investment ISA terms and conditions and confirm that to the best of my belief the information on this form is true.

I confirm that:

- I have been provided with the Terms & Conditions of the Junior Investment ISA and by signing this application form I agree to be bound by them.
- I have received the relevant product key features/fund specific information and/or Key Investor Information Documents relating to my investment.
- I understand that the Terms & Conditions of the Junior Investment ISA 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.

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.

- I understand that my signed application form (once accepted by Cofunds) together with the Terms & Conditions of the Cofunds Platform (Self-directed) form my customer agreement with Cofunds Ltd.
- I understand that the commencement of my Junior Investment 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
(Registered Contact)

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 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 reserve the right to 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.

Please note that the amount subscribed is a gift to the child and cannot be repaid to the subscriber if at a later date they change their mind.

Investment by Direct Debit

c•funds

Instruction to your Bank or Building Society to pay Direct Debits



Please fill in the whole form and send it to:

Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.

Name and full postal address of your Bank or Building Society

To the Manager	Bank or Building Society
Address	
Postcode	

Name(s) of Account Holder(s)

Bank/Building Society Account Number

Branch Sort Code

 - -

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

Service User No.

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

- 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.

JCA07 06/12

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
<input type="text"/>	<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	<input type="text"/>

*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)
<input type="text"/>	<input type="text"/>

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 7, 8 and 9 of Chelsea Viewpoint for details.

Existing Cofunds Client ref

Cautious Growth EasyISA	<input type="checkbox"/>
Balanced Growth EasyISA	<input type="checkbox"/>
Aggressive Growth EasyISA	<input type="checkbox"/>
Income EasyISA (please complete income payment overleaf)	<input type="checkbox"/>
Global Income EasyISA (please complete income payment overleaf)	<input type="checkbox"/>

Or select your own funds and complete this section below:

Fund Name	Type of Unit/Share (ACC/INC)*	Transfer %
<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	ACC/INC	<input type="text"/>
<input type="text"/>	ACC/INC	<input type="text"/>
† Cash Reserve (if required)		<input type="text"/>

* 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'.

Total 100%

CO 407/CFS002 06/12

Please complete this Application Form using black ink in BLOCK CAPITALS and return to: Chelsea Financial Services, St James Hall, Moore Park Road, London SW6 2JS

1 Intermediary Details (For Intermediary use only)

Cofunds Intermediary Authorisation Code

2 Personal Details (Please complete this section in full)

Existing Cofunds Client Reference

Designation (if applicable)

I have not received financial advice in relation to this investment.

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Current Permanent Residential Address

Postcode

Telephone Number

3 Joint Holders (All joint holders MUST complete this section)

Please include the full name and address of each holder. All correspondence will be sent to the 'primary' holder above.

Second named holder

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Third named holder

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Fourth named holder

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

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 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.

6 Switching Details

FUND(S) TO BE SOLD

Please indicate the choice of fund(s) you wish to sell.

Fund Manager and Fund Name	ISA ¹ or Inv. Funds	Continue Regular Mandate ² (Y/N)	% to be Sold or ALL	OR	Whole Number of Units

Both partial and full sales of funds are permitted. Sale proceeds can be allocated to more than one fund if desired.

FUND(S) TO BE BOUGHT

Fund Manager and Fund Name	ISA or Inv. Funds ¹	Type of Unit/Share (ACC/INC) ³ (delete as appropriate)	% of proceeds to be invested (if more than one fund)	Regular Contribution ⁴	Regular Contribution Commission
		ACC/INC		£	% waived
		ACC/INC		£	% waived
		ACC/INC		£	% waived
		ACC/INC		£	% waived
		ACC/INC		£	% waived
		ACC/INC		£	% waived
		ACC/INC		£	% waived
		ACC/INC		£	% waived
		ACC/INC		£	% waived
		ACC/INC		£	% waived

¹ If you select 'ISA' and you hold more than one Cofunds Investment ISA (i.e. ISAs and PEPs from previous years) we will switch the required percentage/number of units in the following order: first: PEP, second: Mini ISA, third: Maxi ISA, last: Cofunds Investment ISA.

² If you are subscribing by monthly Direct Debit to the fund(s) that you have selected to sell, please specify whether you wish to continue subscribing to those fund(s). If you leave this section blank Cofunds will continue with your most recent Direct Debit instruction.

³ If you do not specify ACC or INC in this column, and have not completed section 6, Cofunds will invest into accumulation units/shares where available.

⁴ If you already subscribe by monthly Direct Debit to the fund(s) you currently hold, and you wish to subscribe to the fund(s) you are buying, please indicate in this column the monetary amount of the monthly subscription.

7 Authorisation (All joint holders MUST sign)

Switches between funds usually take a 2 business days to complete, depending on the valuation point for your chosen fund(s) so you should be aware that your investment may be out of the market for a period of time whilst the switch is taking place. This means there may be the potential for loss of income or growth if the market rises whilst the switch is pending.

Authorisation

I understand that if applicable, any application to switch will be deemed to include all former ISA and PEP products. I authorise Cofunds to switch on my behalf the investment fund(s) indicated above. I confirm that I have received the relevant product key features/fund specific information and/or Key Investor Information Documents relating to my investment.

Primary Holder Signature
Date
Second Holder Signature
Date

Third Holder Signature
Date
Fourth Holder Signature
Date

Free Switching through Chelsea.

All switches are 0% initial charge. Free switching is an exclusive offer to Chelsea clients.

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.

The disclosure documentation applicable to this transaction is:

0 5 1 2 S D

Cofunds Intermediary Authorisation Code

7 7

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

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

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

I have not received advice from a financial adviser in relation to this investment.

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

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

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

If a third party is funding all or part of this investment please ensure a Confirmation of Verification of Identity (CVI) is included with this application.

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.

Recommend a friend

...and we'll say Thank You with up to £50 worth of Marks & Spencer vouchers.



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 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: _____

Telephone _____

FRIEND'S DETAILS

Title: _____ First name: _____

Surname: _____

Address: _____

Postcode: _____

Telephone _____

FRIEND'S DETAILS

Title: _____ First name: _____

Surname: _____

Address: _____

Postcode: _____

Telephone _____

“ I have investments with 6 fund managers and was worried that I would leave my investments in a mess upon my death. Now they are consolidated with Chelsea, the death certificate need only be sent to one place and the investments can be moved into the beneficiaries names at no charge. I also know that Chelsea will help reduce the solicitor fees with one simply valuation and less paperwork. ”

MR DAN BENNETT
London

“ May I take this opportunity to thank you for your ongoing efficiency and speed in dealing with transactions over the years. My brother also has always been very happy with your service. It contrasts sharply with that of other companies, particularly utilities and also other brokers. ”

MR JAMES BRACK
Worcestershire

“ Thank you for the excellent service. I had a problem printing a valuation, your staff were very helpful and arranged for the IT department to contact me. They called straightaway and resolved the problem. Service like that is rare and worthy of thanks. ”

MR PHIL MORRIS
Gloucestershire

“ So pleased to be able to switch my funds at 0% charge. I now have a warm glow about Chelsea – but then I always have done. ”

MISS STEPHANIE GOSLING
Cardiff



DR JOHN HOLDER
Chairman, Chelsea

About Chelsea

Chelsea Financial Services was founded in 1983 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 £620 on a £11,280 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**

*Get all the latest news on
investments and Chelsea at:*



twitter.com/dariusmcdermott



youtube.com/chelseafstv

Three easy ways to buy an ISA...

Complete and return
an application form

Phone
020 7384 7300

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



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