

Viewpoint

THE MAGAZINE FOR CHELSEA INVESTORS

ISSUE 34 JULY 2013

NAVIGATING THE MARKETS

Guidance to help you make
investment choices

Investing outside an ISA?

Now there's **NO** initial charge
via the FundStore!

Bond issues examined

Exclusive **free switching**
via the FundStore



CHELSEA
Investment Intelligence™

Welcome to Viewpoint.

Welcome to our summer edition of Viewpoint. It is full of all the usual useful fund information and details of our discounts, including great news for non-ISA investors via FundStore, who are now able to purchase most investment funds at zero initial charge. Please read our covering letter closely as it contains information on how to access the key features for both Chelsea FundStore and the underlying funds.

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

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

5-7 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 also outline the performance of each EasyISA portfolio.

*Experienced investor
...just looking for some guidance?*

8 **DIYportfolio** is for investors who have a more substantial investment portfolio and just want some guidance. We've developed some model portfolios, to aid you in shaping your own portfolio.

9 An introduction to the **Chelsea research tables** which are central to our business.

10-15 **The Chelsea Core Selection** - a list of funds, chosen from the Chelsea Selection, that we think should be at the heart of investors' portfolios.

16-17 **Core Selection Spotlight** is a regular in-depth look at two of the funds that feature in the Chelsea Core Selection. This issue covers **M&G Global Emerging Markets** and **Newton Real Return**.

18-19 **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.

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22-23 A leading **Artemis** fund manager reflects on the current challenges faced by the **fixed interest** market.

24 An introduction to the investment approach and processes of **Unicorn Asset Management**

25 **Inheritance Tax planning** - finding a scheme that can work for you can be tough. We may have some answers.

26-38 This section is our **FundStore**, which contains all the **application forms** you need to make your investment. There's a separate form for re-registration, as well as forms for any type of investment you want to make. **If you're in doubt about which form to use, call us on 020 7384 7300.**



IMPORTANT NOTICE Past performance is not a reliable guide to future returns. Market and exchange rate movements may cause the value of investments to go down as well as up. Yields will fluctuate and so income from investments is variable and not guaranteed. You may not get back the amount originally invested. Tax treatment depends on your individual circumstances and may be subject to change in the future. 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 Conduct Authority. Cofunds is the ISA Plan Manager for the FundStore (formerly the Chelsea Portfolio), the Chelsea EasyISA and the Chelsea Junior EasyISA. Unless stated otherwise all performance figures have been sourced from FE Analytics, bid to bid, net income reinvested on 30/05/2013 and are believed to be correct.

DARIUS MCDERMOTT'S

Market View

Winter seemed to go on forever, in fact it's only since the beginning of June that we have started to feel slightly warmer. The same, however, cannot be said of markets, which have been heating up since the start of this year, accelerating the rally that began in 2012. We mentioned in our last Market View that Merrill Lynch Global Research predicted that equities would be the best-performing asset class in 2013 and so far they are being proved right, albeit that we have another six months to go!

MARKET MOMENTUM

Confidence seems to have returned, with markets persistently pushing higher. There are ongoing issues, which would have caused panic in previous years, such as US sequestration, the Italian election non-result and the Cypriot bailout fracas. However, these were largely shrugged off by a more resilient market. The MSCI World is up over 19%* year to date. Having urged Chelsea's investors to address their underweight to the US, I am pleased to report that some of the strongest returns have come from MSCI North America, up over 21%* year to date.

The general economic outlook seems to be two steps forward, one step back. Positive employment data from the US is countered by weak manufacturing data from China and so on. Whilst markets have largely taken poor economic data in their stride, there was more of a wobble at the end of May in response to two factors. Firstly, there was weaker manufacturing data from China, although China had not been as strong as other markets and year to date MSCI China is only up just over 1%*. Secondly, Bernanke's hints regarding a swifter end to QE perturbed markets; as this is a response to the US economic recovery you may well contemplate the incongruity of positive economic news being anathema to markets! However, markets don't move upwards in a straight line and, given the strength of gains over the last year, which has seen the MSCI World up over 30%***, some retrenchment was to be expected.

Japan was the market most hurt in the recent pullback, although having made such strong gains year to date, it had the furthest to fall. Indeed, despite falling back, MSCI Japan has still returned over 22%* year to date. The attempts of Abe, Japan's new prime minister, to put an end to deflation and weaken the yen, have given the Japanese market a much-needed shot in the arm. He has done this via changing the governor of the Bank of Japan and undertaking QE, but we believe that the sustainability of the rally hinges on long-term structural reform. There is the possibility that the combination of a weak yen, low yields on Japanese bonds and a return to inflation, may well boost markets globally as Japanese investors search elsewhere for returns.

US sequestration is certainly proving to be a drag on growth, with budget cuts having a widespread impact on such diverse sectors as IT expenditure to grounding the US Navy's air show team! However, despite this, the US continues to lead the charge in economic recovery, with its banks lending again, its housing market recovering and businesses re-shoring.

WHAT'S DEFENSIVE NOW?

As I have warned investors for some time now, I believe there is very little capital growth likely to be seen in the fixed interest market and a risk to capital in the government bond market. Indeed, the cracks are already beginning to show, with bonds, in particular US Treasuries, selling off in light of Bernanke's comments, which sparked fears of a possible rate hike next year. However, we have asked James Foster to address bond issues and he does so, in greater detail and with more knowledge than I can hope to do here, on page 22.

Another quirk of the 'Alice in Wonderland' economic scenario in which we find ourselves is that defensive stocks have largely driven the market rally. Under normal circumstances, as economic recovery kicks in, investors become more positive and seek out cyclical stocks, which will shine in a more benign climate. However, they have generally been shunned in favour of their more solid, dividend-paying peers, which are now looking relatively expensive. The question is, are investors so hungry for income that those are the only stocks that will



satisfy them or is it that they are still too cautious to touch companies which will thrive only in sunnier climes? I suspect it's a combination of the two. However, I am always wary of avoiding the unloved. At the first whiff of a rise in interest rates, we are likely to see a sharp rotation and I am in the process of rebalancing some of my own portfolio towards more cyclical areas.

I would challenge the belief of recent years that emerging markets will outperform when markets rise. We could be entering a phase where developed markets will outperform. With commodity prices weaker and the US dollar likely to recover when QE ends (a strong dollar favours developed over emerging markets), I think developed market returns could well be stronger than their emerging counterparts. Just take a look at the MSCI Emerging Markets, which has returned a paltry 3.49%* year to date.

By and large I remain positive on equities. We have seen a strong rally, but, barring large economic shocks, I suspect we may well continue to see strong returns, with the potential for developed growth stocks to surprise on the upside at some stage. ■

“Indeed, the cracks are already beginning to show, with bonds, in particular US Treasuries, selling off in light of Bernanke's comments, which sparked fears of a possible rate hike next year.”

DARIUS MCDERMOTT
Managing Director, Chelsea

* Data as of 03/06/2013

**Data from 03/06/2012 to 03/06/2013



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, which is £3,720 for the 2013/14 tax year. 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.

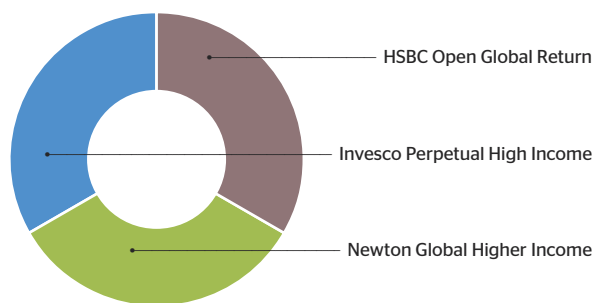
UNSURE WHERE TO INVEST?

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 over the long term. These are simply suggested portfolios, which are split equally between three funds. As the Junior EasyISA is aimed at children and, consequently, the investment term is generally longer, they offer a broad equity spread and therefore it should be noted that they may be subject to greater volatility than the term Cautious or Balanced may suggest.

Cautious Equity Portfolio

AVERAGE CHELSEA RISK RATING	● 4.67
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.33% 0%

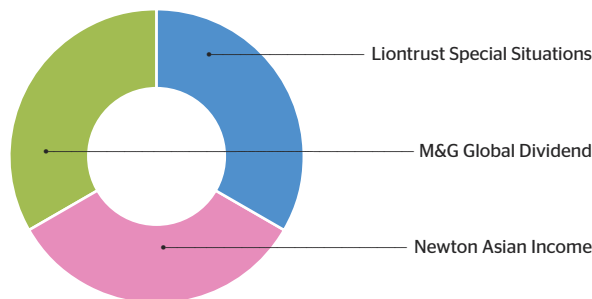
The cautious portfolio is designed to provide capital growth through well-diversified investment in a broad range of asset classes and a variety of regions. As a result, the portfolio aims to reduce volatility over the longer term but still holds over 80% in equities.



Balanced Equity Portfolio

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

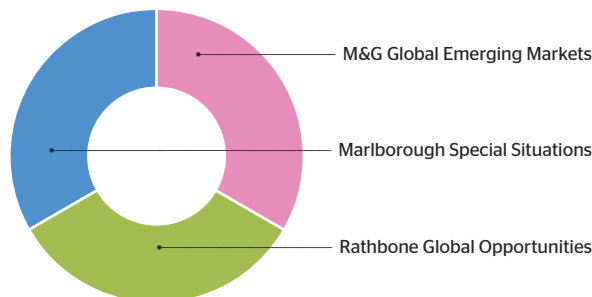
Those investors prepared to take a balanced level of risk and aiming to generate a return on capital through a mix of growth and income should opt for the balanced portfolio. The portfolio primarily invests in developed Asia and UK equity markets, although it is exposed to other regions such as the US,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



Aggressive Equity Portfolio

AVERAGE CHELSEA RISK RATING	● 8
AVERAGE ANNUAL MANAGEMENT CHARGE	1.5%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	1.50% 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.



HOW DO I INVEST?

An application form can be found on page 35. Please take a look at the at the Key Investor Information Documents (KIID) online before you invest (see covering letter for details). You will also find further information on our website at www.chelseafs.co.uk/JuniorISA, where you can **download our new Junior ISA guide**.

Please note that children with Child Trust Funds (CTF) cannot currently have a Junior ISA. However, the government is consulting on this issue and we hope for a favourable outcome before the end of this tax year.

All funds are chosen from the Chelsea Selection ...see page 18.

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 Selection by our research team (for more information on our research process see page 9). 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 page 26).

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

WHAT TO DO NEXT

Once you have selected your preferred EasyISA option, please view the appropriate KIIDs (see covering letter for details) and then simply fill in the EasyISA application form on pages 31 & 32, 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 ISA allowance is £11,520 for the 2013/14 tax year.



“For more information on the Chelsea Risk Rating, see page 7.”

JULIET SCHOOLING LATTER
Research Director, Chelsea

PORTFOLIO CHANGES

Aggressive Growth EasyISA: Marlborough Special Situations replaces Schroder UK Alpha Plus. See FundsUpdate on page 30 for more details.

It's not called EasyISA for nothing:

1. Select the EasyISA which best suits you (and read the KIID* for each relevant fund) (*see covering letter for details.)

2. Tick the relevant box on the EasyISA application form (page 31-32) and decide how much you want to invest

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

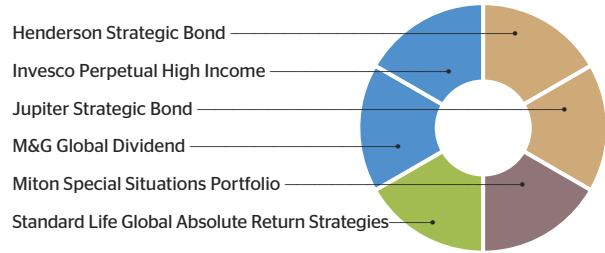
You can also invest online at www.chelseafs.co.uk/EasyISA

Select one of the EasyISA options here.

Cautious Growth EasyISA

Cautious Growth is for the more risk-averse investor who is looking for 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 uncorrelated returns.

AVERAGE CHELSEA RISK RATING	● 4.17
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.33% 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%
BENCHMARK:	1/3 STRATEGIC BOND (SECTOR AVERAGE) 2/3 MIXED INVESTMENT 20-60% (SECTOR AVERAGE)



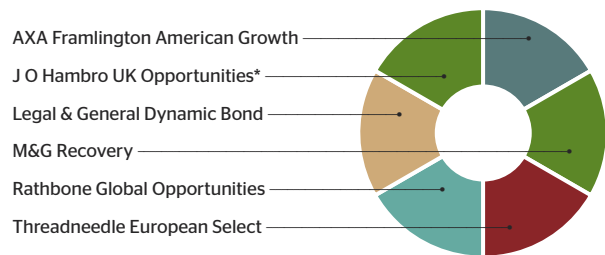
	FUND	BENCHMARK
PERFORMANCE OVER 1 YEAR	14.08%	11.99%
PERFORMANCE OVER 3 YEARS	22.86%	19.23%
PERFORMANCE OVER 5 YEARS	25.09%	27.33%

Source: FE Analytics data as of 30/04/2013, 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	● 5.67
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.42% 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%*
BENCHMARK:	1/3 UK ALL COMPANIES (SECTOR AVERAGE) 1/3 GLOBAL (SECTOR AVERAGE) 1/3 MIXED INVESTMENT 20-60% (SECTOR AVERAGE)



	FUND	BENCHMARK
PERFORMANCE OVER 1 YEAR	11.76%	15.71%
PERFORMANCE OVER 3 YEARS	23.06%	22.98%
PERFORMANCE OVER 5 YEARS	25.81%	25.43%

Source: FE Analytics data as of 30/04/2013, compiled by Chelsea.
*A performance fee may be applied, see page 10 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	● 7.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.46% 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.50%
BENCHMARK:	MSCI WORLD INDEX



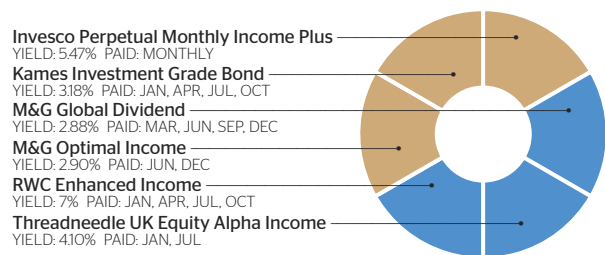
	FUND	BENCHMARK
PERFORMANCE OVER 1 YEAR	16.22%	21.78%
PERFORMANCE OVER 3 YEARS	30.26%	29.42%
PERFORMANCE OVER 5 YEARS	32.54%	39.21%

Source: FE Analytics data as of 30/04/2013, compiled by Chelsea.

Income EasyISA

Income is for investors looking to generate income with some prospect 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 potentially grow, capital over the long term, whilst paying dividends throughout the year.

AVERAGE CHELSEA RISK RATING	● 3.92
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.38% 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.38%
BENCHMARK:	1/2 STRATEGIC BOND (SECTOR AVERAGE) 1/2 UK EQUITY INCOME (SECTOR AVERAGE)



	FUND	BENCHMARK
PERFORMANCE OVER 1 YEAR	11.92%	12.35%
PERFORMANCE OVER 3 YEARS	19.61%	19.28%
PERFORMANCE OVER 5 YEARS	42.71%	29.49%
AVERAGE YIELD FOR THE PORTFOLIO	4.25%	

Source: FE Analytics data as of 30/04/2013, compiled by Chelsea.

Global Income EasyISA

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. Over 20% of the portfolio is invested in equities in each of the following regions: US, Europe and Asia, with a slightly lower weighting in UK equities.

BlackRock Continental European Income
YIELD: 3.70% PAID: SEP, DEC, MAR, JUN

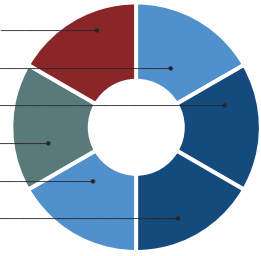
Fidelity Enhanced Income
YIELD: 5.82% PAID: NOV, FEB, MAY, AUG

JPM Emerging Markets Income
YIELD: 3.33% PAID: FEB, JUL

Legg Mason US Equity Income
YIELD: 2.20% PAID: NOV, FEB, MAY, AUG

Newton Global Higher Income
YIELD: 3.86% PAID: NOV, FEB, MAY, AUG

Schroder Asian Income
YIELD: 3.69% PAID: OCT, APR



AVERAGE CHELSEA RISK RATING	● 6.83
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.21% 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.5%

PERFORMANCE OVER 1 YEAR	N/A
PERFORMANCE OVER 3 YEARS	N/A
PERFORMANCE OVER 5 YEARS	N/A
AVERAGE YIELD FOR THE PORTFOLIO	3.77%

Source: FE Analytics data as of 30/04/2013, compiled by Chelsea.

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

Your EasyISA application form is on page 31

The Chelsea Risk Rating

Here is a guide to where various sectors sit on the Chelsea Risk Rating scale. It depicts the relative risk of those sectors. Please note that even those sectors at the lower end of the scale are subject to volatility.

The Chelsea Risk Rating 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.

You may notice that the Chelsea Risk Rating on some of your funds has changed. The Chelsea Research team have reviewed the risk ratings and, as a result, they have undergone a minor recalibration. Please see the Chelsea Selection on pages 18 and 19 for fund specific risk ratings.

NB Risk profiling is also subject to your own circumstances and, if you need advice, please speak to a financial adviser.



WELCOME TO THE GUIDE TO BUILDING YOUR OWN PORTFOLIO:

the **DIY**portfolio

If you have a larger sum to invest or the EasyISA doesn't meet your requirements, why not do it yourself? Here's a guide to how a self-selected portfolio might look. Please refer to the previous page for guidance on our recalibrated Chelsea Risk Ratings.

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. Although, it should be noted that even the 'Cautious Growth' portfolio has a substantial weighting in equities and is therefore subject to volatility.

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.

Cautious Growth DIYportfolio

AVERAGE CHELSEA RISK RATING: ■■■●■■ 5-6

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

Asset Class	Percentage
Fixed Interest	30%
Equity Income	20%
Absolute Return	15%
UK Growth	15%
Europe	7.5%
US	7.5%
Asia Pacific, Japan, Emerging Markets	5%

Balanced Growth DIYportfolio

AVERAGE CHELSEA RISK RATING: ■■■●■■ 6-7

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

Asset Class	Percentage
Fixed Interest	20%
Europe	15%
UK Growth	15%
US	15%
Absolute Return	10%
Asia Pac, Japan, Emerging Markets	10%
Equity Income	10%
Specialist	5%

Aggressive Growth DIYportfolio

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

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

Asset Class	Percentage
UK Growth	20%
US	20%
Asia Pac, Japan, Emerging Markets	15%
Europe	15%
Equity Income	10%
Specialist	10%
Absolute Return	5%
Fixed Interest	5%

Income DIYportfolio

AVERAGE CHELSEA RISK RATING: ■■■■■ 4-5

This is for those who wish to obtain a growing income. Yields for these funds can be found on the Chelsea Selection (pages 18-19). The equity income portion should be a combination of UK and overseas.

Asset Class	Percentage
Equity Income	50%
Fixed Interest	50%

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 **Core Selection**[®]

Offers a more concise version of the Selection table for those investors seeking core holdings for their portfolios - individually researched and analysed by our dedicated research team.

You can use these funds to build your **DIY portfolio** (see opposite page)

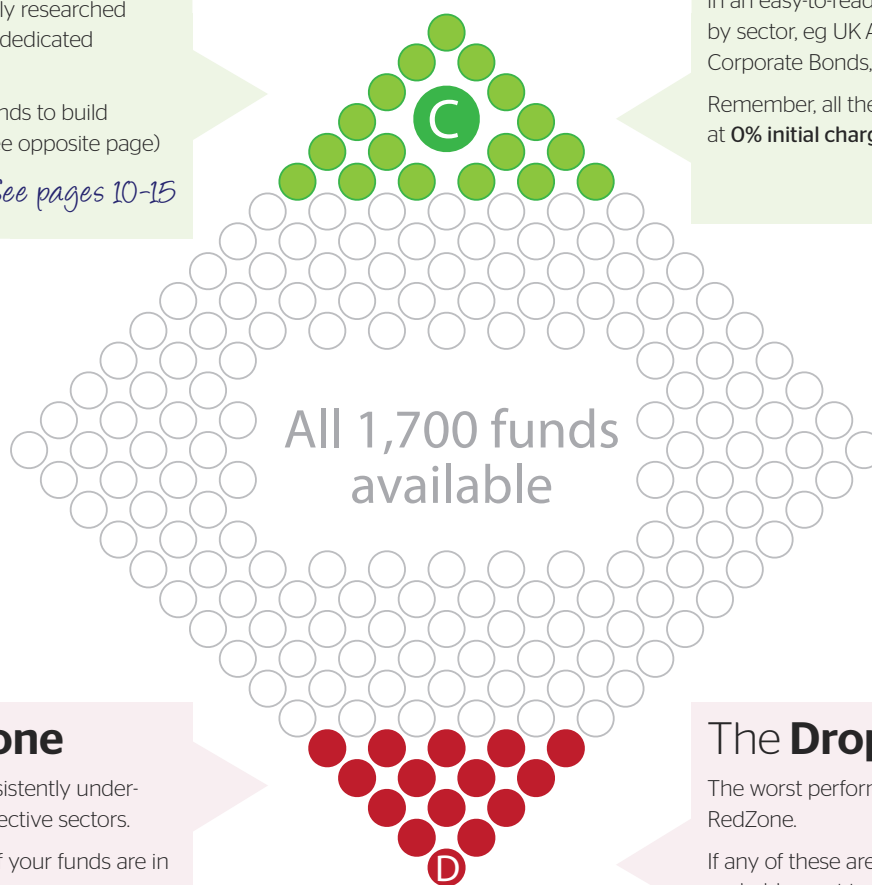
See pages 10-15

Chelsea **Selection**[®]

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

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

See pages 18-19



The **RedZone**

Funds that have consistently under-performed their respective sectors.

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

See page 21

The **DropZone**

The worst performers from the RedZone.

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

See page 20

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 investment process.

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[®]

35 Core funds from the Chelsea Selection - individually researched and analysed.

UK GROWTH

ARTEMIS UK SPECIAL SITUATIONS

Derek Stuart and Ruth Keatch define special situations as companies in transition, in recovery, requiring re-financing or simply suffering from investor disinterest. However, they have a preference for companies that can "self-help" by cutting costs or replacing management. They employ a bottom-up approach and their stock selection criteria favour growth characteristics, although not at the expense of traditional value-based disciplines. The fund has an unconstrained multi-cap mandate, but in general there will be about 40% large-cap and the remainder in small and mid-caps. The fund usually has around 60-90 holdings. The managers have recently been underweight financials which have cost them some performance, but despite this the fund has had a solid previous 12 months.

CHELSEA RISK RATING	● 6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	GOLD
YIELD	1.20%
UNIT TYPE	ACC

AXA FRAMLINGTON UK SELECT OPPORTUNITIES

Nigel Thomas is a pragmatic stock-picker who looks for both growth and value opportunities across the market-cap spectrum, although typically his fund will have around 50-60% in large-cap stocks. Stock selection is driven by bottom-up fundamental analysis, but the introduction of new products or a change in management are also deemed important factors. Nigel places considerable emphasis on meeting companies and their management, to assess the feasibility of their business plans and their ability to implement them. Strength of management is the most important attribute he considers when making investment decisions. The portfolio typically holds around 80 stocks. Nigel had a difficult 2012, due to being underweight banks and a couple of key holdings underperforming. However, he has had a better start to 2013 and the fund remains a core holding.

CHELSEA RISK RATING	● 6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	GOLD
YIELD	1.04%
UNIT TYPE	ACC or INC

J O HAMBRO UK OPPORTUNITIES

This fund is managed with conviction and aims to generate positive absolute returns over the long term by using a combination of top-down analysis and bottom-up stock selection. The managers, John Wood and Ben Leyland, look to find quality stocks at attractive valuations, to build a portfolio of 30-40 stocks, with no regard for the benchmark. John and Ben have a strict sell discipline and look to top-slice when holdings reach 5% of the portfolio. There is a 15% performance fee on out-performance of the FTSE All-Share Total Return Index, but the AMC is lower than most at 1.25%. At a recent meeting, John said he was uncomfortable with rising share prices, but deteriorating corporate cashflows, so was positioning his fund defensively.

CHELSEA RISK RATING	● 5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	-
MSTAR 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. However, there will usually be around 60% in small and mid-cap stocks. The managers look for firms with "intellectual capital" or strong distribution networks, recurring revenue streams and products with no obvious substitutes. The fund is concentrated with 40-50 stocks and, due to the nature of the companies held within the portfolio, should perform well in flat or falling markets. Another important factor is how key employees are motivated, with the preference being through direct ownership of the company's equity. The recent preference for companies that can grow their earnings despite the low growth environment has seen this fund rise up the league tables.

CHELSEA RISK RATING	● 6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.75%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.63%
UNIT TYPE	INC

M&G RECOVERY

This flagship M&G fund, managed by Tom Dobell, invests in companies that are out of favour with the market or experiencing difficulty. Company meetings are vital, and Tom takes a long-term view to holding these stocks, building a constructive relationship with company management making concerted efforts to turn the business around. By supporting these turnaround situations, Tom aims to profit from these stocks when the recovery process is complete and reflected in the stock price. The fund invests across the full market spectrum and typically holds around 100 stocks, each held on average for three to five years. In the current low growth environment, with little capex or M&A activity, companies are struggling to recover. Also being underweight banks and overweight natural resource stocks has seen the strategy come under a bit of pressure.

CHELSEA RISK RATING	● 6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	GOLD
YIELD	1.03%
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, who is supported by one of the best small-cap teams in the country. The fund is currently well diversified, with around 200 holdings, split between 80% small-cap and 20% mid-cap. 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 currently are industrials and technology.

CHELSEA RISK RATING	● 7.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	-
YIELD	0.32%
UNIT TYPE	ACC

Least risky

1 ● |||||

THE CHELSEA RISK RATING

This is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held; the risk controls imposed by the manager; the use of derivatives and currency issues.

We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest. See page 7 for further details

Most risky

||||| ● 10

All Core Selection funds are available at 0% initial charge within an ISA and outside an ISA on FundStore.

For performance statistics please refer to pages 18-19.

All data sourced from FE Analytics, 30/05/2013

the Chelsea **Core Selection**[®] CONTINUED

EQUITY INCOME

ARTEMIS INCOME

Adrian Frost and Adrian Gosden manage a high conviction portfolio of around 60 to 90 UK stocks, with the aim of generating rising income coupled with capital upside. The fund is mainly invested in UK equities listed on the FTSE 350, mostly in large caps although the portfolio may contain a mix of market caps and sectors, depending on the managers' convictions. They place a strong emphasis on finding businesses with strong and sustainable free cashflows. The managers are flexible in their strategy and will invest overseas or in bonds to maintain yield. Income is paid in July and January.

CHELSEA RISK RATING	● 5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	GOLD
YIELD	3.90%
UNIT TYPE	ACC or INC

INVESCO PERPETUAL HIGH INCOME

The highly experienced Neil Woodford has been managing this flagship Invesco Perpetual High Income fund for over 20 years. His team pair a global macroeconomic view with in-depth research of sectors and stocks. However, the fund places a greater emphasis on total return than pure income. Neil has the ability to invest overseas if he identifies suitable opportunities and often invests in the US. A top-down investment approach is used, which can lead to large sector weightings. Dividends are paid in March and September.

CHELSEA RISK RATING	● 5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	GOLD
YIELD	3.14%
UNIT TYPE	ACC or INC

M&G GLOBAL DIVIDEND

The notion that the discipline of paying dividends leads to greater corporate responsibility, which in turn leads to share price outperformance, is the investment philosophy behind this fund. Manager Stuart Rhodes' main aim is to grow distributions over the long term, whilst also maximising total return by investing across a wide range of geographies, sectors and market capitalisations. The process is bottom-up and value driven. The fund has around 50 stocks, typically held for three years. Global equity exposure may be gained through the use of derivatives and 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	SILVER
MSTAR OBSR FUND RATING	SILVER
YIELD	2.88%
UNIT TYPE	ACC or INC

NEWTON ASIAN INCOME

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, focusing on companies from across the market-cap range with strong, sustainable fundamentals that have an above-market yield at purchase. The portfolio has a low turnover and will typically comprise 40-55 stocks which may be listed in London or the US, as long as they generate significant revenues in the Asian region. The manager does not use hedging, gearing or derivatives to generate income, which 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
MSTAR OBSR FUND RATING	SILVER
YIELD	4.33%
UNIT TYPE	INC

RATHBONE INCOME

Through investing in UK companies with above average yields, Carl Stick aims to deliver rising income with the opportunity for capital upside over time. Carl adheres to an investment process that combines top-down macroeconomic considerations with bottom-up stock-picking in order to build a portfolio of 40-50 stocks. Seeking companies with quality earnings at the right price is the core emphasis of Carl's fund. The majority of the portfolio's holdings is spread across all UK company market-caps, although Carl will hold overseas equities where greater opportunities exist. Income is paid in January and July.

CHELSEA RISK RATING	● 5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.50% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	3.64%
UNIT TYPE	ACC or INC

RWC ENHANCED INCOME

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 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. Income is paid in February, May, August and November.

CHELSEA RISK RATING	● 5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	7.00%
UNIT TYPE	ACC or INC

THREADNEEDLE UK EQUITY ALPHA INCOME

Leigh Harrison and Richard Colwell manage the fund with emphasis placed on generating a total return from a concentrated portfolio of UK equities. The portfolio is constructed from the managers' best ideas, consisting of between 25 and 35 UK stocks. The team identify economic investment themes and position the portfolio accordingly. Using this thematic strategy, they select stocks aligned with their views. This may lead to a greater focus on certain sectors. This unconstrained approach provides the flexibility that allows Leigh and Richard to take active positions in their best ideas. They tend to hold mostly large-caps and avoid cyclical stocks, meaning they were underweight miners during 2012, which has boosted performance. Income is paid in January and July.

CHELSEA RISK RATING	● 5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	3.75% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	4.10%
UNIT TYPE	ACC or INC

S&P and MSTAR OBSR have changed their ratings gradings. S&P Capital IQ now rate funds either Platinum, Gold, Silver or Bronze, and MSTAR OBSR rate funds either Gold, Silver or Bronze.

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EUROPE

BLACKROCK CONTINENTAL EUROPEAN

Vincent Devlin has run this fund since 2008, supported by the European equity team, who provide research and analysis across all European markets. The fund has a flexible style and is therefore able to adapt to different types of market, for example moving into value mid-cap stocks when the market dips. The focus is on bottom-up stock analysis, including company meetings, combined with macroeconomic awareness. The portfolio will typically hold 35-65 stocks.

CHELSEA RISK RATING	● 7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	SILVER
YIELD	0.44%
UNIT TYPE	ACC or INC

JUPITER EUROPEAN

The fund manager, Alexander Darwall, runs a concentrated, conviction portfolio of 30-40 stocks, with a focus on mid-cap stocks. Alexander takes a long-term view, focusing predominantly on bottom-up stock analysis and places a high degree of importance on management meetings and having an in-depth understanding of the companies in which he invests. Turnover is thus very low. Alexander will only consider stocks with sound business characteristics and favours those which he believes will emerge stronger from a recession.

CHELSEA RISK RATING	● 6.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	GOLD
YIELD	0.30%
UNIT TYPE	INC

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. This can lead to considerable deviations from the fund's benchmark and periods of relative underperformance.

CHELSEA RISK RATING	● 8
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.75%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	1.00%
UNIT TYPE	ACC or INC

SCHRODER EUROPEAN ALPHA PLUS

The 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 them with the group's 18 European analysts. Leon looks for market-leading companies and his bias is towards higher quality, structural growth companies with low cyclicality. As the bottom-up investment process is not benchmark driven, the portfolio will often differ from the index at both sector and country level. The portfolio will typically comprise around 50-70 stocks with a mid to long-term investment horizon.

CHELSEA RISK RATING	● 6.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	3.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	0.59%
UNIT TYPE	ACC or INC

THREADNEEDLE EUROPEAN SELECT

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. David likes companies with a strong market share in emerging markets and is currently underweight peripheral Europe from a bottom-up, stock-picking perspective. The fund is fairly concentrated and currently has 43 holdings, of which around 90% are in large-caps.

CHELSEA RISK RATING	● 7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	3.75% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	-
YIELD	0.40%
UNIT TYPE	ACC

US

AXA FRAMLINGTON AMERICAN GROWTH

Manager Steve 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. The fund's performance has suffered slightly in the past year, largely due to its bias toward cyclical growth stocks.

CHELSEA RISK RATING	● 7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	ACC

Least risky

1 ● |||||

THE CHELSEA RISK RATING

This is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held; the risk controls imposed by the manager; the use of derivatives and currency issues.

We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest. See page 7 for further details

Most risky

||||| ● 10

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ASIA PACIFIC, JAPAN AND EMERGING MARKETS

FIRST STATE ASIA PACIFIC LEADERS

Experienced managers Angus Tulloch (based in Edinburgh) and Alistair Thompson (based in Singapore) run this stock-driven fund within a broad macroeconomic context, with support from their extensive Asia Pacific team. Company meetings play an essential role in stock selection and regional analysts generate ideas that lead to a portfolio of 50-120 large/mid-cap undervalued stocks, with above-average growth and taking a mid to long-term investment horizon. Exposure to companies with a market cap of less than \$US500m must be less than 10%. The portfolio is currently overweight Hong Kong, India and Singapore.

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
MSTAR OBSR FUND RATING	GOLD
YIELD	0.26%
UNIT TYPE	ACC

JUPITER JAPAN INCOME

This fund looks to exploit the increasing trend for Japanese firms to pay dividends. The managers look for companies with superior growth prospects, but trading at a reasonable valuation, although they are willing to pay a premium for potential growth if the investment case is compelling enough. The managers frequently travel to Japan and place emphasis on extensive company/management meetings. Strong cashflows are preferable, as are management teams who are willing to pay above average dividends. The resultant portfolio comprises 40-50 holdings, with a large-cap focus.

CHELSEA RISK RATING	● 9.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.25% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	SILVER
YIELD	2.20%
UNIT TYPE	ACC or INC

M&G GLOBAL EMERGING MARKETS SPOTLIGHT

Matthew Vaight seeks to deliver capital growth by identifying quality stocks he deems undervalued. He invests in any emerging market region or in companies whose business is conducted primarily in these regions and avoids 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 manager's core belief that value creation, and not economic growth, will deliver returns over the long term. Recently, Matthew has increased his exposure to Mexico by investing in manufacturers benefiting from their increasing competitiveness compared with China.

CHELSEA RISK RATING	● 10
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	SILVER
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.47%
UNIT TYPE	ACC or INC

SCHRODER ASIAN ALPHA PLUS

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. This concentrated portfolio will typically consist of 60-80 of the best ideas in the region and a "one in one out" policy is followed. The fund is relatively unconstrained, but risk-aware, and can invest across the market-cap spectrum.

CHELSEA RISK RATING	● 8
INITIAL CHARGE AFTER CHELSEA DISCOUNT	0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	0.20%
UNIT TYPE	ACC

MISCELLANEOUS

ARTEMIS STRATEGIC ASSETS

Managers William Littlewood and Giles Parkinson assess the macroeconomic environment to help make their investment decisions. They aim 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 the managers also use derivatives in order to exploit both rising and falling markets. They often take advantage of shorting individual securities or currencies that they believe are overpriced.

CHELSEA RISK RATING	● 6
INITIAL CHARGE AFTER CHELSEA DISCOUNT	0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	-
YIELD	0.50%
UNIT TYPE	ACC

J P MORGAN NATURAL RESOURCES

Neil Gregson, the manager, 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. Commodity stocks, and in particular mining stocks, have fallen dramatically recently and this, compounded with the fund's small-cap bias, has contributed to the lacklustre performance.

CHELSEA RISK RATING	● 10
INITIAL CHARGE AFTER CHELSEA DISCOUNT	3.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	ACC

MITON SPECIAL SITUATIONS PORTFOLIO

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

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.

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GLOBAL

RATHBONE GLOBAL OPPORTUNITIES

This fund has a broad investment mandate, with the lead manager, James Thomson, able to invest anywhere globally. Typically, however, the portfolio will consist of 50-60 stocks from developed world markets. James and Alexandra (deputy manager) conduct all their own research and look for pure-play growth stocks. Ideally portfolio companies will be easy to understand, have entrepreneurial management, strong demand for their product and be resilient to changes in the business cycle. Lastly they look for a catalyst for the share price to push forward. This approach can lead to periods of volatility in unsettled markets. The fund does not invest directly into emerging markets stocks.

CHELSEA RISK RATING	● 6.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	2.5% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	-
UNIT TYPE	ACC

FIXED INTEREST

HENDERSON STRATEGIC BOND

With up to 70% of the fund in high-yield bonds, this is one of the more aggressively managed strategic bond funds. The managers, like their peers, can invest across the fixed income spectrum but can also invest in synthetic fixed income securities (i.e. preference shares) and equities. In addition to the flexible investment mandate the managers have the freedom to vary the source of their returns between income or capital growth. This means the fund can take short positions, to enhance returns or protect capital. Income is paid in March, June, September and December.

CHELSEA RISK RATING	● 3
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	SILVER
YIELD	5.50%
UNIT TYPE	INC

INVESCO PERPETUAL MONTHLY INCOME PLUS

This fund aims to achieve a high level of income through investing in high yielding corporate and government bonds and high yielding UK equities. The team invests throughout global bond markets, using a bottom-up approach, but with no formal rules as to specific sectors, regions or type of fixed interest security. Investments are normally focused on high yield bonds, but there is flexibility to move up the credit scale. The equity portion, limited to 20% of the portfolio, is managed by Neil Woodford who manages the Invesco Perpetual High Income fund.

CHELSEA RISK RATING	● 3.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	5.00% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	GOLD
YIELD	5.49%
UNIT TYPE	ACC or INC

JUPITER STRATEGIC BOND

The manager, Ariel Bazelel, seeks out the best opportunities within the fixed interest universe globally. Throughout 2012 he was overweight safe haven sovereign debt, such as Australian Government bonds, due to macroeconomic concerns. He is also free to identify debt issues he feels are mispriced using bottom-up fundamental analysis. Companies with robust business models and recurring revenue streams are preferred. Derivatives can be used to manage risk, but not for investment purposes. Income is paid in April, July, October and January.

CHELSEA RISK RATING	● 2
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	-
YIELD	5.40%
UNIT TYPE	ACC or INC

KAMES INVESTMENT GRADE BOND

Co-managers Stephen Snowden and Euan McNeil target total return by investing mainly in global investment grade corporate bonds (at least 80%), however gilts, high yield bonds and cash are also held. A strong team ethic, together with their significant fixed income resource, influences both top-down strategy and bottom-up stock-picking and the resulting portfolio typically has around 140 stocks. The team has the flexibility to change its positioning quickly in a corporate bond market where liquidity is very low and new issuance has shrunk markedly. With interest rates expected to remain at record lows the managers expect the bond market to hold up well in 2013 and will look to buy tactically on market weakness. The fund pays out in April, July, October and January.

CHELSEA RISK RATING	● 1.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.50% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	3.18%
UNIT TYPE	ACC or INC

LEGAL & GENERAL DYNAMIC BOND

A real return from either capital growth or income are the priority for the manager, Richard Hodges. Consequently the yield may vary if he identifies low yielding but underpriced fixed income assets. He also has the freedom to take short positions using derivatives, to benefit from falling prices. As with other strategic bond funds the manager has the ability to invest across the credit scale, but is limited to 10% non-sterling assets, to reduce currency risk. Income is paid in March, June, September and December.

CHELSEA RISK RATING	● 2.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	3.00% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	SILVER
YIELD	4.50%
UNIT TYPE	ACC or INC

M&G OPTIMAL INCOME

The manager, Richard Woolnough, identifies macroeconomic themes in order to determine the amount of credit and interest rate risk he is prepared to take. Consequently, a shift in economic sentiment can see the balance between sovereign, investment grade and high-yield bonds shift dramatically. He may also hold some equities in the portfolio. Rigorous credit analysis is deployed as Richard focuses on avoiding losers, rather than picking winners. Fundamental analysis is used to identify specific issues, with cashflow, ability to service debt and susceptibility to event risk deemed to be key factors. Income is paid in June and December.

CHELSEA RISK RATING	● 2.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	3.00% 0%
ANNUAL MANAGEMENT CHARGE	1.25%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	SILVER
YIELD	2.90%
UNIT TYPE	ACC or INC

Least risky



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. See page 7 for further details

Most risky



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ABSOLUTE RETURN

NEWTON REAL RETURN SPOTLIGHT

This absolute return fund aims to provide investors with growth of 2.5% p.a. above LIBOR on a rolling 5-year basis. The starting point for the process is the views of Newton's strategy group, which attempts to identify long-term trends in the global economy. The manager uses these views in determining the fund's asset allocation – usually direct holdings of equities (predominantly large, multinational companies), bonds and cash. Other asset classes, such as gold, may also feature. Derivatives will be held for efficient portfolio management, income generation and downside protection but there will be no leverage, no complex derivative strategies and no shorting of individual stocks. At present the fund is defensively positioned, with around 40% in equities (with pharmaceuticals being the preferred sector) and 20% in fixed income.

CHELSEA RISK RATING	● 5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	BRONZE
YIELD	2.97%
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 targets LIBOR + 5% by investing about 70% of the fund in Standard Life equity and bond funds. The remainder is invested using "relative value strategies" in equities, fixed income securities, currencies and cash positions. Also the fund can take market directional views and look to profit from declining asset values. The fund usually has equity exposure of no more than 40%, while target volatility is 4-8%. There is no performance fee on this fund. To help control risk at any one time the fund must employ at least three uncorrelated strategies.

CHELSEA RISK RATING	● 5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	4.00% 0%
ANNUAL MANAGEMENT CHARGE	1.50%
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.97%
UNIT TYPE	ACC

C 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 and outside an ISA.

For performance statistics please refer to pages 18-19.

All data sourced from FE Analytics, 30/05/2013

Did you know that Chelsea also has an **email newsletter?**

We send it twice a month (we know that our clients don't like to be bombarded) and here's what you can expect:

- up-to-date independent fund research
- commentary on developments in the fund management industry
- our latest macroeconomic views
- filmed interviews with fund managers
- client competitions
- special editions, for example the Budget and how it affects you

If you would like to sign up to receive the email newsletter, please go to our homepage www.chelseafs.co.uk where you will find a box marked **Email News**. Alternatively, please email us at info@chelseafs.co.uk and ask to be added to the list. We will not pass your details to anyone else.



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 M&G Global Emerging Markets



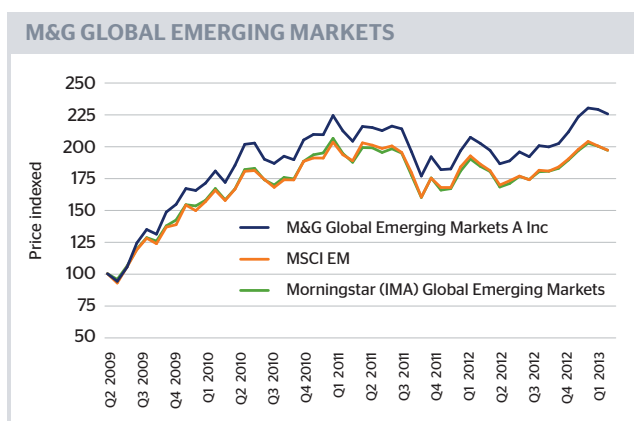
MATTHEW VAIGHT
Portfolio manager, M&G
Global Emerging Markets

I joined M&G in 1996 as an equity analyst. Nine years later I became a member of the global equity team, providing company research for a number of portfolios, including the M&G Asian fund. I took over the management of M&G Asian in 2008 and have run M&G Global Emerging Markets since its launch in 2009.

For many investors the appeal of emerging markets is their rapid economic development, driven by demographic changes and urbanisation. While these factors are likely to transform developing nations, I believe robust economic growth does not necessarily result in good stock-market performance. What matters more, in my view, is finding well-run businesses that can harness the tailwind of growth profitably and deliver returns for their investors.

We select around 60 companies for our portfolio that we believe have the potential to create long-term value for their shareholders. Our research centres on return on capital. Through careful fundamental analysis of company business models and assets, we seek firms that can increase their return on capital over time or sustain high returns for longer than the market expects.

We have identified a number of different catalysts that could drive companies' future cashflows. These include the possession of unique assets, such as mines, that could benefit from increased demand, the restructuring or rationalisation of businesses, and the investment in research and development and innovation. By selecting companies whose businesses are driven by each of these different catalysts, we try to create a balanced portfolio that can perform in different market environments.



Source: Morningstar. Based on product returns net of fees. In GBP (Sterling) assuming net income reinvested.

FINDING COMPANIES WE TRUST

As long-term investors, we believe it is important to trust the people in charge of the business. We pay close attention to corporate governance practices to ensure that the firms we are considering investing in are run for the benefit of all of their shareholders.

We believe that meeting company management teams is essential to understanding how businesses are run. We want to invest in businesses that make sensible capital allocation decisions. Face-to-face meetings help us to assess the people in charge and to decide whether they speak our language of shareholder value creation. Visiting companies and seeing their assets and operations on the ground also plays an important part in gaining conviction on the suitability of potential investments.

Finally, but by no means least, we look at valuations. We believe it is essential to identify companies whose future returns are underappreciated by investors. In many cases, emerging market investors overpay for future growth. Therefore, a disciplined valuation approach helps us identify good investments, not just good companies.

Emerging markets represent a huge investment universe, with a diverse range of companies, as well as a varied investor base. We believe a discerning stock-picking approach, focused on well-run value-creating companies, is the most effective way to capture the opportunities in the developing world.

FOLLOWING THE VALUE

At present, we believe there are abundant opportunities in emerging markets for selective, long-term investors. Macroeconomic concerns have influenced investor sentiment lately and there has been a huge dispersion in performance between countries and sectors. Larger markets such as Brazil and China have been out of favour, while countries like Mexico and ASEAN markets such as Indonesia and Thailand have been 'flavour of the month'. At the sector level, defensive areas like consumer staples have been preferred to cyclical sectors. This trend has arguably left many companies incorrectly priced.

In our view, this situation presents great opportunities for active, value-focused stockpickers. We believe Brazil and China now look attractive. Brazil, in particular, has great companies that are well managed and create value for their shareholders. We recently established positions in Banco Bradesco, one of Brazil's largest private sector banks, and a Chinese rail signalling company called Hollysys Automation Technologies. In our view, both these firms have excellent growth potential. Similarly, we consider many industrial firms and producers of basic materials, that have lately been shunned, to have fantastic long-term prospects. Over the past few months, we have invested in South African industrial conglomerate Barloworld, as well as increasing our stake in Vale, an iron ore miner from Brazil.

Investors continue to overlook these compelling corporate stories and focus instead on the top-down macroeconomic situation. By 'following the value' and searching for value-creating companies in 'unloved' areas of the market we are confident that we can find exciting investment opportunities. ■

THE CHELSEA VIEW:

"We like the manager's long-term approach and the attention paid to corporate governance, an important factor when investing in emerging markets. He invests in quality stocks and focuses closely on valuations."



Spotlight on **Newton Real Return**



IAIN STEWART
Fund manager,
Newton Real Return

I am investment leader of the global funds at Newton Investment Management (Newton) and responsible for the Real Return team, which runs the Newton Real Return fund. Before I joined Newton in 1985, I worked for the Ministry of Agriculture, Fisheries and Food (MAFF), now called Defra.

REDUCING VOLATILITY

In managing Newton Real Return, we seek positive results over time and our focus is on capturing the upward movement of the investment market, as well as managing any difficulties we might face. With this in mind, the fund has a core of assets that aim to achieve positive returns – such as debt of companies and equities. These core holdings have an insulating and risk-absorbing layer rather like a car tyre. This layer comprises a whole range of other assets that aims to reduce volatility to which the core assets may be exposed. The fund has a performance aim of cash (1 month GBP LIBOR) + 4% p.a. over five years before fees.

Above all, our approach as investment managers is to try to prepare for a wide range of outcomes, and we seek to ensure that we invest in companies and assets that have the potential to withstand a variety of economic and financial-market conditions. It is in this respect that global investment themes are so important to us at Newton and so embedded in our culture. They encourage us to focus on long-term ideas, give us perspective and help us to look beyond the short-term distortions that exist in markets.

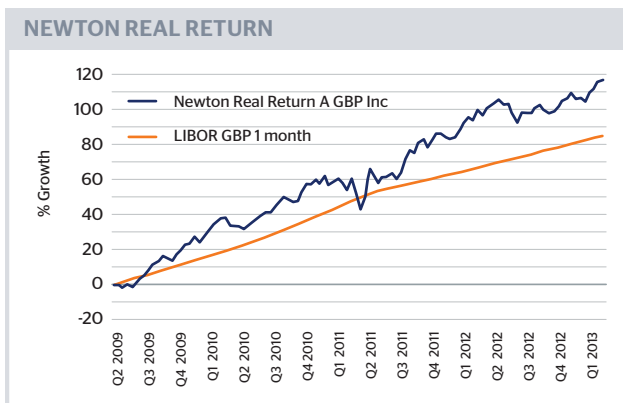
Our focus is on those areas of the market that should be less affected by the volatility of the economic cycle and which should, in turn, we believe, offer sustainable returns. Equities that currently have, in our view, such characteristics include many of those in the pharmaceuticals, healthcare, utilities and tobacco sectors. Newton Real Return has some exposure to technology companies and to the emerging markets as well as investments in bonds (corporate debt) of some industrial companies, such as Ardagh Glass.

THEMATIC INVESTING

At Newton, we have identified global investment 'themes' that we believe are fundamental forces shaping the global economy and use them in the construction of the portfolio to maintain focus against the background 'noise' in the markets.

The purpose of our themes is to understand the trends that are likely to shape opportunities and risks in the investment landscape in the years ahead, to find assets that could benefit from these trends and to avoid those that seem likely to lose out. When we invest in healthcare companies, we take note of the worsening demographic trends, chiefly ageing populations, in the developed world and that individuals in countries traditionally seen as less developed are becoming better off and are able to spend more to meet their health needs.

With regard to the debt of government, known as



Source: Lipper IM.
Fund performance calculated as total return including reinvested income net of UK tax and annual charges, but excluding initial charge. All figures are in GBP terms. The impact of the initial charge, which may be up to 4%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

government bonds, our main focus is on those of Norway and Australia. Our reasoning is that Norway has solid state finances and Australia has, unlike many other developed countries, scope to lower interest rates should its economic ties to China result in a slowdown of its own economy. (There are concerns that China's rate of growth is slowing)

The context in which we are operating is that we believe that the actions of the authorities – for example, printing new money in order to stimulate economic growth – are becoming increasingly experimental and are distorting the economic landscape. There remains substantial risk in markets, I believe.

Much of the western world is burdened by debt (belonging to governments, companies and individuals) and is likely to experience muted economic growth. Against such a backdrop, I anticipate that returns will be more difficult to make than was the case during much of the past 30 years. Operating in such an investment environment requires a flexible approach, active decision making and the ability to invest across a range of different financial instruments. One of Newton's strengths is that we can draw on the expertise of the team researching global equities (company shares) and the specialists knowledgeable about the debt of companies and governments. I also believe Newton's perspective is helped by the firm being based in one single location and the spirit of collaboration this fosters. ■

THE CHELSEA VIEW:

“For investors nervous of elevated bond prices but uncomfortable investing into a pure equity fund, this vehicle, being a blend of primarily bonds and equities, as well as several other asset classes, could provide a suitable alternative.”



the Chelsea Selection

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

All these funds are now available at 0% initial charge on FundStore – saving you up to 5.5% or £633 within your 2013/14 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	30.68	102	46.28	81	43.23	47	191.76	24	1.20	1055.9
AXA Framlington UK Select Opportunities	6	25.83	192	60.40	30	54.72	27	264.79	4	1.04	3849.6
BlackRock UK Special Situations	7	29.85	107	57.95	34	55.19	26	232.73	10	1.16	1719.0
Cazenove UK Opportunities	6	49.10	7	88.22	4	116.02	2	260.43	5	1.20	1613.9
Franklin UK Mid Cap	7	38.74	40	78.10	7	89.74	7	393.11	1	0.69	780.0
JOHCM UK Opportunities	5	25.92	188	50.79	60	51.88	31	-	-	3.04	1100.0
Legal & General UK Alpha	8	27.09	165	44.81	94	69.20	14	-	-	-	17.71
Liontrust Special Situations	6	26.60	177	84.22	5	103.67	5	-	-	0.63	931.0
M&G Recovery	6	17.39	237	33.92	184	32.97	77	212.80	15	1.03	7320.3
Marlborough UK Leading Companies	7	33.78	76	66.04	18	55.38	25	202.19	18	1.06	91.7
Standard Life Inv UK Equity Unconstrained	8	62.22	1	91.27	2	129.41	1	-	-	0.55	586.2
SECTOR AVERAGE AND NUMBER IN SECTOR	-	30.18	248	42.15	236	28.16	211	124.42	156	-	-
UK EQUITY INCOME											
Artemis Income	5	26.39	66	32.99	60	18.24	40	86.60	24	3.90	5489.2
Evenlode Income	5	34.24	18	63.11	4	-	-	-	-	3.22	28.3
Fidelity Enhanced Income	5	14.63	96	18.93	77	-	-	-	-	5.82	156.0
Invesco Perpetual High Income	5	25.15	72	43.55	35	22.88	34	158.95	6	3.11	13665.4
Marlborough Multi Cap Income	7	38.16	7	-	-	-	-	-	-	4.22	331.4
Rathbone Income	5	28.69	45	40.45	43	9.29	57	65.94	36	3.63	544.2
RWC Enhanced Income*	5	20.72	58 / 61	-	-	-	-	-	-	-	173.8
Threadneedle UK Equity Alpha Income	5	31.93	28	44.05	31	16.53	42	-	-	4.10	422.7
Troy Trojan Income ¹	5	26.08	69 / 99	56.06	10 / 90	61.68	5 / 76	-	-	4.10	1172.0
SECTOR AVERAGE AND NUMBER IN SECTOR	-	28.40	97	38.55	87	20.89	73	83.27	56	-	-
UK SMALLER COMPANIES											
Cazenove UK Smaller Companies	8	39.44	6	123.05	1	113.63	2	391.80	5	0.30	502.9
Marlborough Special Situations	7.5	28.29	32	82.46	8	79.13	8	486.43	1	0.62	601.5
Marlborough UK Micro Cap Growth	8	23.42	42	88.87	4	97.30	4	-	-	-	171.4
SECTOR AVERAGE AND NUMBER IN SECTOR	-	28.71	50	60.17	50	47.01	45	205.88	34	-	-
CORPORATE BOND											
Invesco Perpetual Corporate Bond	2	17.96	2	26.31	15	48.84	6	82.26	1	4.10	5955.6
Kames Investment Grade Bond	1.5	14.66	8	29.31	5	48.97	5	-	-	3.18	592.3
Kames Sterling Corporate Bond	1.5	15.40	5	28.85	7	42.21	13	57.65	7	3.20	552.8
M&G Strategic Corporate Bond	1.5	10.19	39	27.32	10	70.93	1	-	-	2.91	5485.1
SECTOR AVERAGE AND NUMBER IN SECTOR	-	10.40	75	17.61	70	24.97	66	18.26	47	-	-
HIGH YIELD											
Kames High Yield Bond	3	14.26	12	34.64	2	58.24	2	117.67	2	4.49	1537.6
SECTOR AVERAGE AND NUMBER IN SECTOR	-	14.33	23	21.58	19	29.79	18	50.79	16	-	-
STRATEGIC BOND											
Artemis Strategic Bond	3	14.09	13	27.42	7	40.23	8	-	-	4.40	545.4
Fidelity Strategic Bond	2	9.03	39	16.08	30	32.82	12	-	-	2.99	1391.0
Henderson Strategic Bond	3	7.63	50	4.39	51	6.03	37	-	-	5.50	1090.0
Invesco Perpetual Monthly Income Plus	3.5	21.83	1	34.79	1	55.26	3	146.52	1	5.47	3744.6
Jupiter Strategic Bond	2	13.52	16	34.18	2	-	-	-	-	5.40	1495.4
Legal & General Dynamic Bond	2.5	9.06	37	7.24	48	41.18	6	-	-	4.50	1744.8
M&G Optimal Income	2.5	14.51	11	32.55	3	71.66	2	-	-	2.90	14450.0
SECTOR AVERAGE AND NUMBER IN SECTOR	-	10.41	65	16.45	57	22.01	45	23.64	24	-	-
ABSOLUTE RETURN											
BlackRock European Absolute Alpha	4	2.58	44	17.57	9	-	-	-	-	-	45.4
BNY Mellon Absolute Return Equity* <small>NEW ENTRY</small>	5	9.59	75 / 136	-	-	-	-	-	-	-	277.0
Newton Real Return	5	6.96	31	7.63	26	15.61	11	100.96	1	2.97	7974.8
Standard Life Inv Global Absolute Return Strategies	5	10.18	15	19.83	7	45.75	3	-	-	0.97	16727.0
SECTOR AVERAGE AND NUMBER IN SECTOR	-	7.82	54	10.78	37	16.87	14	-	1	-	-
EUROPE EXCLUDING UK											
BlackRock Continental European	7	41.63	47	48.70	12	49.85	4	241.57	5	0.45	448.0
BlackRock Continental European Income	6.5	49.27	6	-	-	-	-	-	-	3.70	69.8
BlackRock European Dynamic	7	43.66	25	60.50	3	71.63	1	333.71	1	0.51	1690.4
Henderson European Growth	7	40.87	52	44.09	16	34.98	8	238.62	6	1.20	936.2
IM Argonaut European Alpha	8	37.69	70	36.85	35	27.10	17	-	-	0.64	178.0
Jupiter European	6.5	38.39	64	54.12	9	59.86	3	270.40	3	0.30	2139.5
Jupiter European Special Situations	7	38.11	65	41.39	24	33.03	9	259.44	4	0.40	703.4
Liontrust European Growth	7.5	29.49	90	33.45	48	18.05	27	-	-	1.45	58.0
Neptune European Opportunities	8	32.48	87	23.86	74	96.00	49	273.46	2	1.01	668.6
Schroder European Alpha Plus	6.5	36.99	72	40.96	25	28.04	16	-	-	0.31	937.1
Threadneedle European Select	7	39.44	58	65.18	1	65.25	2	222.30	7	0.40	1942.0
SECTOR AVERAGE AND NUMBER IN SECTOR	-	41.02	90	36.01	85	15.45	71	147.71	55	-	-

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

	Chelsea Risk Rating	1 YEAR Rank		3 YEAR Rank		5 YEAR Rank		10 YEAR Rank		Yield %	Fund Size (m)
	% Growth	% Growth	Rank	% Growth	Rank	% Growth	Rank	% Growth	Rank		
NORTH AMERICA											
AXA Framlington American Growth	7	15.73	67	42.60	30	65.54	11	116.95	14	-	563.4
Jupiter North American Income	6.5	31.39	26	41.41	34	61.51	15	127.95	9	1.50	444.7
Legg Mason US Equity Income	6.5	25.80	57	-	-	-	-	-	-	2.20	53.8
Threadneedle American Select	7	26.24	55	41.62	33	67.93	9	136.69	7	-	1984.2
SECTOR AVERAGE AND NUMBER IN SECTOR	-	29.57	67	41.29	61	56.33	52	98.37	42	-	-
JAPAN											
JOHCM Japan*	10	39.20	15 / 109	33.54	8 / 100	45.48	12/87	-	-	-	454.9
Jupiter Japan Income	9.5	32.13	28	22.15	18	32.94	13	-	-	2.10	625.4
SECTOR AVERAGE AND NUMBER IN SECTOR	-	36.31	39	24.65	37	30.62	33	92.28	30	-	-
ASIA PACIFIC EXCLUDING JAPAN											
Aberdeen Asia Pacific	7.5	24.87	24	36.12	16	71.29	7	385.47	3	1.00	2600.0
Baring ASEAN Frontiers*	10	42.18	15 / 162	67.79	6 / 135	-	-	-	-	-	758.9
Fidelity Emerging Asia	10	25.35	22	-	-	-	-	-	-	0.41	9.0
First State Asia Pacific Leaders	7.5	29.90	9	48.08	6	79.38	5	-	-	0.25	7260.0
Invesco Perpetual Asian	7.5	25.22	23	31.82	20	55.80	13	349.88	8	0.66	609.9
JOHCM Asia ex Japan Small and Mid Cap*	9	45.67	7 / 162	-	-	-	-	-	-	-	9.3
Newton Asian Income	7.5	24.38	28	44.80	8	64.58	9	-	-	4.33	4007.5
Schroder Asian Alpha Plus	8	24.20	30	50.05	5	93.27	2	-	-	0.20	493.6
Schroder Asian Income	7.5	31.06	6	52.89	2	85.23	4	324.93	10	3.69	370.1
SECTOR AVERAGE AND NUMBER IN SECTOR	-	24.64	51	28.30	45	45.20	42	294.21	29	-	-
EMERGING MARKETS **											
Fidelity Emerging Europe Middle East and Africa	10	24.48	35 / 120	24.69	29 / 87	37.15	12 / 66	-	-	1.02	109.0
Fidelity India Focus*	10	21.77	77 / 202	-2.94	123 / 161	13.84	55 / 119	-	-	-	2033.0
Fidelity Latin America*	10	13.01	131 / 202	7.12	90 / 161	19.96	47 / 119	-	-	-	2406.0
Invesco Perpetual Hong Kong & China NEW ENTRY	10	38.64	1 / 14	25.99	2 / 12	48.46	2 / 9	379.89	2 / 3	0.81	202.3
JPM Emerging Markets Income	9.5	-	-	-	-	-	-	-	-	3.33	56.7
JPM New Europe	10	28.67	21 / 120	5.48	60 / 87	-15.41	52 / 66	285.98	5 / 23	1.55	191.5
M&G Global Emerging Markets	10	23.89	11 / 44	21.63	8 / 36	-	-	-	-	0.47	1154.2
Neptune Russia & Greater Russia	10	17.53	62 / 120	-2.33	66 / 87	-16.03	53 / 66	-	-	0.35	362.2
GLOBAL EQUITIES **											
Fundsmith Equity	6	34.50	33 / 190	-	-	-	-	-	-	0.59	1400.0
JOHCM Global Select*	7	31.28	155 / 398	45.28	34 / 330	-	-	-	-	-	1100.0
M&G Global Basics	7.5	17.82	184 / 190	20.41	152 / 161	10.79	133 / 146	294.06	2 / 91	0.26	4990.2
M&G Global Dividend	6	34.15	37 / 190	53.79	11 / 161	-	-	-	-	2.88	6027.8
Newton Global Higher Income	6	24.73	19 / 24	33.22	12 / 17	14.23	9 / 13	-	-	3.86	3912.5
Rathbone Global Opportunities	6.5	23.50	167 / 190	45.94	20 / 161	29.71	82 / 146	264.97	4 / 91	-	233.6
MISCELLANEOUS **											
Artemis Strategic Assets	6	27.87	32 / 124	27.66	65 / 99	-	-	-	-	0.50	866.0
AXA Framlington Global Technology	10	11.36	7 / 7	32.26	6 / 7	87.24	3 / 6	190.91	2 / 6	-	201.4
BlackRock Gold & General	10	-29.60	115 / 120	-38.49	83 / 87	-24.08	61 / 66	156.74	12 / 23	-	2160.9
GLG Technology Equity	10	19.29	4 / 7	39.97	3 / 7	78.03	4 / 6	124.98	5 / 6	-	145.8
HSBC Open Global Return	3	16.56	80 / 183	24.38	65 / 153	29.65	44 / 99	-	-	0.20	190.0
Investec Global Gold	10	-26.98	114 / 120	-35.46	81 / 87	-19.49	58 / 66	-	-	-	97.6
JPM Natural Resources	10	-17.39	112 / 120	-29.55	80 / 87	-32.45	63 / 66	292.32	4 / 23	-	1223.7
Jupiter Financial Opportunities	8	41.79	7 / 120	9.56	53 / 87	40.42	10 / 66	180.76	11 / 23	0.40	521.1
Legal & General UK Property Trust	3.5	2.05	24 / 39	11.11	20 / 36	6.82	16 / 33	-	-	2.60	755.0
Mitton Special Situations Portfolio	4	6.67	122 / 124	10.18	95 / 99	28.75	28 / 73	203.78	4 / 38	-	865.3
Old Mutual Global Strategic Bond	3	4.69	28 / 51	11.44	20 / 42	50.66	8 / 33	35.76	12 / 24	1.50	946.2
Schroder Global Property Securities	7.5	26.31	11 / 39	44.94	8 / 36	41.63	5 / 33	-	-	0.50	884.3

Ⓞ = Funds featured in The Chelsea Core Selection - see pages 10-15.

* These funds are domiciled offshore and therefore sit within a different sector. Please note different regulations may apply to funds with offshore status.

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

† This fund falls within the IMA sector.

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, 30/05/2013. 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.

Don't forget, Chelsea clients can switch out of these underperforming funds for free. See page 27 for details.



The RedZone

The last RedZone report ended with me looking forward to the summer and hoping to be able to bring brighter news to you this time round. But as I sit here, writing this edition, I'm once again too optimistically dressed, shivering in the office (I know it's mid-May, but will someone please turn the heating back on?) and listening to the rain beat down on the window.

TRIPLE DIP PERFORMANCE

The RedZone is not looking any better either. In fact, with 146 funds making it into the list on this occasion, totalling more than £34 billion in assets under management, I think it's fair to say it's looking much worse. While the British economy has narrowly avoided a triple dip recession, far too many British funds have not avoided a triple dip, with three years of consecutive underperformance. What makes this even more worrying is the fact that the last three years have all been very different in investment terms so you would expect fewer funds to underperform in each type of environment.

The top offender, in terms of number of funds in the RedZone, is Legal & General with nine. They are closely followed by JP Morgan (seven), with Scottish Widows and Fidelity in joint third with five apiece. When it comes to investors' assets, however, Scottish Widows is by far the worst, accounting for more than a third of the assets in the RedZone at £12.74 billion, as their funds are so large. Next in the list is Legal & General with £2.5 billion and State Street with £2.06 billion, most of the latter being money invested in the expensive Virgin UK Index Tracker, which they run.

When it comes to sectors with the most underperforming funds there are few surprises. The largest number of RedZone funds come from UK All Companies (26), Mixed Investments 20-60% Shares (20) and Global (14). The UK All Companies sector is also the largest in terms of assets, as this is the sector in which most of the Scottish Widows funds can be found.

The only positive I can find is that more than one third of the funds in the UK All Companies sector are actually passive funds and actually account for almost half (45%) of this sector's RedZone assets and 20% of the total.

MULTI-ASSET RANGES

The RedZone isn't an exact science, based as it is almost exclusively on quantitative analysis. However, it is designed to bring to investors' attention those funds which are

consistently underperforming and therefore warrant at least a review if in your portfolio. At times though, we think it necessary to highlight areas where we believe there to be extenuating circumstances.

This time round, we think a couple of multi-asset fund ranges which find themselves in the list are worthy of mention. The first are three funds from Fidelity, managed by the very experienced Trevor Greetham: Multi Asset Defensive, Growth and Strategic. The issues with performance have been caused by the markets moving very quickly and as a result of political and central bank intervention, rather than market fundamentals. As markets have started to behave in a more conventional way in 2013, the performance of these funds has started to improve.

The second range is that of Legal & General Multi Manager, run by Alan Thein and Tim Gardner. These funds have suffered from a large position in gold and gold mining equities, which have served as a hedge against the unprecedented amounts of monetary easing by world central banks.

THE DROPZONE

There are just under £650 million of assets in the DropZone. Thankfully, less than a tenth are in the worst three funds. Eight of the ten are equity funds, which are joined by one property fund and one bond fund.

The latter is the City Financial Strategic Gilt fund and the underperformance is due to the manager believing that the whole asset class is grossly overvalued. With gilt yields close to 300 year lows, he thinks prices will fall quite dramatically when yields normalise, leading to inevitable capital losses. As such, the fund is positioned to avoid heavy losses when this situation unfolds. We actually agree that gilts look overvalued and the risk to capital, once interest rates start to revert to normal, could be significant. This bold position will hurt performance in the mean time though. ■

DropZone^D

THE WORST OF THE WORST FROM THE RedZone.

	% underperformance from sector average*
1 Manek Growth	52.98%
2 UBS UK Smaller Companies	37.97%
3 HEXAM Global Emerging Mkts	35.67%
4 Aviva Inv Property Investment	30.87%
5 Templeton Global Emerging Markets	28.05%
6 F&C High Income	27.79%
7 Legal & General Growth	26.67%
8 JP Morgan European Smaller Companies	23.67%
9 Marlborough UK Income & Growth	23.33%
10 City Financial Strategic Gilt	21.96%

*Based on three-year cumulative performance

“ While the British economy has narrowly avoided a triple dip recession, far too many British funds have not. ”

SAM SLATOR
Head of Communications, Chelsea



the RedZone funds

	3 year % growth	Quartile Position		3 year % growth	Quartile Position		3 year % growth	Quartile Position
ABSOLUTE RETURN			JAPAN			TECHNOLOGY		
IFDS IM Octopus Alternative Strategies	0.49	4	AXA Rosenberg Japan	9.01	4	● Cavendish Technology	17.58	4
SECTOR AVERAGE	7.78		Fidelity Japan	4.46	4	SECTOR AVERAGE	28.94	
ASIA PACIFIC EXCLUDING JAPAN			MIXED INVESTMENT 0-35% SHARES			UK ALL COMPANIES		
Henderson Asia Pacific Capital Growth	11.96	4	Ignis Japan Tracker (State Street)	16.26	3	Allianz UK Growth	20.39	4
Legg Mason Asia Pacific (Batterymarch Financial Management)	7.49	4	Legal & General Japan Index	16.3	3	Aviva Inv Blue Chip Tracking	24.71	4
Threadneedle Asia	14.67	3	Martin Currie Japan	12.38	4	AXA General	27.78	3
SECTOR AVERAGE	21.38		Threadneedle Japan	15.15	3	Baring UK Growth	25.13	4
EUROPE EXCLUDING UK			MIXED INVESTMENT 20-60% SHARES			Clerical Medical FTSE 100 Tracker		
Barclays Europe (ex-UK) Alpha (Cazenove & Threadneedle)	13.33	4	Aviva Inv Diversified Asset	11.94	4	EFA OPM UK Equity	9.51	4
Cavendish European	5.85	4	Aviva Inv Diversified Strategy	5.74	4	Fidelity UK Growth	19.56	4
CIS European Growth	6.7	4	Barclays Cautious Portfolio	16.58	3	Halifax UK		
M&G European Index Tracker	16.09	4	CF Danske Income	11.32	4	FTSE 100 Index Tracking (SWIP)	23.55	4
Marlborough European	12.4	4	CF FundQuest Select Cautious (BNP Paribas - Partner)	14.61	4	Halifax UK		
Standard Life Inv European Ethical Equity	10.94	4	COURTIERS Total Return Cautious Risk	16.65	3	FTSE All Share Index Tracker (SWIP)	25.95	3
UBS European Equity	6.99	4	EFA New Horizon Growth (Goldman Sachs)	3.22	4	Halifax UK Growth (SWIP)	25.19	3
SECTOR AVERAGE	21.25		Fidelity Multi Asset Strategic	14.78	3	Henderson UK Tracker	24.06	4
EUROPEAN SMALLER COS			MIXED INVESTMENT 40%-85% SHARES			IFDS Brown Shipley UK Flagship		
● JPM Europe Smaller Companies	7.33	4	Legal & General Multi Manager Income	13.29	4	Kames UK Equity	23.78	4
SECTOR AVERAGE	31		Premier ConBrio Managed Multi-Asset	11.59	4	Kames UK Opportunities	22.61	4
FLEXIBLE INVESTMENT			NORTH AMERICA			Legal & General (A&L) Capital Growth		
CF IM Global Strategy (IM Asset Management)	0.11	4	Allianz US Equity	19.8	4	Legal & General (N) Tracker	26.6	3
F&C MM Navigator Select	13.1	4	Cavendish North American	9.48	4	● Legal & General Growth	4.08	4
IFDS Brown Shipley Multimanager Growth	18.21	3	L&G North American	19.51	4	Legal & General UK 100 Index	25.12	4
Legal & General Multi Manager Growth	5.02	4	Martin Currie North American	21.02	4	● Manek Growth	22.23	4
Schroder MM High Alpha	10.72	4	Neptune US Opportunities	19.31	4	Old Mutual UK Strategic Best Ideas	26.76	3
SF Adventurous	12.37	4	Standard Life Inv American Equity Unconstrained	22.45	4	PSigma UK Growth	17.13	4
SECTOR AVERAGE	18.19		SECTOR AVERAGE	27.49		Reliance British Life	17.76	4
GLOBAL BONDS			PROPERTY			Royal Bank of Scot FTSE 100 Tracker		
BlackRock Global Bond	10.74	4	● Aviva Inv Property Investment	-12.63	4	Standard Life Inv UK Equity Growth	17.83	4
Investec Global Bond	6.9	4	SJP Property	3.03	4	SWIP Foundation Growth	26.78	3
SECTOR AVERAGE	18.19		SECTOR AVERAGE	18.24		Virgin UK Index Tracking (State Street)	27.52	3
GLOBAL EMERGING MARKETS			CORPORATE BOND			SECTOR AVERAGE		
● IM HEXAM Global Emerging Markets	-28.61	4	Baring Corporate Bond	22.12	4	30.75		
Neptune Emerging Markets	-11.11	4	Halifax Corporate Bond (SWIP)	18.54	4	UK EQUITY & BOND INCOME		
● Templeton Global Emerging Markets	-20.99	4	Legg Mason Global Blue Chip Bond (Western Asset Management)	11.61	4	CF IM UK Equity & Bond Income (IM Asset Management)	18.13	4
UBS Global Emerging Markets Equity	-2.53	4	M&G Short Dated Corporate Bond	5.22	4	● F&C High Income	0.61	4
SECTOR AVERAGE	7.06		SECTOR AVERAGE	18.24		HSBC Monthly Income	28.83	3
GLOBAL EQUITY INCOME			HIGH YIELD BOND			SECTOR AVERAGE		
JPM Global Equity Income	26.5	3	Investec Monthly High Income	18.74	4	28.4		
Old Mutual Global Equity Income	18.93	4	SECTOR AVERAGE	24.63		UK EQUITY INCOME		
Sarasin International Equity Income	26.44	3	SECTOR AVERAGE	22.02		AXA Framlington Monthly Income	23.44	4
SECTOR AVERAGE	33.94		STRATEGIC BOND			BlackRock UK Income	21.38	4
GLOBAL EQUITIES			UK GILTS			EFA OPM Equity High Income	22.36	4
Aberdeen Ethical World	17.53	4	AXA Sterling Gilt	21.92	4	GLG UK Income	20	4
Aberdeen Multi Manager Constellation Portfolio	20.48	3	CF Canlife Gilt & Fixed Interest	21.13	4	Insight Equity Income Booster	28.66	3
HSBC Global Growth Fund of Funds	20.22	3	● City Financial Strategic Gilt	1.85	4	Insight Equity Income	31.09	3
IFDS Brown Shipley MultiManager International	12.35	4	HSBC Gilt & Fixed Interest	21.03	4	JPM UK Higher Income	31.68	3
IM Matterley International Growth Portfolio (Charles Stanley)	16.76	4	SECTOR AVERAGE	23.81		Kames UK Equity Income	31.99	3
Investec Global Special Situations	13.8	4	UK INDEX LINKED GILTS			● Marlborough UK Income & Growth	10.98	4
JPM Global Consumer Trends	11.42	4	Natwest Inflation Link UK Sovereign Bond	34.38	4	Santander Enhanced Income Portfolio	20.12	4
JPM Global Equity	15.25	4	SECTOR AVERAGE	36.72		Santander Equity Income Portfolio	25.44	4
Jupiter Ecology	15.27	4	UK SMALLER COMPANIES			Smith & Williamson UK Equity Income	23.9	4
Marlborough Global	11.42	4	CF Progressive UK Smaller Companies	41.83	4	Standard Life Inv UK Equity High Income	26.21	4
NFU Mutual Global Growth	12.16	4	Ignis Smaller Companies	42.77	4	SECTOR AVERAGE	34.31	
Santander Global Shares Portfolio	14.78	4	MFM Techninvest Special Situations	27.06	4	UK GILTS		
Schroder Global Climate Change	10.77	4	Newton UK Smaller Companies	27.23	4	AXA Sterling Gilt	21.92	4
SJP Ethical (Aberdeen)	16.5	4	● UBS UK Smaller Companies	10.38	4	CF Canlife Gilt & Fixed Interest	21.13	4
SECTOR AVERAGE	21.49		SECTOR AVERAGE	48.35		● City Financial Strategic Gilt	1.85	4

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 30/04/2013. 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.

DIFFICULT TERRAIN

NEGOTIATING CURRENT BOND ISSUES

THE FIXED INTEREST MARKET IS FACING SOME PARTICULARLY DIFFICULT ISSUES IN THE CURRENT CLIMATE, SO WE HAVE ASKED JAMES FOSTER, MANAGER OF ARTEMIS STRATEGIC BOND, TO TALK TO US ABOUT THESE DIFFICULTIES AND HOW HE IS DEALING WITH THEM.



JAMES FOSTER
Fund manager,
Artemis Strategic Bond

Floating along on the sea of central bankers' liquidity, bond markets have been at their ease. Apart from the risk of QE being turned off or down prematurely, what concerns should investors have?

WHAT FACTORS IMPACT THE PRICE OF GOVERNMENT BONDS?

There are three major catalysts for government bond yields rising, and so prices falling. One is the prospect of economies improving and therefore quantitative easing being withdrawn or reduced - as the US Federal Reserve's chairman has just admitted. Second is the fear of interest rates rising. Third is the prospect of default of the bonds.

Because all government bond markets tend to be highly correlated, the biggest driver is the US. So if the US economy continues to show signs of improvement, then bond yields will rise. Ironically, an improving economy means that quantitative easing would then gradually be withdrawn. That could have a negative impact on the economy, and so bond yields may actually fall in the shorter term. Yet the US will be the starting point for yields shifting higher. In 1994, after a long bull run, UK government bond yields went up

to rise, especially if inflation stays comparatively high. Government bonds are likely to shift down quite sharply then, and significant losses may be on the cards for investors.

If there is a perceived risk of default in, for instance, UK gilts, then bonds would collapse in price. Even the threat of this in Italy and Spain last year saw yields rise precipitously. Only intervention by the ECB prevented this becoming a serious rout. Ironically, should this occur - and don't rule it out given the recent language of shadow chancellor Ed Balls, saying Britain needs to borrow even more - there will be a wide divergence between different bond markets.

LIQUIDITY CONCERNS

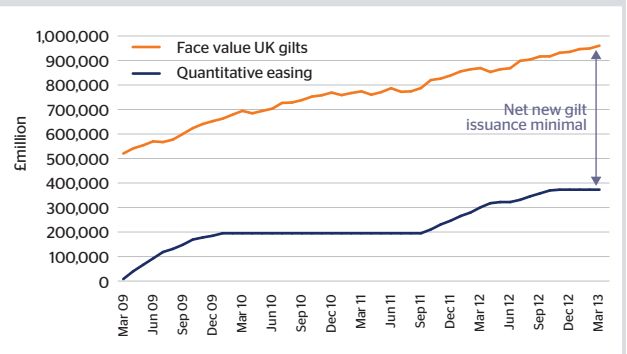
Liquidity in the bond market is another concern, because the scale of the market is greater than it has been ever before, by a considerable margin; and yet the market's ability to absorb assets is far less. Investment banks are no longer allowed to run such big market-making positions. This means that bonds are now traded on a 'matched market basis' between investors trying to establish a willing buyer and seller.

For now, liquidity is good. Funding for lending and government support for companies globally means that default rates are low. We expect it to stay low, especially as many companies have refinanced at lower rates. Low defaults mean more buyers than sellers and so that's good for the high yield sector - even though it

has had a decent run.

All this said, it is easy to envisage a time where interest rates are rising and investors seek an alternative asset class. Comparatively small selling of bonds could see an exaggerated move in the market.

QUANTITATIVE EASING: DEMAND FOR UK GILTS IS BEING ARTIFICIALLY PROPPED UP BY QUANTITATIVE EASING



Source: Bloomberg as at 29 March 2013

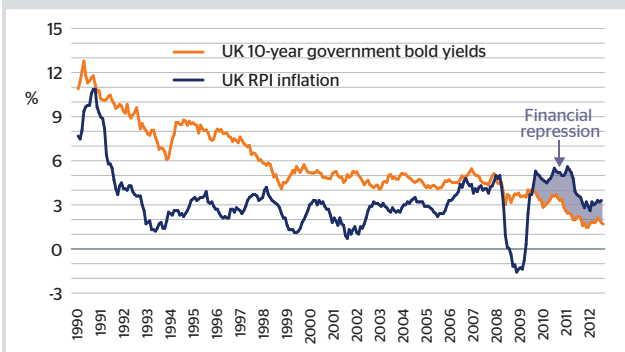
To mitigate these risks, we can hedge the portfolio against rising interest rates by going short of government bond futures. Secondly, we can use interest rate swaps which have a very similar effect. In practice they go up in price when bond yields rise. These tools are effective hedges against rising interest rates and enable us to make money in that environment.

INFLATION ISSUES

It has been clear for some time that the authorities are targeting growth more than inflation. As each central bank governor retires and is replaced, their political masters demand more growth-orientated policies. Longer term, we expect that inflation will fall down the list of priorities. For now, the markets are not worried about this. But buying a government bond with a negative yield seems uncomfortable to us. The only reason you are buying the asset is the belief that you will be able to sell it at a later stage at a higher price to somebody else. Otherwise, you are guaranteed to lose money. Luckily for governments, this artificial situation benefits them as their mountain of debt is eroded by higher inflation.

Turning to politics, the most important factor will be the German election this September. This is why Cyprus was treated so firmly. Merkel benefits from appearing to 'play hardball' with peripheral countries. It is no surprise that a recent study by the Bundesbank has highlighted the wealth of Germans compared with the Italians and the Spanish. Given that Germans tend to rent their houses, comparative wealth is much less in Germany. Resentment by Germans of bailing out the peripheral countries is only increasing. So the elections this year and

FINANCIAL REPRESSION: UK GOVERNMENT BOND YIELDS ARE NEGATIVE ONCE INFLATION IS TAKEN INTO ACCOUNT



Source: Bloomberg as at 30 April 2013

from 6% to 9% - simply because the US raised interest rates just a little bit.

And the general direction of travel over this period is likely to be upwards, as markets discount a stronger economy. Eventually we will get to a stage where interest rates are set



policies afterwards will be crucial and set the tone for years to come.

HOW ARE WE POSITIONED?

In terms of outlook, we have a good weighting to high yield corporate bonds, which continue to benefit from the low interest rate environment. In particular the sterling high yield market has grown from nothing and, though still small, it is performing well. Furthermore, financial bonds are continuing to benefit from the normalisation of markets. The big divergence between the yields of financial bonds and normal corporate bonds has been narrowing for some time. This continues to benefit the fund. Finally, we are seeing a big development in the new 'hybrid bond' market. These bonds are quite confusing, but have a number of clauses which give comfort whilst still offering an attractive yield. Many of these are issued by good quality companies and have been doing well.

It is rare to see such a chase for yield. But the confluence of further largesse from the Bank of Japan and mixed economic data from the US has helped sentiment. Government bond yields have fallen sharply; investors hunting for a yield have been forced to chase further down the food chain amongst investment grade and high yield bonds to

ARTEMIS STRATEGIC BOND

- Co-managed by James Foster and Alex Ralph since launch in 2005
- Invests with flexibility across the fixed interest market and utilises shorting to mitigate certain risks
- Current split of: 2.4% government bonds; 48.1% investment grade corporate bonds; 43.5% high yield corporate bonds; cash 7.3%
- Income is paid monthly (M units) or quarterly (Q units)
- Current distribution yield 4.4%

generate a yield. In the short term, this trend may continue but longer term, government bond yields less than inflation is very unusual. We expect this to reverse. When it does, government yields will rise, prices will fall and the retreat from overshoot territory could be quite sharp. We are deliberately keeping the fund's duration - that is, how long it takes for a bond to be repaid - very low and we have maintained our short of US Treasuries. With US 10-year yields at 2.1%, we feel the risk is they rise to 3% rather than fall to 1%. Meanwhile the investment grade market

continues to perform well. It will provide a cushion should government yields rise. It is highly correlated with government bonds, but that is not the case for financials. The high yield market is still the most active with plenty of new deals. But many are starting to stretch credibility and not many are passing our selection criteria. ■

THE CHELSEA VIEW:

“ We have always favoured strategic bond funds, but their flexibility is even more important at this tricky time for fixed interest investing. James and Alex, who are very experienced bond investors, have a highly flexible mandate which allows them to shift between the various fixed interest asset classes and employ shorting, as market conditions dictate. ”

CHELSEA RISK RATING:	■■■■■ 3
STANDARD INITIAL CHARGE:	5.25%
INITIAL CHARGE AFTER DISCOUNT:	0%
ANNUAL MANAGEMENT CHARGE:	1%

INTRODUCING UNICORN UK INCOME

UNICORN'S SUITE OF FUNDS IS A RECENT WELCOME ADDITION TO THE CHELSEA FUNDSTORE. HERE WE SUMMARISE UNICORN'S INVESTMENT APPROACH AND PROCESS AND HIGHLIGHT ONE OF THEIR FUNDS, UNICORN UK INCOME.

Founded in 2000, Unicorn Asset Management specialises in small to mid-cap UK equities. They are an independent investment company, majority owned by the directors and management. The investment team comprises three directors, two fund managers and a research analyst.

Unicorn believe that building value over time for their shareholders and clients depends on performance, therefore resources are focused on identifying worthwhile investments that deliver long-term performance. Within the open-ended space, Unicorn manage five funds: Unicorn Free Spirit (aims to provide maximum return across all sectors of the market); Unicorn UK Smaller Companies; Unicorn Mastertrust (a fund of investment trusts); Unicorn UK Income and Unicorn Outstanding British Companies.

Unicorn's investment philosophy focuses on traditional "old fashioned" investment

principles, with a conservative and disciplined investment approach. They do not invest in businesses they do not understand, instead focusing on businesses with predictable revenues, earnings and cashflow, and only in sectors where they have an edge. The fund managers invest in the funds they manage. All research, analysis and valuation is done in-house.

The investment process methodology initially follows quantitative screening, looking at sector and peer group analysis and analysis of company financial statements. After the initial screen, the qualitative research includes an investment checklist; company site visits, industry assessment, SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis within the sector.

Portfolio turnover is low, owing to Unicorn's long-term and growth-focused investment philosophy. Unicorn therefore like to invest in businesses for the longer term, in

UNICORN'S INVESTMENT CRITERIA

- Knowledge & understanding of business fundamentals
- Predictable revenues, earnings & cashflows
- Strong balance sheets & low core debt
- Significant market share & lasting competitive advantage
- Niche specialist products or services in growth markets
- High returns on invested capital
- Consistent track record of operating performance
- Management teams focused on creating shareholder value
- Dividend paying

some cases for over five years. They get to know businesses intimately before committing to an investment. Investments are, therefore, based on a high conviction approach. Typically a stake of 2.5% is built up gradually moving to circa 5%.

UNICORN UK INCOME



JOHN McCLURE
Fund manager,
Unicorn UK Income

The Unicorn UK Income fund, launched in May 2004, has an objective to yield at least 110% the FTSE All Share's yield, twice a year. The fund's lead portfolio manager is director and senior fund manager John

McClure. This is a high conviction portfolio of between 40-50 stocks. Since launch the fund has consistently been one of the best

performing funds in its sector, as demonstrated in the graph below.

The fund is different from many of its peers in that it does not focus on the FTSE 100 companies that tend to dominate many of its peers' portfolios, where over 59% of dividend income is generated from just 15 stocks. Currently the fund does not invest in any FTSE 100 companies.

The Unicorn UK Income fund invests in companies that are income paying but they do not follow a barbell approach; instead the income is evenly distributed throughout the portfolio. Turnover tends to be low, with companies favoured that are cash rich, profitable and with low operational gearing.

One of the key themes currently running throughout the fund is the strong overseas earnings coming from the underlying UK stocks, which currently accounts for circa 40% of all profits. This is all within a UK corporate governance structure. As such, Unicorn seek to identify dynamic British businesses that are able to adapt in a global environment.

UNICORN UK INCOME

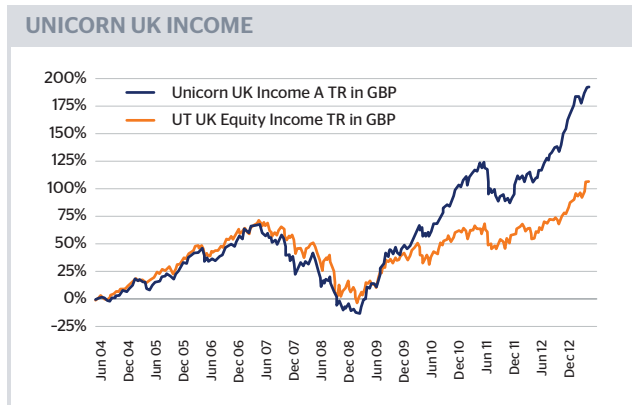
- Managed by John McClure since launch in May 2004
- High conviction portfolio of between 40-50 stocks
- The focus of the fund is on small caps, with an average market cap of £300m. Current cap split: FTSE 100 0%; FTSE Mid 250 30.4%; FTSE Small Cap 38.7%; AIM 14.6%; FTSE Fledgling 5.7%
- Historic yield: 3.26%
- Income is paid in June & December

At present, favoured sectors include financial services, car dealer-ships, packaging and support services. They do not like house builders and high street retail stocks at this point. ■

THE CHELSEA VIEW:

"We like the diversification that this income fund offers through its investment in small-cap stocks. John McClure is an experienced investor with a well-resourced team and this is reflected in the impressive performance of this fund."

CHELSEA RISK RATING:	■■■■● 6.5
STANDARD INITIAL CHARGE:	5.5%
INITIAL CHARGE AFTER CHELSEA DISCOUNT	0%
ANNUAL MANAGEMENT CHARGE:	1.5%



Source: FE Analytics, 30/05/2013.



Inheritance tax planning

WITH THE GAINS THAT PROPERTY PRICES HAVE MADE COMBINED WITH THE GOVERNMENT FREEZING THE NIL RATE BAND AT £325,000 UNTIL 2019, MORE AND MORE PEOPLE ARE BECOMING LIABLE FOR INHERITANCE TAX (IHT).

Inheritance tax has long sat uncomfortably with many investors. After all, it doesn't seem fair that after a lifetime of paying taxes Her Majesty's Revenue and Customs (HMRC) can then claim up to 40% of your hard-earned savings upon death. For investors wanting to protect their assets and pass them on to their loved ones, a new range of financial products can not only shelter your assets from IHT, but allow you to retain control of them and even provide an income.

These products are known as IHT schemes and they look to utilise a tax break called business property relief (BPR). This allows shares that are held in BPR qualifying investments (usually unquoted companies) to be excluded from your estate for inheritance tax purposes, provided that they have been held for at least two years prior to death. This is considerably shorter than the seven years it normally takes gifts to become fully exempt from IHT.

The common theme with these products is that there is an emphasis on capital preservation. This means that the underlying investments are typically asset backed, such as hotels or care homes, or the transactions are structured using debt, which is secured against the assets of the company. Consequently the income from these products, should you require it, is typically modest and in the region of 3-4% per annum. Income is not guaranteed and the value of your capital can fall as well as rise.

Another important feature of these products is that they allow the owner to retain control of their money. This means that if you need access to your savings, perhaps for medical bills or even a holiday, some of your shares can be sold and the proceeds returned to you, usually after a short notice period.



“ For investors wanting to protect their assets and pass them on to their loved ones, a new range of financial products could shelter your assets from inheritance tax. ”

HARRY DRISCOLL
Senior Research Analyst, Chelsea

HOW CAN AN IHT SCHEME WORK FOR YOU?

Below is an example of how these products might work:

Mr Smith and Mrs Smith have a combined estate of £1m, and are thinking of ways to reduce their IHT liability. Assuming Mr Smith outlives Mrs Smith and he can utilise both of their nil rate bands, the portion of their estate liable for IHT is £350,000, meaning a potential tax bill of £140,000 upon death.

To reduce his liability Mr Smith decides to invest £150,000 into an IHT scheme. During this time he may receive an income of around 3% p.a. (or the income could be rolled up) and have access to his savings should he require it. After two years the £150,000 will fall out of his estate for IHT purposes, and upon death his tax bill will be reduced to £80,000, leading to a saving of £60,000.

Below are the details of two IHT schemes that may be of interest. Before making any investment decisions please read carefully the relevant prospectus in full and make sure you understand the risks involved. If you are unsure you may want to seek independent financial advice. ■

DOWNING ESTATE PLANNING SERVICE

- Downing are looking to utilise their expertise in the asset-backed space to provide the underlying investments for this product
- Clients will be able to choose between asset-backed or renewable energy investments
- Targeting 3-4% income p.a. and £50,000 minimum investment

OCTOPUS IHT SERVICE

- The most successful IHT scheme in terms of money raised (over £700m to date)
- Weekly liquidity
- Targeting 3% income p.a. and £25,000 minimum investment

If either of these are of interest please call **020 7384 7300** to request a brochure or if you would like to discuss the products in more detail.

Please be aware that the rules governing BPR could be subject to future changes, meaning certain trades or products may no longer qualify. Tax reliefs are subject to individual circumstances.

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, due to market and currency fluctuations and you may not get back the amount originally invested. Inheritance tax products are not suitable for everyone. Investors should be aware that these products are subject to considerable liquidity constraints. Tax benefits/assumptions are subject to statutory change and the value of the tax relief (if any) will depend on an individual's circumstances. Potential investors should fully understand the risks involved. Investors will need to request a prospectus from us which they should read and understand before investing. Chelsea Financial Services offers an execution-only service. If you require investment advice you should contact an independent financial advisor.

INVEST, MONITOR AND MANAGE YOUR PORTFOLIO WITH

the Chelsea FundStore

POWERED BY **c-funds**

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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.

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Manage your investments online

ALL YOUR INVESTMENTS IN ONE PLACE

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FREE ONLINE DEALING

No additional dealing costs (including switching between funds at 0% charge)

MONITOR PERFORMANCE

Keeping track of your portfolio means you're always in control

ACCESS 24 HOURS A DAY, 365 DAYS A YEAR

No need to wait for a statement in the post to get valuations

NOW AVAILABLE - NEW REDUCED CHARGES

Investment funds are now available at ZERO initial charge within FundStore

FundStore benefits

- 24/7 ACCESS TO YOUR FUNDSTORE ACCOUNT
- FREE SWITCHING
- FANTASTIC DISCOUNTS
- INCOME REINVESTED FOR FREE
- ONLINE CHELSEA FUND REVIEW
- VALUATION STATEMENT TWICE A YEAR
- LESS PAPERWORK
- A MORE FLEXIBLE ISA
- MORE INVESTMENT CHOICE
- INVEST IN A JUNIOR ISA
- LUMP SUM OR MONTHLY SAVINGS PLANS
- CASH RESERVE FACILITY
- EASIER ESTATE PLANNING
- TELEPHONE DEALING OPTION

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.



SET UP A FUNDSTORE ACCOUNT TODAY

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

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

DON'T WANT TO INVEST ONLINE?

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



BY POST

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



BY TELEPHONE

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

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

Free switching

All switches within the Chelsea FundStore are now available at 0% charge.



WHAT FREE SWITCHING MEANS FOR YOU:

- Free switching is exclusive to clients of Chelsea.
- Get rid of poor-performing funds at 0%. Thanks to free switching, Chelsea clients saved over £140k in 2012 alone.
- Switching enables you to make changes to your portfolio with ease, allowing you to rebalance your portfolio or readjust as you see fit.
- Access to over 1,700 funds, from more than 90 different providers, all available at 0% charge for switches.
- 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.

...and **free consolidation** too

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. However, some platforms may charge an exit fee, but if they do we should be able to pay it for you. Please call our helpdesk on 020 7384 7300 to find out more.

Re-registration is easy.

Simply complete and return the form on page 29.



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:

SINCE THE BEGINNING OF THE YEAR, NEW RULES HAVE MADE THE TRANSFER OF ISA INVESTMENTS FROM ONE FUND SUPERMARKET TO ANOTHER MUCH EASIER. THIS MEANS THAT IF YOU HAVE INVESTMENTS WITH OTHER FUND SUPERMARKETS, SUCH AS FUNDSNETWORK OR SKANDIA, YOU CAN NOW EASILY MOVE THEM TO THE CHELSEA FUNDSTORE.

New transfer rules

...could you benefit?



ACT NOW TO RECEIVE IMPROVED SERVICE

The Chelsea Fundstore offers a range of valuable benefits which you may not currently receive:

- **Free Switching:** get rid of poor-performing funds at 0% charge.
- **Less paperwork:** you receive one statement, every six months, detailing all your investments.
- **Fund Review:** our research team provides proprietary fund commentary with your valuation statement, which includes our Chelsea Risk Rating (from 1 to 10) and Chelsea buy/hold/switch ratings.
- Wider investment **choice**
- **Online portfolio management**
- **Free** telephone dealing
- Personal **support** from our dedicated client team

FREE TRANSFERS

It's easy to transfer. Simply complete the form opposite and return it to us. We will take care of the rest. Most fund supermarkets do not levy an exit charge, but if they do we should be able to pay it for you. Please call our helpdesk on 020 7384 7300 to find out more.

WHY TRANSFER TO FUNDSTORE?

Easy account management – you will receive good quality, personal service and support. Forget trawling through mountains of paperwork or spending hours on the phone to different companies. Bring your investments onto FundStore and you can easily manage them when you like, how you like: online; by phone or via post. The average telephone call is answered in less than five seconds by someone trained to answer your query.

Re-registration form

THE EASY WAY TO CONSOLIDATE YOUR PORTFOLIO

The Chelsea **FundStore**

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

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

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

Full name of unit holder(s)	<input type="text"/>	Title	<input type="text"/>
Current address	<input type="text"/>		
	<input type="text"/>	Postcode	<input type="text"/>
Email address	<input type="text"/>		Male <input type="checkbox"/> Female <input type="checkbox"/>
Date of birth	<input type="text"/>	National Insurance number	<input type="text"/>
Daytime telephone	<input type="text"/>	Existing Cofunds number (if applicable)	<input type="text"/>

ISA investments - Please complete in block capital letters

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

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

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

Please photocopy this form if you require additional space.

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

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.

JUPITER INCOME

BUY / HOLD / SWITCH

For many years, Jupiter Income was a stalwart of the equity income space and, despite the fact that it has struggled in recent years, it continues to be one of the larger funds in the sector. Its veteran manager, Anthony Nutt, one of the most well regarded equity income managers has, after over ten years in charge, decided to hang up his boots and pass the day-to-day running of the fund to Ben Whitmore.

Previously, while running Jupiter UK Special Situations, Ben had established a good track record as a value-driven, contrarian fund manager. Ben is a bottom-up stock picker who manages money with little regard for the benchmark. Typically he favours companies that are unloved by the market, but have strong balance sheets. We feel his approach should translate well to running an equity income mandate and are optimistic that he can reinvigorate the fund. We have therefore taken the decision to upgrade this fund to a 'buy'.

SCHRODER UK ALPHA PLUS

BUY / HOLD / SWITCH

Over his decade at the helm, Richard Buxton established himself as one of the UK's best large-cap fund managers. As can sometimes be the case with star managers, he has decided to ply his trade elsewhere and recently announced his move to Old Mutual.

No doubt investors in his fund will be disappointed, as few other managers can match his long-term track record. However, with Schroders' considerable financial fire power, it should come as no surprise that they have been able to recruit a highly able replacement in Philip Matthews. Philip, formerly manager of Jupiter Growth and Income,

has shown good performance in recent years, albeit running a much smaller fund. Previously Philip's investment approach was value driven, with an emphasis on quality companies.

He was also not afraid to tilt the portfolio towards defensive or cyclical stocks, as the macroeconomic environment changed. As his new fund is much larger he will have less freedom to invest in mid-cap stocks, so it will be interesting to see how he adapts. Consequently, we are placing this fund on hold until he has had a chance to put his mark on the portfolio, and have removed it from the Chelsea Selection and the Aggressive Growth EasyISA.

INVESCO PERPETUAL EUROPEAN EQUITY

BUY / HOLD / SWITCH

This fund has been headed up by Jeff Taylor since 2001. The investment process is primarily bottom-up, but the manager has been known to tilt the portfolio towards certain sectors as the macroeconomic environment has changed. He looks for companies trading below book value and consequently he has been known to take large contrarian positions.

The "deep value" or recovery strategy employed by Jeff performed well in the bull market following the dot.com crash. However, in the years since the financial crisis, which has been characterised by low growth and a lack of business confidence, the strategy has come under pressure.

Sectors that have fallen out of favour, such as banks, remained out of favour for far longer than many had anticipated. Also, the market has developed a preference for companies with robust earnings, which has seen the strong get stronger and the weak get weaker.

While we are sympathetic that market conditions over the past few years have been far from typical, we would expect top managers to show more pragmatism and adaptability than the manager of this fund. The fund has underperformed for too long and, while his positions may come good, we think there are other, higher-quality, less-volatile European funds available.

Log in to your FundStore account to access the Chelsea fund review for our full list of switch ratings at www.chelseafs.co.uk



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

This form is for Self-Directed clients only

This application form is used to subscribe to an Investment ISA with Cofunds. By completing this application, you agree to subscribing to a 2013/2014 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 £11,520 for the 2013/2014 tax year.

For Key Features of the Cofunds Platform and/or Key Investor Information Documents please refer to your personal disclosure at chelseafs.co.uk/pd 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

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 / / ---

National Insurance Number --/ --/ --

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(s) payable to **Cofunds Limited**.

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' 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 2013/2014 For the amount of: £ and for each subsequent tax year until further notice.

I wish to invest in the Chelsea EasyISA (please choose one of the portfolios below). See pages 6 & 7 for details.

Minimum Portfolio investment lump sum £500; Minimum regular savings £50 per month.

		Lump Sum Min portfolio investment £500	Monthly Min investment £50 per month
Either	Cautious Growth EasyISA	£ <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.

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, outside the ISA, to be held on platform for withdrawals or future investment.

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

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

6 Declaration and Authorisation

I declare that:

- All investment subscriptions made now and in the future belong to me.
- I am aged 18 years or over.
- I have not subscribed and will not subscribe to more than my overall subscription allowance in total to a cash ISA and a Stocks and Shares ISA in the same tax year.
- I have not subscribed and will not subscribe to another Stocks and Shares ISA in the same tax year that I subscribe to this Stocks and Shares ISA.
- I am resident 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 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 Implicit Pricing Model) and by signing this application form I agree to be bound by them.
- I have received and read the relevant product Key Features/fund specific information and/or Key Investor Information Documents relating to my investment.
- I understand that the Terms and Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) are the standard terms upon which Cofunds intend 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 Implicit Pricing Model) form my customer agreement with Cofunds Ltd.
- I understand that the commencement of my ISA may be delayed or rejected if this application form is not complete in all respects. You may undertake a search with a reference agency for the purposes of verifying my identity. To do so, the reference

agency may check the details I supply against any particulars on any database (public or otherwise) to which they have access. They may also use my details in the future to assist other companies for verification purposes. A record of the search will be retained as an identity search. I declare that the information contained in this application form is correct to the best of my knowledge and belief.

Signature X	Date
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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.
6 0 0 2 6 7

Reference Number
□□□□□□□□□□

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

Instruction to your Bank or Building Society
Please pay Cofunds Limited Direct Debits from the account detailed in this instruction subject to the safeguards assured by the Direct Debit Guarantee. I understand that this instruction may remain with Cofunds Limited and, if so, details will be passed on electronically to my Bank/Building Society.

Signature	Date
-----------	------

This Guarantee should be detached and retained by the payer.

The Direct Debit Guarantee

- 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 Conduct Authority (FCA) under FCA Registration No. 194734.
CA07 01/13



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

This form is for Self-Directed clients only

This application form is used to subscribe to an Investment ISA with Cofunds. By completing this application, you agree to subscribing to a 2013/2014 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 £11,520 for the 2013/2014 tax year.

For Key Features of the Cofunds Platform and/or Key Investor Information Documents please refer to your personal disclosure at chelseafs.co.uk/pd 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 / / / / / / / / / / /

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

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(s) payable to **Cofunds Limited**.

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' 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 2013/2014 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)
<input type="text"/>	<input type="text"/>	ACC/INC	£ <input type="text"/>	£ <input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	£ <input type="text"/>	£ <input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	£ <input type="text"/>	£ <input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	£ <input type="text"/>	£ <input type="text"/>
<input type="text"/>	<input type="text"/>	ACC/INC	£ <input type="text"/>	£ <input type="text"/>
<input type="text"/>	Cash Reserve (if required)†		£ <input type="text"/>	£ <input type="text"/>
TOTAL INVESTMENT AMOUNT			£ <input type="text"/>	£ <input type="text"/>

*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.

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.

<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, outside the ISA, 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.
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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 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 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 Implicit Pricing Model) and by signing this application form I agree to be bound by them.
- I have received and read the relevant product Key Features/fund specific information and/or Key Investor Information Documents relating to my investment.
- I understand that the Terms and Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) are the standard terms upon which Cofunds intend 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 Implicit Pricing Model) 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
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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
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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 Conduct Authority (FCA) under FCA Registration No. 194734.
 CA07 01/13



The disclosure documentation applicable to this transaction is: **J I S A 1 2 1 2**

This form is for Self-Directed clients only

This application form is used to open a Junior Investment ISA with Cofunds and/or make subscriptions until the child is 18 years old.

The Junior Investment ISA allowance for all investors is £3,720 for the 2013/2014 tax year.

Please complete this Application Form using black ink and BLOCK CAPITALS and return to: Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS
For Key Features of the Cofunds Platform and/or Key Investor Information Documents please refer to your personal disclosure at chelseafs.co.uk/pd or telephone us for a copy.

Cofunds Intermediary Authorisation Code **7 7**

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

1 Child Details (Please complete this section in full)

Existing Cofunds Client Reference

Current Permanent Residential Address

Postcode

I apply to open a Junior Investment ISA and/or make subscriptions for
Mr/Mrs/Ms/Miss/Master/Other

Surname

Full First Name(s)

National Insurance Number ____/____/____/____/____
(if held)

Male Female Date of birth ____/____/____
D D / M M / Y Y Y Y

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

2 Applicant Details – Registered Contact* (Please complete this section in full)

Mr/Mrs/Ms/Miss/Other

Current Permanent Residential Address

Postcode

Surname

Full First Name(s)

Male Female Date of birth ____/____/____
D D / M M / Y Y Y Y

Daytime Telephone No.

*The Registered Contact is a person with parental responsibility, or the child aged 16-18, if they so wish.

3 Funding Your Investment

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

Cheque £ Amount Monthly Direct Debit (please ensure that the payer completes the 'Investment by Direct Debit' overleaf).

Please make your cheque(s) payable to **Cofunds Limited**.

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.

4 Third Party Details (Please complete if relevant)

Please complete this section if you are not the child or Registered Contact but are funding the Junior Investment ISA investment.

Mr/Mrs/Ms/Miss/Other

Current Permanent Residential Address

Postcode

Surname

Full First Name(s)

Daytime Telephone No.

5 Investment Selection

I wish to invest in the funds indicated (for further details of the funds available, please refer to the Key Features of the Cofunds platform and/or Key Investor Information Documents on our website or telephone us for a copy.) Please ensure the funds are available through Cofunds. Please note: subscriptions in each tax year of your Junior Investment ISA, in conjunction with subscriptions to a cash Junior Investment ISA (if held), must not exceed the child's JISA allowance. For details, please refer to the Key Features of the Cofunds Junior Investment ISA.

I wish to subscribe to an Investment ISA (stocks and shares) for the tax year 2013/2014 For the amount of: £ and for each subsequent tax year until further notice.

See page 4 for details of the Junior EasyISA.

NOTE: ALL INCOME MUST BE RETAINED IN THE FUND

Your investment will be made in the Retail Share Class.

Fund Name	Type of Unit/Share (delete as appropriate)*	Lump Sum	Monthly amount per fund
The Chelsea Junior Easy ISA <input type="checkbox"/> Cautious Equity Portfolio <input type="checkbox"/> Balanced Equity Portfolio <input type="checkbox"/> Aggressive Equity Portfolio (tick one option only)	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"/>
TOTAL INVESTMENT AMOUNT		£ <input type="text"/>	£ <input type="text"/>

(See overleaf for notes on this section)

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.

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.

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 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 and read the relevant product key features/fund specific information and/or Key Investor Information Documents relating to my investment.
- I understand that the Terms and Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) are the standard terms upon which Cofunds intend 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 Implicit Pricing Model) 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
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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.

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



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
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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 Conduct Authority (FCA) under FCA Registration No. 194734.

JCA07 01/13



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

This form is for Self-Directed clients only

The ISA allowance for all investors is £11,520 for the 2013/2014 tax year.

Please complete this Application Form using black ink and BLOCK CAPITALS and return to: Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS
For Key Features of the Cofunds Platform and/or Key Investor Information Documents please refer to your personal disclosure at chelseafs.co.uk/pd or telephone us for a copy.

Cofunds Intermediary Authorisation Code

7 7

% Initial Commission Waived

100%

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)
Daytime Tel No.
Email

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

National Insurance Number / / / /

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

Current Permanent Residential Address
Postcode

Time at this Address yrs mths

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

Time at this Address yrs mths

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

2 Nominated Bank Account

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

Name of Account Holder
Bank or Building Society Name and Address
Postcode

Branch Sort Code

<input type="text"/>	-	<input type="text"/>	-	<input type="text"/>
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Bank/Building Society Account Number

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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Building Society Roll Number

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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3 Income

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

<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, outside the ISA, 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.
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If you do not tick one of these boxes we will select the 'Retain in the fund' option by default which will apply to all income funds you hold within this product.

4 Declaration and Authorisation

I declare that:

- All investment subscriptions made now and in the future belong to me.
- 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 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 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 Implicit Pricing Model) and by signing this application form I agree to be bound by them.
- I have received and read the relevant product Key features/fund specific information and/or Key Investor Information Documents relating to my investment.
- I understand that the Terms and Conditions of the Cofunds Platform (Self-directed Implicit Pricing Model) are the standard terms upon which Cofunds intend 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 Implicit Pricing Model) 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
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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.

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 Cofunds 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  Date

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

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

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

*If you do not specify ACC or INC in this column, Cofunds will not be able to process your application. If you have chosen income units/shares, please ensure you complete section 2 of the Investment ISA (stocks and shares) Transfer Application to have income paid to you.

2 Funds that you wish to SELL (cash transfer)

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

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

3 Cash ISA Transfer

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

All my cash ISA **OR** An amount of my cash ISA £ . Sort Code - -

Is there any notice period for you to transfer your cash ISA? Days A/C or Plan Nos. (This must be completed)

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

I wish to transfer the proceeds of my existing ISAs into the Chelsea EasyISA (please tick one of the portfolios below). Minimum Transfer of £2,100. See pages 5, 6 and 7 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 %
	ACC/INC	
	ACC/INC	
	ACC/INC	
	ACC/INC	
	ACC/INC	
† Cash Reserve (if required)		

* ACC/INC If you do not specify ACC or INC in this column, and/or have not completed Section 3 and, if applicable, Section 2 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 01/13

Just because you don't need a financial adviser, it doesn't mean you're on your own

With Chelsea, more than 80,000 investors get the information and support they need to make their own investment decisions:

EXPERT RESEARCH

Chelsea Financial Services was founded in 1983 by its present Chairman, Dr John Holder.

2013 is our 30th year – and we continue to evolve and seek ways to improve our service. At our core remains our commitment to provide our clients with quality investment research.

Our research team has met and interviewed every fund manager listed in the Chelsea Selection (see pages 18-19). We conduct regular analysis of performance in every sector – and flag funds we want to investigate further. Where we identify consistently underperforming funds, we list them in our RedZone (see pages 20-21).

THE LOW-COST ALTERNATIVE

We were the first intermediary to discount charges on unit trusts and bonds, and later ISAs. We continue to provide a cost-effective service to investors who do not feel the need to pay for a financial adviser. And because our clients are what the financial industry regulator refers to as 'self-directed', we're not affected by recent changes in regulation, and don't charge an up-front fee.

OUTSTANDING PERSONAL SERVICE

Unlike many other companies, Chelsea's customer service is personal, not automated. When you phone us, the average call is answered within five seconds by one of our team, not a recorded menu. We are here to help our customers and make sure they receive quality, friendly service at all times.

GUIDANCE FOR ALL TYPES OF INVESTOR

For people who are inexperienced investors, or simply too busy to research the market, there's the Chelsea **EasyISA**. And experienced investors can build their own portfolio using our **DIYportfolio**. Either way, we have the tools investors need to get going.

FORCED TO GO IT ALONE?

Recent rule changes in the industry have meant that financial advisers now have to charge clients a fee. In many cases this not only means that fees have risen and become potentially prohibitive for some smaller investors, but also, in some cases, investors with less than £100,000 are being refused advice.

We have produced a leaflet explaining how you can make your own investment decisions without financial advice, and how Chelsea can guide you to make the best of your investments. If you would like a copy, please contact us on the number below.

CHELSEA MAKES IT EASY



ONLINE

To invest, go to www.chelseafs.co.uk and click 'Invest Online'.



BY TELEPHONE

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



BY EMAIL OR POST

Send an email to info@chelseafs.co.uk or write to Chelsea Financial Services, St James Hall, Moore Park Road, London SW6 2JS



Would you recommend Chelsea?

*...if you do, we'll say
Thank You with up to
50 pounds worth
of M&S 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:



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

Registered in England No. 1728085