Viewpoint

THE MAGAZINE FOR CHELSEA INVESTORS ISSUE 36 MARCH 2014

THE BIGGER PICTURE

Our new **charging structure** explained

Get ready for the ISA **April deadline**

Casterigg Stone Circle, Cumbria
by Barry Davidson

Bridge over the river North Esk near Fettercairn
by W H Christie

Steeple Ashton, Wiltshire
by Norman Sharples

Painshill Park, Surrey
by Roger Badcock

CHELSEA
Investment Intelligence™

Welcome to Viewpoint ...the ISA issue

This edition contains ideas for those of you keen to utilise your ISA allowance before the 5th April deadline and details of the new charges, which come into effect on April 6th.

DR JOHN HOLDER
Chairman, Chelsea

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

Experienced investor ...just looking for some guidance?

Thank you to everyone who entered our Cover Photography contest. Congratulations to the winners – their images are featured on this issue's cover.

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

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

Remember, all the forms you need are here.

So you can invest today and beat the ISA deadline.

DARIUS MCDERMOTT'S

Market View

Correlation and globalisation have become buzzwords in recent years. The world is getting smaller and, with businesses and people alike far more mobile, we are now much more entwined than at any other time. This proved somewhat tricky during the financial crisis when we suddenly realised that it's just not possible for us all to devalue our currencies at the same time – currency is, after all, relative! However, in 2013 we saw the return of divergence. Developed markets produced strong returns for investors, mostly over 20%, but emerging markets trod their own path and were actually in negative territory by the end of the year.

"What is interesting, and indeed comforting, is that markets seem to be trading on fundamentals again."

DARIUS MCDERMOTT
Managing Director, Chelsea

EMERGING ISSUES

As I'm sure you're aware, it was nervousness around tapering which caused emerging markets (EMs) to take fright last year. As QE comes to an end, EMs no longer have access to cheap capital and this has highlighted the structural problems and currency weakness of several countries. So, not only did we see emerging markets in general diverge from developed, but within EMs we saw increasingly divergent returns. For instance, MSCI Mexico declined by 1.65%* compared with a fall of over 28% in MSCI Turkey*. Those economies with current account deficits have been worst hit, such as India, Brazil, Indonesia, South Africa and Turkey. Their currencies have slid and, in an attempt to combat this, some have raised interest rates aggressively.

Whilst some EMs are still suffering, much of the initial panic has dissipated and currencies and government bond yields have stabilised. China is attempting to rebalance its economy towards domestic consumption in the wake of disappointing growth. It is implementing various reforms, and its success, or otherwise, will have a considerable impact on the outlook for EMs in general. Tapering remains a threat, with higher US bond yields sucking money out of EMs, but markets are certainly starting to look cheap and a regular contribution may well prove worthwhile over the long term.

BACK TO BASICS

This year started well and markets generally rose during the first half of January, with the notable exception of emerging markets but, towards the end of January, markets pulled back a little. They are now moving back up, but what caused their wobble? Stock-market performance over the past year was largely driven by a re-rating rather than earnings growth, especially in the US. As many of the financial crisis' ghosts were laid to rest and economic growth looked more stable, a combination of investors feeling more sanguine and the need for income in a low interest rate world pushed markets higher. However, earnings reports in January were mixed and so markets paused in their upward trajectory.

What is interesting, and indeed comforting, is that markets seem to be trading on fundamentals again. If a company produces disappointing results it sells off; if its earnings surprise on the upside then its share price reflects that. This is a comforting return to normality. A pleasant change from recent scenarios, such as nervousness over Greek debt impacting the shares of both good and bad companies alike.

THE VIEW FROM HERE

The backdrop for fixed interest remains tough. Last year, tapering talk and stronger economic data led to thoughts of rate rises. This pushed government bond yields higher and hence caused capital loss. Whilst we don't expect rates to rise this year, the threat remains, and any indication that they will rise earlier than anticipated will impact fixed interest markets. Whilst fixed interest is a useful diversifier within a portfolio and provides yield, I still believe it is difficult to see much upside.

Equities are no longer cheap, particularly in the US, which had the earliest economic recovery. So, we are unlikely to see the strong gains of the past year, unless companies deliver increased earnings to justify current valuations. On a positive note, companies are sitting on cash and, with a rosier economic outlook, there are signs that companies are starting to invest again, so this should flow down to earnings in due course.

The UK recovery continues apace and this may benefit small and mid-caps. However, large-caps represent the best value as they have been neglected by some in recent months. Whether the UK recovery is sustainable remains the question, particularly given the expanding housing bubble. More in-depth coverage can be found on pages 30 & 31.

Japan remains interesting. It was one of the top-performing markets last year and there is a possibility it could perform well in 2014, particularly if domestic investors can be persuaded to invest. The Japanese hold 55% of their savings in cash. They have just introduced the equivalent of our ISA, which may prove popular as inflation is ticking up and, if that coaxes some of that cash into the stock market, it should prove positive for equities.

Europe remains cheap, although it rallied strongly last year. In peripheral Europe competitiveness is slowly being regained and this produced considerable stock-market gains, as they bounced off lows. However, structural problems remain, growth is stagnant and there is the threat of deflation.

So, I remain positive on developed market equities for 2014, although it looks unlikely that returns will match the strength of those seen in 2013. I remain cautious on fixed interest and emerging markets. What is reassuring is that we seem to be back to basics and active fund management should be rewarded in a world which operates more on corporate fundamentals. So I hope to see our Core managers outperform this year. I am immensely proud of Chelsea's investment research, the value of which can be clearly seen on page 27.

* Source: FE Analytics, bid-bid, 01/01/2013 – 01/01/2014

ISA UPDATE

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

Make the most of your **ISA allowance**

Your ISA allowances are as follows:

2013/14 TAX YEAR
You can invest up to **£11,520** into your Investment ISA (or £3,720 into a Junior ISA).

2014/15 TAX YEAR
The ISA limit will be increased in line with inflation and will rise to **£11,880** (or £3,840 for a Junior ISA).

If investing monthly you can increase your contribution up to **£990 per month** by simply sending us a written instruction or telephoning **020 7384 7300**.

Due to new regulations, there is no dual tax year application form this year. Please therefore complete the form on page 45 if you wish to invest in a 2014/15 ISA.

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

THE CHELSEA JUNIOR ISA
Our Junior ISA is an excellent way for family and friends to build up tax-efficient savings to help with the cost of university, provide a deposit for a house or simply give children a great start in life. See page 8 for more details or go to our website **chelseafs.co.uk/JuniorISA** where you can download our Junior ISA guide. A Junior ISA application form can be found on page 41.

OUR NEW CHARGES FOR THE 2014/15 TAX YEAR

Our new charging structure will be put in place on 6th April 2014. Please see overleaf for details of how you will be saving even more money on your investments.

END OF TAX-YEAR DEADLINES:

PAPER-BASED APPLICATIONS
4th APRIL 2014 - MIDDAY

TELEPHONE (WITH DEBIT CARD)
5th APRIL 2014 - 10PM

ONLINE (WITH DEBIT CARD)
5th APRIL 2014 - 10PM

UNIT TRUST TO ISA SWITCHES
2ND APRIL 2014

JUNIOR ISA
4TH APRIL 2014 - MIDDAY
(PAPER-BASED)

“ If you want to receive our regular newsletters via email, just enter your email address in the relevant section on the home page of our website – or telephone us and we'll do it for you. ”

SAM HOLDER
Operations Director, Chelsea

Three easy ways to buy your ISA:

Simply phone **020 7384 7300**

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

Complete and post the **form**
on pages 39 or 45

New tax year, new charging system

The changes to charges are understandably causing considerable confusion amongst investors. So we thought it might be helpful to have someone independent to evaluate and explain Chelsea's new charges. Ian Cowie is a highly respected journalist, who was personal finance editor of The Daily Telegraph for many years, before joining The Sunday Times as Personal Account columnist in 2013. He was judged to be Consumer Affairs Journalist of the Year in the 2012 London Press Club Awards.

IAN COWIE
Journalist
Sunday Times

More of investors' money will soon be working for our own benefit – rather than fund managers' and others' – as a result of the biggest shake-up in financial services for many years. So it's important to ensure that you and your family make the most of new rules that take effect on April 6, 2014, to avoid unnecessary expense and boost investment returns.

New, lower charges will cut the cost of tax shelters, including individual savings accounts (ISAs) and self-invested personal pension plans (SIPPs). Fund managers, financial intermediaries and fund platforms – which provide a convenient and cost-effective way to keep all your investments in one place – will soon offer better value.

All of Chelsea's clients will pay lower charges as a result of its new pricing structure. Yes, that's right; all of them. Annual fees to hold unit trusts and other funds with this broker will fall by at least a fifth and bigger investors will save even more.

Some bills will be cut by hundreds of pounds, depending on the value of investments. Less spectacular savings may still be sufficient to pay for a night out and will be welcome in many cases.

That's good news when the price of most goods and services elsewhere continues to rise. By contrast, cost-cutting by financial services companies means investors will soon get more bang for their bucks.

Before looking at the details, it's worth emphasising that price is not the only important consideration for investors. As in many walks of life, the cheapest deal is not necessarily the best one. For example, investment research that helps you select the right funds to boost returns can prove valuable (see page 27).

Good service from a family firm might be important, too, as many people who have waited to get through to a call centre will know. When you telephone Chelsea, you will be able to speak to experienced and friendly staff – including talking to the managing director, if you want to.

HOW MUCH WILL I SAVE?

At present, most unit trusts impose annual management charges of 1.5%. This cost includes 0.75% for the fund manager, 0.5% for the intermediary and 0.25% for the fund platform.

The Financial Conduct Authority has ruled that these costs must be shown separately for new investments from April 6, 2014, to help investors see where our money goes. Chelsea – which was established in 1983 and was the first intermediary to discount initial charges on unit trusts and bonds – is taking this opportunity to cut its costs and those of its fund platform.

So, for example, on investments worth up to £250,000 – including all products and tax shelters – Chelsea will cut its annual fee by a fifth and Cofunds, its platform provider, will also cut its fee by a fifth. Chelsea's fee will fall from 0.50% to 0.40% and Cofund's platform fee will fall from 0.25% to 0.20%. In both cases, that's a reduction of 20%. Where an investor has assets with Chelsea worth more than £250,000 but less than £1m, there will be an even larger annual cost reduction. Instead of paying 0.50% to Chelsea and 0.25% to Cofunds' platform, the new fees on this band of assets will be 0.35% and 0.20% respectively. In total, that cuts costs by more than a quarter or 26.66% per annum on assets between £250,000 and £1m.

Because it does not cost twice as much to administer a £2m portfolio as it does to run £1m, bigger investors do even better. Where the total asset value is between £1m and £2m, Chelsea's new fee on this band of assets will be 0.30% and its platform provider Cofunds will charge 0.15%. That will be 40% cheaper than its current tariff.

Finally, for those with more than £2m invested, Chelsea will scrap its annual charge on this band of assets altogether while the Cofunds platform fee falls to 0.15%.

Many of us find figures with pound signs in front of them more interesting than percentages. So it's worth pointing out what these changes mean in cash terms. People with £50,000 invested through Chelsea Financial Services will pay £75 a year less in charges. Those with £100,000 invested will save £150 a year. Investors with £250,000 will pay £375 less per year. Those with £1m invested will see annual costs fall by £1,875.

WHERE'S THE CATCH?

There are no hidden costs that I can find in Chelsea's new tariff. So, for example, there is no extra charge for paper statements or reinvesting income. Nor is there any extra charge for account closures or pensions splitting on divorce or arranging death benefits.

You might think it is a bit steep to charge investors for sending them a printed statement, telling them how much their investments are worth, but some financial intermediaries will charge £20 a year for doing so. Not even the banks have gone that far, yet. Other intermediaries impose a £75 charge for telephone dealing.

Similarly, reinvesting income is one of the simplest ways to benefit from compounding and build capital over time. But some other intermediaries now charge 1% of the automatically reinvested funds to do so; subject to a maximum charge of £10 – and, as these costs could be incurred on a monthly basis, they might soon add up.

If you want to close your account with some intermediaries, you will be charged £25 plus VAT for the privilege of getting your own money back. If you are unfortunate enough to have to divide your pension because of divorce – or need benefits to be paid out after death – then some firms will charge £295 plus VAT for each of these services.

It's worth emphasising that Chelsea does not impose any of these charges. Perhaps even more importantly, it does provide independent research to help you select the right fund for your needs and investment returns can prove even more important than costs (see page 27).

ADDED VALUE

NO HIDDEN CHARGES WITH CHELSEA
...JUST SIMPLE, PREDICTABLE PRICING

Telephone dealing ✘	Duplicate tax certificates ✘
Paper statements ✘	Ad hoc paper statements ✘
Online dealing ✘	Sale of investments ✘
Exit fees ✘	Registration of legal docs ✘
Probate valuation ✘	Payment by cheque ✘
Re-investing income ✘	Paper contract notes ✘
Investing via direct debit ✘	

All the above actions attract charges from other companies, but not from Chelsea – it pays to read the small print.

Share prices can fall without warning. Pooled funds – such as unit trusts – set out to reduce the risk inherent in stock-market investment by diversification. That means spreading your money over many different assets to diminish your exposure to setbacks or failure at any one company or, in the case of international funds, country. But the fact remains you may get back less than you invest.

So it may be useful to consider independent research when attempting to identify which funds or fund managers might be appropriate for your investment objectives. For example, you could be looking for income or growth, or a mixture of both. You might be willing to accept a high degree of risk in pursuit of high returns or prefer lower risks with lower returns. Whichever strategy suits you, knowledge is power and independent research can prove valuable. Chelsea researchers interview more than 400 fund managers every year to try to identify the best stock-pickers.

This analysis is the basis for its Core Selection 'buy' list, which has returned an average of 2.26% per annum more than the Investment Management Association (IMA) average Mixed Investment 40-85% Shares fund over the past 10 years. The Chelsea Core total return during that decade was 138.88%, compared with 93.71% for the IMA Mixed Investment 40-85% Shares funds. This delivered substantial added value for long-term investors. However, it is important to understand that the past is not a guide to the future.

These new charges come into effect for all investments made from April 6, 2014. If you wish your whole portfolio to benefit from these new lower charges, you simply need to telephone Chelsea and request a bulk conversion form. You might warn friends or family with other intermediaries that they need to check they will benefit from lower charges this April, because regulators will not make these changes compulsory for all firms' existing investments until April, 2016. ■

Ian Cowie's views are his own. The figures are purely for illustration purposes and may not represent the exact same stated individual circumstances.

NEW PRICING DETAILS

Up to £250,000 held with Chelsea (combined amount across all products and wrappers):
Cofunds' platform fee reduced from 0.25% to 0.20%
Chelsea's fee reduced from 0.50% to 0.40%
Total reduction in annual fees 0.15% (platform & service charge cut by 20%)
Amounts between £250,000 and £500,000
Cofunds' platform fee reduced from 0.25% to 0.20%
Chelsea's fee reduced from 0.50% to 0.35%
Total reduction in annual fees 0.20% (platform & service charge cut by 26.66%)
Amounts between £500,000 and £1m:
Cofunds' platform fee reduced from 0.25% to 0.20%
Chelsea's fee reduced from 0.50% to 0.30%
Total reduction in annual fees 0.25% (platform & service charge cut by 33.33%)
Amounts between £1m and £2m:
Cofunds' platform fee reduced from 0.25% to 0.15%
Chelsea's fee reduced from 0.50% to 0.25%
Total reduction in annual fees 0.35% (platform & service charge cut by 46.66%)
Amounts over £2m:
Cofunds' platform fee reduced from 0.25% to 0.15%
Chelsea's fee reduced from 0.50% to 0%
Total reduction in annual fees 0.60% (platform & service charge cut by 80%)

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 and £3,840 for the 2014/15 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.

PORTFOLIO CHANGES

Cautious Equity JISA: Artemis Income replaces Invesco Perpetual High Income. **Aggressive Equity JISA:** Marlborough UK Micro Cap Growth replaces Marlborough Special Situations

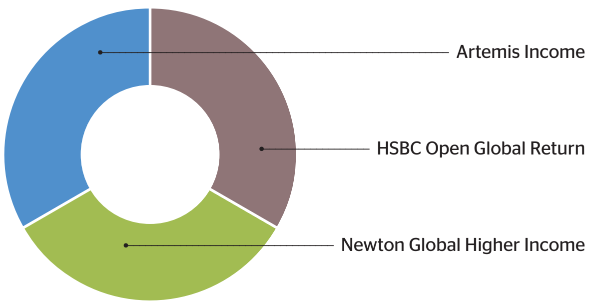
UNSURE WHERE TO INVEST?

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%

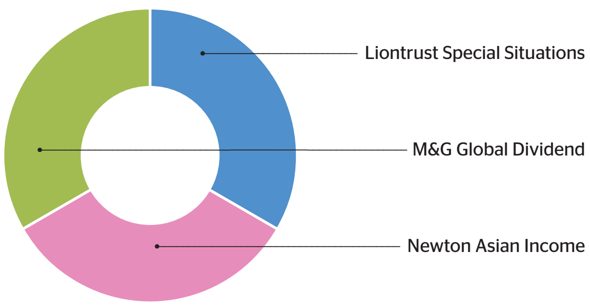
The cautious portfolio is designed to provide capital growth through well-diversified investment in a broad range of asset classes and a variety of regions. As a result, the portfolio aims to reduce volatility over the longer term but still holds over 80% in equities.



Balanced Equity Portfolio

AVERAGE CHELSEA RISK RATING	6.5
AVERAGE ANNUAL MANAGEMENT CHARGE	1.58% ‡
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.33%~~ 0%

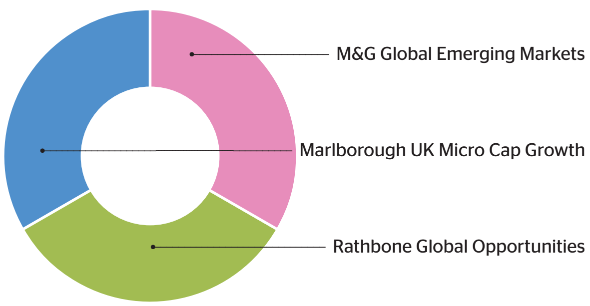
Those investors prepared to take a balanced level of risk and aiming to generate a return on capital through a mix of growth and income should opt for the balanced portfolio. The portfolio primarily invests in developed Asia and UK equity markets, although it is exposed to other regions such as the US,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



Aggressive Equity Portfolio

AVERAGE CHELSEA RISK RATING	8.16
AVERAGE ANNUAL MANAGEMENT CHARGE	1.5% ‡
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~3.83%~~ 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 41. Please take a look at the Key Investor Information Documents (KIID) online before you invest (see covering letter for details or visit our website at chelseafs.co.uk/literature). You will also find further information on our website at chelseafs.co.uk/JuniorISA.

Junior ISA guide: We have written a guide which explains how the Junior ISA works, who can invest in it and what the benefits are. It is available on our website at the address above.

Please note that children with Child Trust Funds (CTF) cannot currently have a Junior ISA. However, the government has consulted on this issue and we expect transfers will be allowed from April 2015.

All funds are chosen from the Chelsea Selection *...see page 22.*

‡ Valid up until April 6th 2014. New charging structure applies thereafter.

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 pages 13 and 27). 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 36). And remember, the EasyISA is also available for ISA transfers.

> *"To read about the value of our research, see page 27."*
>
> **JULIET SCHOOLING LATTER**
> Research Director, Chelsea

WHAT TO DO NEXT

Once you have selected your preferred EasyISA option, please view the appropriate Key Investor Information Documents, or KIIDs, (see covering letter for details or visit our website at chelseafs.co.uk/literature) and then simply fill in the ISA application form on pages 39 or 45, 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 the 2014/15 tax year you can invest up to £11,880

PORTFOLIO CHANGES

Cautious EasyISA: Artemis Income replaces Invesco Perpetual High Income

Balanced Growth EasyISA: AXA Framlington UK Select Opportunities replaces M&G Recovery

Aggressive Growth EasyISA: JOHCM UK Dynamic replaces AXA Framlington UK Select Opportunities; Marlborough UK Micro Cap Growth replaces Marlborough Special Situations

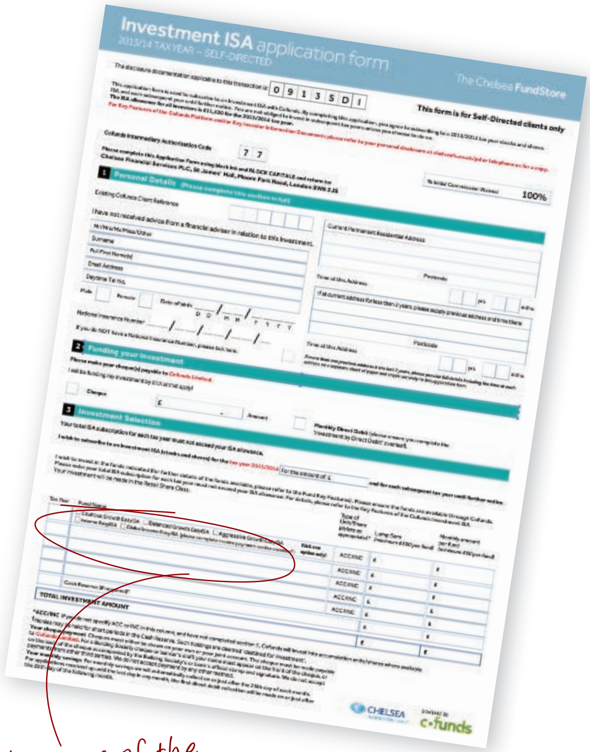
It's not called EasyISA for nothing:

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

   (*see covering letter for details, or visit our website at chelseafs.co.uk/literature.)

2. Tick the relevant box on the ISA application form (page 39 or 45) and decide how much you want to invest

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



Select one of the EasyISA options here.

Three easy ways to buy your ISA:

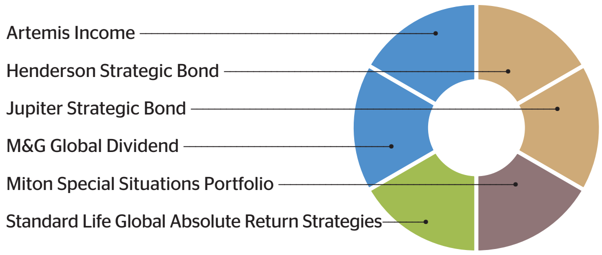
Call us on **020 7384 7300**

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

Send us a **form**
ISA – go to page 39 or 45
Junior ISA – go to page 41

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. N.B. this portfolio contains up to 50% equity exposure, so may be subject to greater volatility than the term Cautious may suggest.



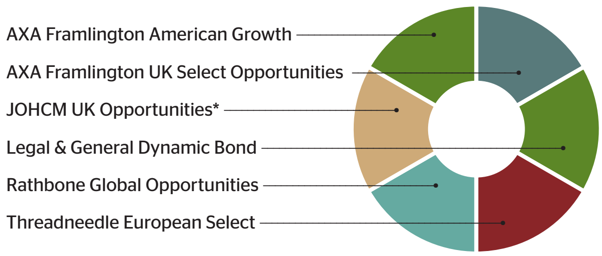
AVERAGE CHELSEA RISK RATING	4.16
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.33%~~ 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42% ‡
BENCHMARK	1/3 STRATEGIC BOND (SECTOR AVERAGE) 2/3 MIXED INVESTMENT 20-60% (SECTOR AVERAGE)

	PORTFOLIO	BENCHMARK	MIXED INVESTMENTS 20-60% SHARES**
PERFORMANCE OVER 1 YEAR	7.31%	4.82%	5.04%
PERFORMANCE OVER 3 YEARS	20.22%	16.58%	14.72%
PERFORMANCE OVER 5 YEARS	62.86%	52.40%	47.26%

Source: FE Analytics data as of 10/02/2014, compiled by Chelsea. ** Sector average. .

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.



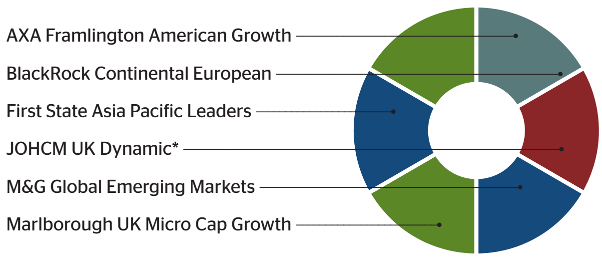
AVERAGE CHELSEA RISK RATING	5.66
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~3.79%~~ 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42%* ‡
BENCHMARK	1/3 UK ALL COMPANIES (SECTOR AVERAGE) 1/3 GLOBAL (SECTOR AVERAGE) 1/3 MIXED INVESTMENT 20-60% (SECTOR AVERAGE)

	PORTFOLIO	BENCHMARK	MIXED INVESTMENTS 40-85% SHARES**
PERFORMANCE OVER 1 YEAR	12.37%	11.44%	7.42%
PERFORMANCE OVER 3 YEARS	22.43%	22.45%	16.53%
PERFORMANCE OVER 5 YEARS	84.08%	77.19%	61.36%

Source: FE Analytics data as of 10/02/2014, compiled by Chelsea. *A performance fee may be applied, see page 14 for details. ** Sector average.

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.



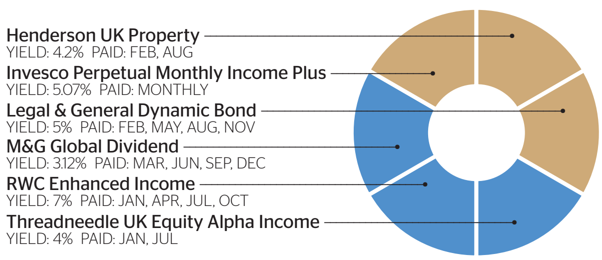
AVERAGE CHELSEA RISK RATING	7.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.75%~~ 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.50% ‡
BENCHMARK	MSCI WORLD INDEX

	PORTFOLIO	BENCHMARK	GLOBAL RETAIL**
PERFORMANCE OVER 1 YEAR	8.98%	12.98%	9.87%
PERFORMANCE OVER 3 YEARS	26.00%	26.52%	19.06%
PERFORMANCE OVER 5 YEARS	98.23%	90.70%	75.20%

Source: FE Analytics data as of 10/02/2014, compiled by Chelsea. *A performance fee may be applied, see page 14 for details. ** Sector average.

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. There is also one sixth invested in property to further diversify the income stream. This combination aims to maintain, and even potentially grow, capital over the long term, whilst paying dividends throughout the year.



AVERAGE CHELSEA RISK RATING	4.25
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.17%~~ 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.42% ‡
BENCHMARK	1/2 STRATEGIC BOND (SECTOR AVERAGE) 1/2 UK EQUITY INCOME (SECTOR AVERAGE)

	PORTFOLIO	BENCHMARK
PERFORMANCE OVER 1 YEAR	10.06%	11.53%
PERFORMANCE OVER 3 YEARS	27.55%	28.23%
PERFORMANCE OVER 5 YEARS	88.93%	82.64%
AVERAGE YIELD FOR THE PORTFOLIO	4.36%	-

Source: FE Analytics data as of 10/02/2014, compiled by Chelsea.

‡ Valid up until April 6th 2014. New charging structure applies thereafter.

Global Income EasyISA

Global Income offers investors a medium to high level of risk within a globally-diversified portfolio and these equity income funds are selected for their potential to grow their yields over time. Over 50% of the portfolio is invested in US and European equities, with approximately 15% in UK equities. The remainder is invested across other regions, such as Asia, emerging markets and Japan.

Artemis Global Income
YIELD 4.10% PAID: OCT, APR

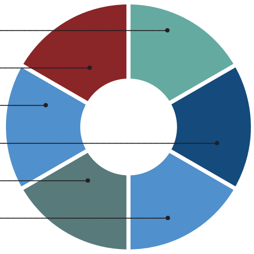
BlackRock Continental European Income
YIELD 3.92% PAID: SEP, DEC, MAR, JUN

Fidelity Enhanced Income
YIELD 5.04% PAID: NOV, FEB, MAY, AUG

JPM Emerging Markets Income
YIELD 4.58% PAID: FEB, JUL

Legg Mason US Equity Income
YIELD 2% PAID: NOV, FEB, MAY, AUG

Newton Global Higher Income
YIELD 4.15% PAID: NOV, FEB, MAY, AUG



AVERAGE CHELSEA RISK RATING	6.67
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.17%~~ 0%
AVERAGE ANNUAL MANAGEMENT CHARGE	1.5% ‡
BENCHMARK	GLOBAL EQUITY INCOME

	PORTFOLIO	BENCHMARK	GLOBAL RETAIL**
PERFORMANCE OVER 1 YEAR	6.91%	10.06%	9.87%
PERFORMANCE OVER 3 YEARS	N/A	N/A	N/A
PERFORMANCE OVER 5 YEARS	N/A	N/A	N/A
AVERAGE YIELD FOR THE PORTFOLIO	9.87%	-	-

Source: FE Analytics data as of 10/02/2014, compiled by Chelsea. ** Sector average.

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

Your ISA application form is on page 39 or 45

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. Please note, even low risk-rated funds carry some degree of risk.

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

RISK RATING	SECTOR
9-10	EMERGING MARKETS
9-10	JAPAN
8-10	TECHNOLOGY
7.5-10	ASIA PACIFIC EX JAPAN
7.5-8.5	UK SMALLER COMPANIES
7-10	COMMODITIES
6.5-8	NORTH AMERICA
6-8	PROPERTY EQUITIES
6-8	GLOBAL EQUITIES
6-8	EUROPE
5-8	UK ALL COMPANIES
5-7	UK EQUITY INCOME
5	MIXED INVESTMENT 40-85%
3-5	UK EQUITY & BOND INCOME
3-4	MIXED INVESTMENT 20-60%
3-3.5	PROPERTY
3	HIGH YIELD BONDS
2-7	ABSOLUTE RETURN
2-4	STRATEGIC BONDS
1-3	GLOBAL BONDS
1-2	CORPORATE BONDS
1	GILTS

WELCOME TO THE GUIDE TO BUILDING YOUR OWN PORTFOLIO:

the **DIYportfolio**

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

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.

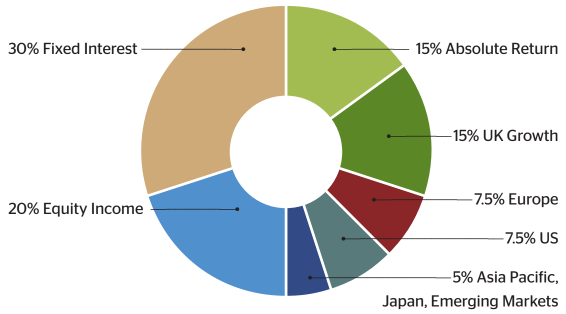
Here we provide some model portfolios as a guide. Obviously they can be altered to reflect your own preferences. It is important to have diversification to reduce risk, but spreading your assets across too many funds means that those which perform strongly will have little impact on overall performance. 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

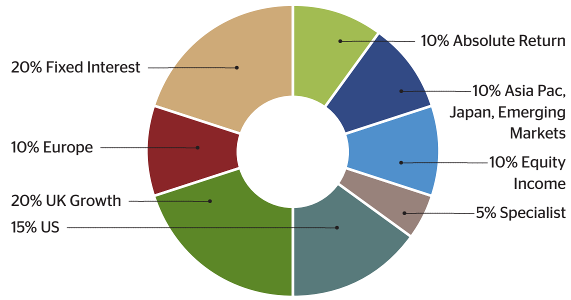
Designed for those who have a lower tolerance to risk, perhaps an investor closer to retirement. With a higher proportion in bonds it should be less volatile. Those close to retirement should have an even higher allocation to fixed interest. It should be noted that even the 'Cautious Growth' portfolio has a substantial weighting in equities and is therefore subject to volatility.



Balanced Growth DIYportfolio

AVERAGE CHELSEA RISK RATING: 6-7

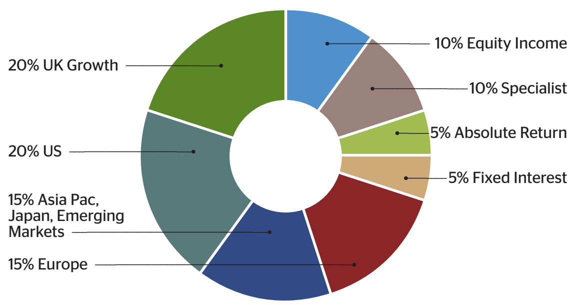
With a medium level of risk, this portfolio aims to achieve growth, but will have greater volatility. Investment is predominantly in equities.



Aggressive Growth DIYportfolio

AVERAGE CHELSEA RISK RATING: 7-8

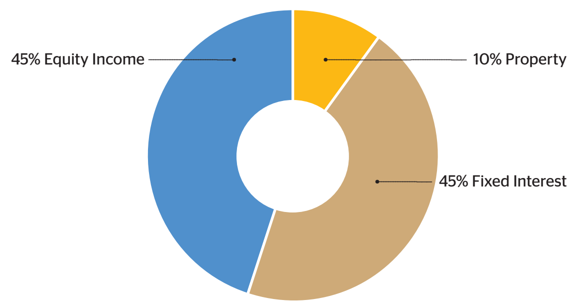
An aggressive portfolio is for investors who are comfortable with a higher degree of risk and may have a longer time horizon, so that any volatility in markets can be mitigated over time.



Income DIYportfolio

AVERAGE CHELSEA RISK RATING: 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 22-23). The equity income portion should be a combination of UK and overseas.



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 **DIYportfolio** (see opposite page)

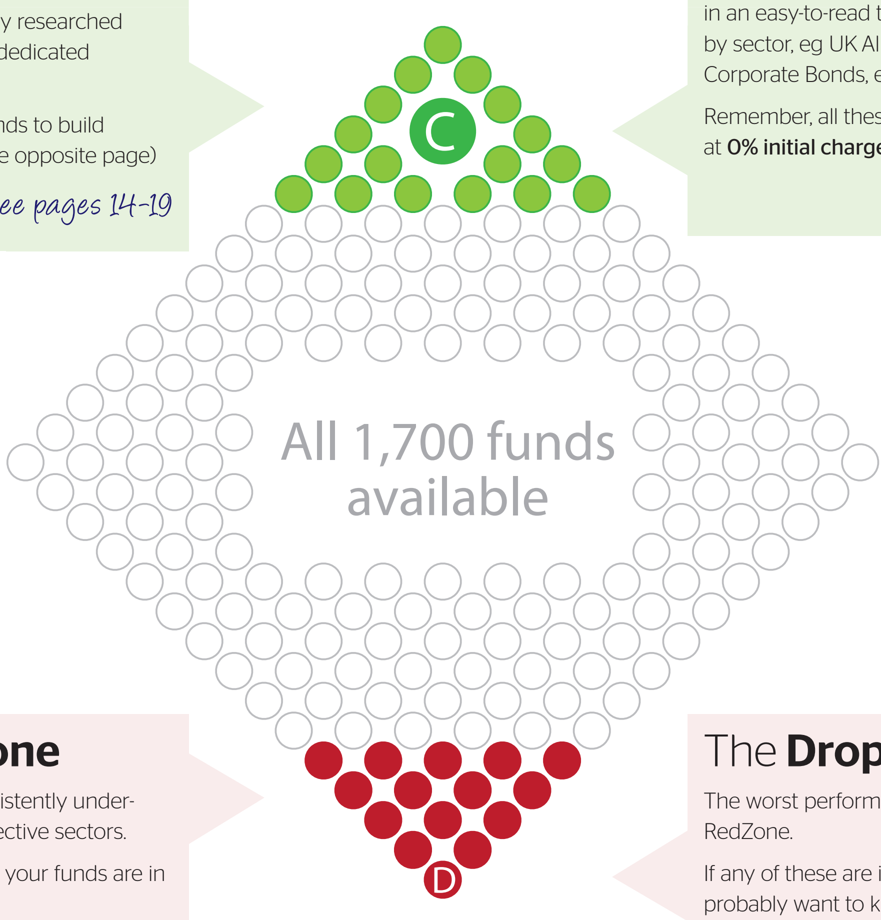
See pages 14-19

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 22-23



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 25

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 24

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, questioning 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©**

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

UK GROWTH

ARTEMIS UK SPECIAL SITUATIONS

Derek Stuart and Andy Gray define special situations as including 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 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 increased their exposure to financials, which has seen them turn in top quartile performance over the past three 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	1.50%
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 and 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, but currently has 67.

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	0.87%
UNIT TYPE	ACC or INC

JOHCM UK DYNAMIC NEW TO CORE

Alex Savvides, who has recently celebrated his five-year anniversary running the fund, is one of the most exciting up-and-coming UK fund managers. The process, which he built himself, looks to exploit periods of share price underperformance, where the reasons for the underperformance are well understood and he believes there is a catalyst for change. Ideas come from three sources, which are corporate restructuring, hidden growth and recovery situations. Once his view is accepted by the market and becomes consensus he will often sell. Also all companies need to have a yield or prospective yield, which does provide an element of safety. The fund will have at least 50% in the FTSE 100 and stocks are typically held for two years.

CHELSEA RISK RATING	7
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	2.83%
UNIT TYPE	ACC or INC

JOHCM 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 outperformance of the FTSE All-Share Total Return Index. John remains cautious, due to corporate earnings not keeping pace with stock prices and, at the time of writing, 19% of the fund was in cash.

CHELSEA RISK RATING	5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	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 stock 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 portfolio companies, will 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 preference for cyclical stocks in 2013 saw the fund come under a bit of pressure.

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	0.67%
UNIT TYPE	INC

MARLBOROUGH UK MICRO CAP GROWTH NEW TO CORE

Run by Giles Hargreave and Guy Feld, who are supported by one of the best small-cap teams in the country, the fund invests at the bottom end of the market capitalisation spectrum. The managers have a growth bias and look for companies that will benefit from changing consumer trends, are leaders in niche markets or possess disruptive technology. The fund is extremely diversified at the stock level (around 220 stocks) and also across investment themes and sectors. The managers will aggressively run winners and add to them if appropriate. Typically the fund has around 15-20% overlap with Marlborough Special Situations, which invests further up the capitalisation scale.

CHELSEA RISK RATING	8
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50% ‡
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	-
YIELD	0.76%
UNIT TYPE	ACC

OLD MUTUAL UK ALPHA NEW TO CORE

Following the same process as his previous fund Schroder UK Alpha Plus, Richard Buxton runs the fund with a high conviction approach. Consequently, the fund is concentrated with typically 20-40 holdings and positions are held for the long term. At least 75% of the fund will be in large-cap stocks, with the remainder in the FTSE 250. He adopts a contrarian approach and likes companies that are out of favour but where there is reason to believe that may change. Over the years he has been well known for making some astute macroeconomic calls. In a recent teleconference, Richard said he was starting to look at miners again, as they are cheap.

CHELSEA RISK RATING	7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50% ‡
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	SILVER
YIELD	2.30%
UNIT TYPE	ACC or INC

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 22-23.

All data sourced from FE Analytics, 03/02/2014

* There is a 15% performance fee on outperformance of the FTSE All Share Total Return Index.

‡ Valid up until April 6th 2014. New charging structure applies thereafter.

the Chelsea **Core Selection**© CONTINUED

EQUITY INCOME

ARTEMIS GLOBAL INCOME NEW TO CORE

Jacob de Tusch-Lec adopts a similar methodology to that of the successful Artemis Income fund. The ability to choose companies worldwide offers greater opportunities to find organisations with sustainable and growing yields. The fund favours large and mid-cap companies in a high-conviction portfolio of 60-80 stocks. The portfolio is structured using themes forming a balance between a stable core of stocks, growth companies and those with greater risk/reward potential. The manager aims to derive a yield from various sources which consistently deliver a target 4-5% yield through differing market conditions. Income is paid in April and October.

CHELSEA RISK RATING	6.5
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	4.10%
UNIT TYPE	ACC or INC

ARTEMIS INCOME

Adrian Frost and Adrian Gosden manage a flexible, high-conviction portfolio of around 60-90 UK stocks, with the aim of generating rising income, coupled with capital upside. The fund is mainly invested in equities listed on the FTSE 350 and is mostly in large caps, although the portfolio may contain a mix of market caps and sectors, depending on the managers' convictions. They place emphasis on finding businesses with strong and sustainable free cashflows. The managers will invest overseas or in bonds to maintain yield. They have indicated that some earnings growth will be important if the UK market is to make further progress. 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

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 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. Stuart predominantly invests in developed markets, however he is beginning to look toward emerging market stocks as some are becoming increasingly undervalued. 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	GOLD
MSTAR OBSR FUND RATING	SILVER
YIELD	3.12%
UNIT TYPE	ACC or INC

NEWTON ASIAN INCOME SPOTLIGHT

Jason Pidcock, supported by a strong team of global sector analysts, identifies global investment themes and translates these into sector and stock selection using a bottom-up process, focusing on companies from across the market-cap range with strong, sustainable fundamentals and with an above-market yield at purchase. The portfolio has a low turnover and will typically comprise 40-55 stocks, which may be listed in Asia or elsewhere, as long as they generate significant revenues in the Asian region. Jason is concerned about the economic situation in China and has recently adjusted his portfolio accordingly. Income, is paid in March, June, September and December.

CHELSEA RISK RATING	7.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50% ‡
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	SILVER
YIELD	5.18%
UNIT TYPE	INC

RATHBONE INCOME

Through investing in UK companies with above average yields, Carl Stick aims to deliver rising income, with capital upside over time. Carl's investment process combines top-down macroeconomic considerations with bottom-up stock-picking 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 holdings are 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	~~2.50%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50% ‡
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	3.69%
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. Typically, the fund will be managed to achieve a targeted yield of 7%, this does mean it will lag during strong market rises, such as in the first half of 2013. 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	NEUTRAL
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 25-30 UK stocks. The team identify economic investment themes and position the portfolio accordingly. 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. Recently, the managers have been adding to stocks which generate their earnings from across Europe, hoping to capitalise on improving conditions for some companies in the region. 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	4.00%
UNIT TYPE	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.

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 22-23.

All data sourced from FE Analytics, 03/02/2014

‡ Valid up until April 6th 2014. New charging structure applies thereafter.

the Chelsea **Core Selection**© CONTINUED

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 and the manager currently favours consumer services and healthcare 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	0.43%
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 companies. Alexander takes a long-term view, focusing predominantly on bottom-up stock analysis and places a high degree of emphasis 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. His preferred sectors are currently industrials and healthcare (though not pharmaceuticals).

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	0.90%
UNIT TYPE	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 strong market share in emerging markets and is currently underweight France and Spain and overweight Germany. The fund is fairly concentrated and currently has 46 holdings, of which around 80% are in large caps.

CHELSEA RISK RATING	7
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~3.00%~~ 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

Managers Steve Kelly and Dan Harlow run this fund within a stock-picking framework. They have a strong growth bias, focusing on companies that are able to exhibit genuine, organic growth through the strength of their brand. They also prioritise good management in their investment decisions, as they look for companies whose management delivers their stated goals. The fund typically holds 65-75 stocks. The managers are currently overweight technology stocks as they feel they will benefit from a consumer recovery.

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 or INC

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 a mid to long-term investment horizon. Exposure to companies with a market cap of less than $US500m must be less than 10%. China and India are currently the largest country weightings.

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	0.11%
UNIT TYPE	ACC

INVESCO PERPETUAL HONG KONG & CHINA NEW TO CORE

This fund aims to invest in quality defensive companies with sustainable earnings and strong management teams. Mike Shiao is based in Hong Kong and has been managing the fund since 2012. He has over 20 years' experience of investing in the region. The fund is currently avoiding investing in Chinese real estate and utilities and is instead focusing on the Chinese consumer. It favours investing in mid-cap stocks and over 40% of the value of the fund is currently in its top ten holdings.

CHELSEA RISK RATING	10
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50% ‡
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	-
YIELD	0.77%
UNIT TYPE	ACC

THE CHELSEA RISK RATING

Least risky 1 — Most risky 10

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 11 for further details

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 22-23.

All data sourced from FE Analytics, 03/02/2014

‡ Valid up until April 6th 2014. New charging structure applies thereafter.

the Chelsea **Core Selection**© CONTINUED

ASIA PACIFIC, JAPAN AND EMERGING MARKETS

JOHCM JAPAN NEW TO CORE

The managers of this multi-cap, high-conviction Japan fund follow a pragmatic approach to identify both growth and value opportunities through bottom-up analysis. The managers also require a catalyst to spur a re-rating, such as a restructuring, a corporate action or an earnings surprise. The portfolio will usually feature 40 - 60 holdings and the managers have an active trading approach, which can lead to high turnover at times. Typically they tend to avoid mega-cap stocks. Currently they are overweight companies with a large proportion of their assets in real estate, as they feel property should benefit from the loose monetary policy in Japan.

CHELSEA RISK RATING	10
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25% ‡
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	INC

M&G GLOBAL EMERGING MARKETS

Matthew Vaight seeks to deliver capital growth by identifying asset growth and quality stocks he deems undervalued. He invests in any emerging market region or in companies whose business is conducted primarily in these regions, avoiding stocks affected by political risk or poor corporate governance. Between 50 and 70 stocks are selected through strict bottom-up analysis, reflecting the fund managers belief that value creation, and not economic growth, will deliver returns over the long term. Matthew has reacted to the recent turmoil in emerging markets by consolidating his positions in financials, adopting a more defensive stance and exploiting attractive valuations.

CHELSEA RISK RATING	10
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	0.57%
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. Performance suffered slightly in 2013, partly due to Matthew's underweight in well-performing domestic sectors, which he considers expensive.

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 or INC

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. They invest predominantly in equities, but 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. The managers are currently shorting European and Japanese government bonds and retain a cautious stance from a macroeconomic viewpoint.

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	-
YIELD	-
UNIT TYPE	ACC

HENDERSON UK PROPERTY TRUST

The managers' primary concern of maintaining an attractive yield sets this fund apart from many of its peers. To sustain the yield they focus on tenant strength and lease length. Strong tenants are those where their long-term prospects are good and are likely to be resilient during all stages of the business cycle. This has meant the fund has a south east focus and is underweight the retail sector. The average lease length is over 10 years, with 25% of the leases currently RPI linked. Put into practice this strategy has seen the fund have the highest occupancy rate in the sector at 99%, as well as one of the highest yields.

CHELSEA RISK RATING	3.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.50% ‡
STANDARD AND POOR'S FUND RATING	-
MSTAR OBSR FUND RATING	-
YIELD	4.2%
UNIT TYPE	ACC OR INC

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 seeks to stabilise the fund by investing around 30% in defensive asset classes. The fund is managed as a cautious, well diversified portfolio and there are no formal sector or stock constraints placed upon the manager. This fund tends to underperform strongly rising markets but does well in tougher markets. Martin still has a bearish outlook on markets, and as such has maintained the fund's defensive style. However, he is bullish on the prospects for Japanese equities over the medium term.

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.

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 22-23.

All data sourced from FE Analytics, 03/02/2014

‡ Valid up until April 6th 2014. New charging structure applies thereafter.

the Chelsea **Core Selection**© CONTINUED

GLOBAL

RATHBONE GLOBAL OPPORTUNITIES

James Thomson is able to invest anywhere globally. Typically, however, the portfolio will consist of 50-60 stocks from developed world markets. James looks 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 and its largest regional weighting is currently in North America, with over 62% invested in the region.

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 can invest across the fixed income spectrum, but can also invest in synthetic fixed income securities (i.e. preference shares) and equities. In addition, 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. They are encouraged by the recent progress the American and European economies have made, but remain cautious regarding sovereign bonds. 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	5.80%
UNIT TYPE	INC

INVESCO PERPETUAL MONTHLY INCOME PLUS

This strategic bond fund gives the managers considerable freedom to invest across the credit spectrum, but their emphasis on providing a high income and security of capital mean the fund will often have a bias towards higher quality high-yield bonds, although security selection is driven by bottom-up analysis. The fund can invest up to 20% of its assets in equities. The equity portion is managed by Ciaran Mallon, who also manges Invesco's Income and Growth fund. Invesco are well known for the strength of their fixed-income resource and this is their flagship offering. Income is paid monthly.

CHELSEA RISK RATING	3.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~5.26%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25% ‡
STANDARD AND POOR'S FUND RATING	GOLD
MSTAR OBSR FUND RATING	SILVER
YIELD	5.07%
UNIT TYPE	INC

JUPITER STRATEGIC BOND SPOTLIGHT

The manager, Ariel Bazelel, seeks out the best opportunities within the fixed interest universe globally. He identifies 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 and also to profit from falling bond prices. Around 50% of the portfolio is invested in high yield bonds. 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	4.80%
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 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	3.56%
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. He uses the full breadth of the fund's broad remit to take advantage of short-term opportunities and hedge various exposures. 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	5.00%
UNIT TYPE	ACC or INC

M&G OPTIMAL INCOME

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 and has recently increased his equity weighting to 11.5%. Fundamental analysis is used to identify specific issues, with cashflow, ability to service debt and susceptibility to event risk deemed to be key factors. As a house M&G have been overweight short maturity bonds which has led to their fixed-income funds holding up well despite the recent volatility in bond markets. Income is paid in June and December.

CHELSEA RISK RATING	2.5
INITIAL CHARGE AFTER CHELSEA DISCOUNT	~~4.00%~~ 0%
ANNUAL MANAGEMENT CHARGE	1.25% ‡
STANDARD AND POOR'S FUND RATING	PLATINUM
MSTAR OBSR FUND RATING	SILVER
YIELD	3.03%
UNIT TYPE	ACC or INC

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 22-23.

All data sourced from FE Analytics, 03/02/2014

‡ Valid up until April 6th 2014. New charging structure applies thereafter.

the Chelsea **Core Selection**© CONTINUED

ABSOLUTE RETURN

BNY MELLON ABSOLUTE RETURN EQUITY

This fund aims to substantially outperform cash through positions in long/short UK and European equity holdings over a market cycle. A top-down macroeconomic approach is used to identify investment opportunities, combined with bottom-up analysis which focuses on cash flow return on investment. Once a stock has been picked, it is paired with one or more other positions which will hedge the broad market exposures in the long position and isolate the particular performance driver identified by the team's research. Strong emphasis is placed on portfolio risk and capital preservation, supported by disciplined stop-loss and profit-taking policies. The fund manager has broad but disciplined investment parameters and will typically hold between 50-60 positions.

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

HENDERSON UK ABSOLUTE RETURN NEW TO CORE

This is a stock-picking fund that aims to deliver 10% p.a. in all market conditions. The managers look to identify stocks that will either exceed or fall short of analysts' expectations and construct a portfolio of both long and short positions. There are limits on the overall market exposure, which serve to reduce the volatility of the fund. Two thirds of the portfolio will be in shorter-term tactical ideas, where the managers believe an earnings surprise could be imminent. The remainder will be in core holdings, where the managers think there are long-term drivers in place that will either increase or decrease the share price over time.

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

NEWTON REAL RETURN

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.

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	2.92%
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%. 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	UNDER REVIEW
YIELD	0.98%
UNIT TYPE	ACC

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 22-23.

All data sourced from FE Analytics, 03/02/2014

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

THE CHELSEA RISK RATING

Least risky 1 — Most risky 10

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 11 for further details

‡ Valid up until April 6th 2014. New charging structure applies thereafter.

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 **Newton Asian Income**

JASON PIDCOCK
Fund manager,
Newton Asian Income

I have managed Asian equities since 1993; first at Henderson, followed by BP, where I ran the Asian equity portion of the pension fund. I joined Newton in 2004 and I head up Newton's Asian equities team. I have managed the Newton Asian Income fund since its inception in 2005.

This fund invests in the Asia-Pacific region, excluding Japan, with the aim of providing income and long-term capital growth. At Newton, we believe Asia contains some of the world's fastest growing economies and, as such, presents a variety of opportunities to invest in companies with sound long-term prospects to grow their business, alongside the potential to provide investors with regular income through dividends. Our investment process involves combining a broad global perspective with rigorous company-specific analysis. The latter includes a strict yield criterion, which means they must pay a certain level of dividend. Consequently, in order to be selected for our fund, a company must feature a dividend yield above that produced by the FTSE Asia Pacific ex Japan index (effectively higher than the market itself).

On a country basis, the fund is most heavily invested in Australia, followed by Hong Kong, Singapore, Thailand and China. It also has a strong interest in Taiwan, Malaysia, the Philippines and New Zealand*.

TURBULENT 2013

In terms of recent performance, the fund suffered in the final quarter of last year**. In fact, I would say it was one of the most turbulent periods in the fund's recent history.

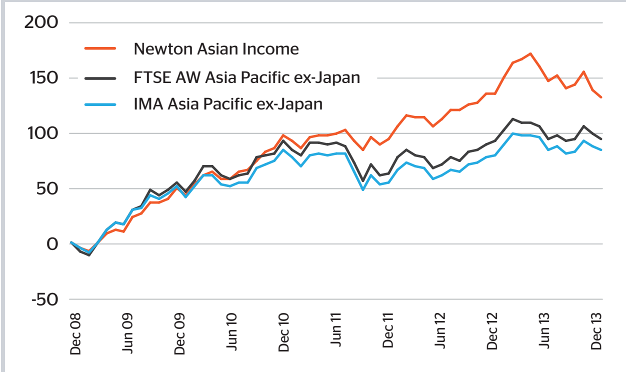
The key lesson was that we must not underestimate political or regulatory risk. We were caught out by unforeseen regulatory (and subsequently political) action in New Zealand. In the case of one of our stocks, the telecoms firm Chorus, the price of its shares fell because the regulator came out with an unfavourable decision on the price the company could charge for copper broadband. Elsewhere in the region, political instability in Thailand meant the share prices of our two biggest holdings in that country also fell.

However, because the fund is diversified across both countries and sectors, it is unlikely that all our investments will fall at the same time and there were some bright spots in the last three months of 2013**. These included the two gaming stocks we hold in Macau. Sands China and Wynn Macau benefited from high demand for their services, combined with low supply. Our holdings in Australian consumer-focused conglomerate Wesfarmers and Australian packaging company Amcor also continued to perform well for the portfolio*.

OPTIMISTIC OUTLOOK

Looking ahead, I believe a strong increase in US growth will benefit Asian exporters. However, as countries in the West have begun to reindustrialise, it is important not to rely too heavily on this factor. Strong growth in the US will mean the US Federal Reserve Bank (Fed) will continue to wind down its quantitative easing programme. If, as we suspect may be the case, the pace of the US recovery does not accelerate meaningfully this year, then we believe the Fed will err very much on the side of caution and will continue to keep interest rates as low as possible. If this is the case, it could mean a better environment for Asian stock markets.

NEWTON ASIAN INCOME PERFORMANCE



Source: Lipper IM Fund. Performance as at 31 December 2013

We are also watching China very carefully. As one of the largest economies in the world, it is a key swing factor for the region and globally. One area of concern is the Chinese government's latest programme of economic and market reforms. While the spirit of these reforms encourages me, I'm cautious they could result in painful fallout for many industries and inefficient companies. I'm also watching debt levels in the country closely, as well as the growth in lending and interbank rates, to gauge how clogged up the system is becoming. With these factors in mind, I am cautious on investing in China, except in companies I believe to be well managed, consumer focused, with strong balance sheets and low debt levels.

Outside China, areas of ASEAN (the Association of Southeast Asian Nations) still offer the best prospects for growth. For instance, the Philippines was one of the few countries to see gross domestic product growth increase in 2013, which could be possible again this year. Thailand may face further short-term political concerns, but certain stocks look good value. Overall, I'm optimistic on the outlook for dividends in Asia in 2014 and believe there are many companies across the region that have the potential for strong growth.

THE CHELSEA VIEW:

"Jason is a highly experienced Asian investor. Despite the fund's difficulties in Q4 2013, it remains a core Asian holding and its yield criterion offers comfort to those investors wary of this higher-risk region."

* Source: Newton as at 31 December 2013.
**Source: Lipper as at 30 December 2013.

Spotlight on **Jupiter Strategic Bond**

ARIEL BEZALEL
Fund manager,
Jupiter Strategic Bond

I joined Jupiter in 1997 as a member of Jupiter's Fixed Interest/Multi-Asset team and I currently manage the Jupiter Strategic Bond fund and an offshore SICAV fund with a similar remit. I gained a degree in Economics from Middlesex University.

I believe a flexible "go-anywhere" approach to bond portfolio management has the potential to deliver positive returns through the economic cycle.

THE TAPERING EFFECT...

With self-sustaining growth returning to the US, the decision by the Federal Reserve (Fed) to reduce the pace of its quantitative easing programme in December 2013 marked something of an inflection point in terms of central bank policy. For bond investors, who over the past five years have benefited from accommodative central bank policies worldwide, this raises some concerns.

Since the Fed forewarned of an imminent change in policy back in May 2013, we have already seen emerging market bonds and currencies come under acute pressure. For central bankers in the UK and Europe, the Fed's revelation put them onto the back foot, arguably forcing both to give forward guidance in the summer to reassure markets that interest rates would remain lower-for-longer. Given the role of US Treasury bonds in the pricing of risk and therefore bond yields globally, these were unusual times.

...AND WHAT THAT MEANS FOR US

In answer to those concerns, we are generally optimistic about the outlook for credit markets in 2014. We believe there is a good chance that the combination of low inflation and reasonable growth in the US will provide the right conditions for the Fed to withdraw from its policies gradually and without too much market uncertainty.

Nevertheless, we remain pragmatic and firmly believe that at times like this our unconstrained "go-anywhere" approach to managing the Jupiter Strategic Bond fund puts us in a good position to face a challenging policy backdrop. Being unconstrained means we are under no obligation to adopt benchmark weights and have the freedom to invest globally and across the ratings spectrum.

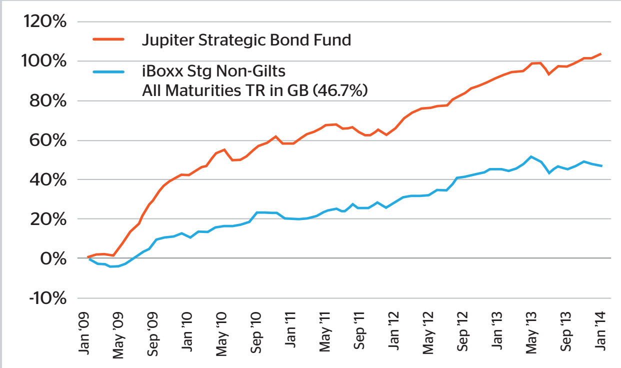
When investing, we are especially cognisant of the macroeconomic outlook to determine how "risk on" or "risk averse" we want to be. This typically impacts decisions about how much high yield to hold in the fund and the portfolio's duration (i.e. sensitivity to interest rate changes). Our expectations for the global economy also inform our yield curve positioning (i.e. allocation to bonds of different maturities).

UNDER SCRUTINY

However, forming accurate views about the global economy is only one part of the equation. It is our view that the strong performance of the fund since its inception is testament to the careful credit analysis that we carry out on every company in which we invest, although past performance is not an indicator for the future. In terms of basic principles, we start out by considering the worst case scenario rather than upside potential and carefully scrutinise a company's ability to pay interest and repay the capital at the end of a bond's life.

This approach has enabled us to participate in some compelling and lucrative opportunities since the fund's inception in July 2008.

JUPITER STRATEGIC BOND PERFORMANCE



Source: FE - 31st December 2013, Bid-Bid, Basic Rate Tax, Net Income Reinvested.

In the past twelve months, we've been particularly attracted to high yield bonds in Europe where interest rates are low and companies are still very focused on improving their balance sheets. Deleveraging in the European banking sector, whereby banks reduce the level of debt on their books, is a multi-year investment opportunity in our view and this is a core investment area in the fund. Banks are being obliged to continue to improve their balance sheets to ensure they pass stress tests (a health check conducted by the European Central Bank) in the second half of this year. For debt investors, stronger balance sheets are a big plus as it typically means a company is in a good position to service its debts. We are also attracted to niche areas like oil rig financing, pub-securitisation and debt purchasing.

While we do not really see much upside in high yield bonds this year, our portfolio of bonds continues to pay very healthy interest. And while we see government bond yields drifting higher in the US over the course of 2014 as economic conditions continue to improve, we retain a very large hedge in US Treasury bonds to help insulate the fund against the impact of this. Emerging market debt is to be avoided for now, in our view, but we are finding compelling oil plays in Mexico, one of our preferred emerging market plays.

The investment policy of the fund has recently been expanded to allow the use of derivatives for investment and hedging purposes. We did this primarily to augment the tools at our disposal to manage risk in the fund and to help mitigate the risk to investors' capital in times of volatility. As mentioned, we currently use government bond futures to hedge interest rate risk in the portfolio and may, under certain conditions, use credit default swaps (derivatives designed to offer protection against default risk) to hedge specific parts of our corporate bond exposure. This risk hedging is not, of course, guaranteed.

THE CHELSEA VIEW:

"The manager of this 'go anywhere' fund employs both top-down and bottom-up analysis to select the best fixed income securities globally. We like this fund as the manager, Ariel Bezalel, concentrates on preserving capital, which results in lower volatility. He utilises his strong grasp of the macroeconomic picture to alter the portfolio throughout the economic cycle to maximise total return."

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	1 YEAR		3 YEAR		5 YEAR		10 YEAR		Yield	Fund Size
	Risk Rating	% Growth	Rank	% Growth	Rank	% Growth	Rank	% Growth	Rank	%	(m)
UK ALL COMPANIES											
Ⓒ Artemis UK Special Situations	6	20.83	72	36.47	86	117.05	78	151.85	43	1.50	1211.4
Ⓒ AXA Framlington UK Select Opportunities	6	17.32	99	39.50	73	144.22	38	193.45	18	0.87	4698.0
BlackRock UK Special Situations	7	13.25	140	29.77	117	139.08	46	202.72	16	0.85	2115.9
Cazenove UK Opportunities	6	22.44	58	71.92	5	193.00	19	237.05	5	1.30	2772.9
Franklin UK Mid Cap	6	28.18	26	63.46	13	223.25	12	384.34	2	0.29	1034.0
Investec UK Special Situations NEW ENTRY	5	13.80	133	38.09	80	122.19	67	154.84	40	2.16	1133.5
Ⓒ JOHCM UK Dynamic	7	20.82	62	45.3	44	153.63	34	-	-	2.83	111.3
Ⓒ JOHCM UK Opportunities	5	12.14	158	37.99	81	87.45	162	-	-	3.04	1200.0
Legal & General UK Alpha	8	33.17	11	29.08	120	223.74	11	-	-	-	197.9
Ⓒ Liontrust Special Situations	6	13.35	139	52.15	26	200.94	15	-	-	0.67	1146.0
Marlborough UK Multi-Cap Growth	7	23.95	47	44.54	56	140.95	41	221.56	9	0.76	91.0
Ⓒ Old Mutual UK Alpha***	7	19.14	92 / 285	43.74	67 / 273	118.48	83 / 258	91.90	153 / 183	2.30	1044.9
Standard Life Inv UK Equity Unconstrained	8	32.98	12	62.27	15	369.43	1	-	-	0.44	1017.5
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**16.16**	**241**	**31.82**	**229**	**109.12**	**215**	**118.04**	**158**	-	-
UK EQUITY INCOME											
Ⓒ Artemis Income	5	13.44	57	37.49	37	94.28	38	148.53	13	3.90	6419.1
Evenlode Income	5	15.66	47	44.73	16	-	-	-	-	3.46	43.3
Fidelity Enhanced Income	5	8.21	84	32.60	48	-	-	-	-	5.04	227.0
JOHCM UK Equity Income	6	19.27	24	47.99	10	161.72	4	-	-	4.60	2500.0
Liontrust Macro Equity Income NEW ENTRY	5	18.11	33	34.92	42	108.48	18	173.86	6	3.70	358.0
Marlborough Multi Cap Income	7	36.65	3	-	-	-	-	-	-	3.70	657.4
Ⓒ Rathbone Income	5	16.51	43	42.64	23	115.92	14	125.18	21	3.69	659.5
Royal London UK Equity Income	5	25.53	9	57.41	4	140.13	5	176.14	5	3.49	909.6
Ⓒ RWC Enhanced Income*	5	8.68	45 / 54	15.78	49 / 50	-	-	-	-	7.00	264.6
Ⓒ Threadneedle UK Equity Alpha Income	5	24.27	11	56.79	5	107.62	23	-	-	4.00	616.2
Troy Trojan Income†	5	9.79	82 / 95	37.05	40 / 87	81.81	55 / 74	-	-	3.87	1449.0
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**15.96**	**95**	**35.41**	**86**	**100.71**	**72**	**117.62**	**53**	-	-
UK SMALLER COMPANIES											
Franklin UK Smaller Companies	8	48.90	6	34.91	45	171.50	39	136.76	33	0.12	117.0
Marlborough Special Situations	7.5	31.23	36	58.03	25	242.99	14	320.27	6	0.57	750.0
Ⓒ Marlborough UK Micro Cap Growth	8	37.72	16	70.61	15	288.12	4	-	-	-	259.6
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**33.21**	**50**	**52.39**	**49**	**204.24**	**48**	**187.34**	**34**	-	-
CORPORATE BOND											
Invesco Perpetual Corporate Bond	2	4.82	6	22.91	24	64.49	17	72.80	3	3.85	5507.5
Ⓒ Kames Investment Grade Bond	1.5	4.04	14	26.12	8	72.17	8	-	-	3.56	679.7
Kames Sterling Corporate Bond	1.5	4.11	13	25.09	10	79.96	3	54.66	17	3.47	516.7
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**2.92**	**75**	**20.54**	**73**	**52.86**	**66**	**48.06**	**50**	-	-
HIGH YIELD											
Kames High Yield Bond	3	5.22	17	22.85	7	117.54	4	101.70	3	4.52	1618.8
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**6.34**	**23**	**21.01**	**19**	**96.94**	**19**	**87.72**	**16**	-	-
STRATEGIC BOND											
Artemis Strategic Bond	3	7.78	13	21.12	25	79.25	17	-	-	4.20	612.1
Fidelity Strategic Bond	2	2.98	41	22.02	23	63.82	28	-	-	2.97	1422.0
GLG Strategic Bond NEW ENTRY	2.5	8.80	5	-	-	-	-	-	-	3.47	152.7
Ⓒ Henderson Strategic Bond	3	4.76	29	19.00	32	74.95	24	77.88	3	5.80	1060.0
Ⓒ Invesco Perpetual Monthly Income Plus	3.5	7.98	10	25.90	11	104.58	3	113.88	1	5.07	3911.0
Ⓒ Jupiter Strategic Bond	2	5.77	20	27.46	9	101.43	6	-	-	4.80	1753.3
Ⓒ Legal & General Dynamic Bond	2.5	4.94	27	15.71	44	76.80	21	-	-	5.00	1860.5
Ⓒ M&G Optimal Income	2.5	6.67	15	27.97	5	80.58	16	-	-	3.03	16456.7
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**4.18**	**62**	**20.44**	**55**	**63.45**	**46**	**58.53**	**31**	-	-
ABSOLUTE RETURN											
Ⓒ BNY Mellon Absolute Return Equity*	5	4.43	33 / 146	14.37	16 / 110	-	-	-	-	-	864.9
Cazenove UK Absolute Target	5	9.12	9	22.64	7	16.82	18	-	-	-	434.1
Ⓒ Henderson UK Absolute Return	5	13.80	7	19.42	9	-	-	-	-	-	310.9
Ⓒ Newton Real Return	5	2.02	35	8.89	25	32.28	11	115.82	1	2.92	8608.3
Ⓒ Standard Life Inv Global Absolute Return Strategies	5	5.23	17	16.79	11	50.83	4	-	-	0.98	19373.7
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**4.50**	**52**	**8.37**	**44**	**22.45**	**22**	**-**	**3**	-	-
EUROPE EXCLUDING UK											
Baring Europe Select***	8	18.26	8 / 11	35.54	5 / 11	145.33	7 / 11	304.49	2 / 8	1.52	1013.5
Ⓒ BlackRock Continental European	7	10.74	51	25.53	25	106.58	9	193.53	6	0.43	618.1
BlackRock Continental European Income	6.5	15.96	14	-	-	-	-	-	-	3.92	219.9
FP Argonaut European Alpha	7.5	18.54	9	28.37	19	98.77	12	-	-	0.36	219.0
Henderson European Growth	7	10.87	50	22.80	33	93.07	17	178.30	8	1.00	954.4
Ⓒ Jupiter European	6.5	12.66	34	31.91	10	129.81	5	232.98	4	0.90	2412.8
Jupiter European Special Situations	7	11.25	47	24.25	31	78.58	24	200.10	5	0.40	850.1
Schroder European Alpha Plus	6.5	7.03	74	20.48	43	74.26	33	161.39	10	0.30	1055.1
Ⓒ Threadneedle European Select	7	5.66	79	36.94	4	107.57	8	157.68	13	0.40	2237.4
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**11.83**	**86**	**21.75**	**83**	**76.61**	**74**	**122.21**	**58**	-	-

	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)
NORTH AMERICA											
Ⓒ AXA Framlington American Growth	7	19.32	14	41.92	16	107.07	9	114.44	12	-	585.1
JPM US Equity Income	6.5	14.09	52	45.11	9	88.36	38	-	-	2.37	2013.1
Jupiter North American Income	6.5	12.36	58	38.01	29	85.91	42	120.86	10	1.60	526.5
Legg Mason US Equity Income	6.5	10.62	63	-	-	-	-	-	-	2.00	54.5
Miton US Opportunities	7	-	-	-	-	-	-	-	-	-	42.2
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**16.32**	**68**	**35.07**	**64**	**91.22**	**59**	**87.95**	**45**		
JAPAN											
GLG Japan Core Alpha	10	15.24	11	7.69	20	45.05	9	115.78	2	0.52	1235.1
Ⓒ JOHCM Japan*	10	14.62	36 / 105	18.37	14 / 98	39.56	19 / 83	-	-	-	596.4
Jupiter Japan Income	9.5	7.66	33	5.95	28	26.15	25	-	-	2.20	620.7
Legg Mason Japan Equity NEW ENTRY	10	50.31	1	135.39	1	159.11	1	51.50	13	-	240.6
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**14.88**	**38**	**13.51**	**37**	**35.24**	**35**	**44.08**	**29**	-	-
ASIA PACIFIC EXCLUDING JAPAN											
Aberdeen Asia Pacific Equity	8	-12.92	45	-2.83	27	88.81	22	191.60	8	0.90	2233.6
Baring ASEAN Frontiers*	10	-15.47	149 / 158	-0.62	65 / 135	128.26	15 / 119	-	-	-	583.4
Ⓒ First State Asia Pacific Leaders	7.5	-8.32	26	7.23	12	85.02	24	269.14	2	0.11	6262.0
Invesco Perpetual Asian	7.5	-5.24	9	1.06	19	101.86	13	188.34	10	0.73	530.4
JOHCM Asia ex Japan Small and Mid Cap*	9	-5.84	62 / 158	-	-	-	-	-	-	-	13.1
Ⓒ Newton Asian Income	7.5	-9.76	36	17.48	4	138.87	3	-	-	5.18	4159.1
Ⓒ Schroder Asian Alpha Plus	8	-12.07	43	4.20	14	144.06	1	-	-	0.20	497.8
Schroder Asian Income	7.5	-7.36	17	12.93	6	116.67	6	188.44	9	4.51	418.3
SECTOR AVERAGE AND NUMBER IN SECTOR	-	**-7.58**	**48**	**-1.69**	**45**	**84.84**	**40**	**164.32**	**30**	-	-
GLOBAL EMERGING MARKETS **											
Fidelity Emerging Europe Middle East and Africa	10	-6.98	88 / 127	-2.73	56 / 96	111.13	8 / 74	-	-	1.17	136.0
Fidelity Latin America	10	-27.36	187 / 210	-27.14	138 / 177	60.17	66 / 138	-	-	-	1589.0
Ⓒ Invesco Perpetual Hong Kong & China	10	10.93	2 / 14	13.33	1 / 12	98.49	3 / 9	230.43	2 / 4	0.77	261.5
JPM Emerging Markets Income	9.5	-13.64	17 / 46	-	-	-	-	-	-	4.58	111.3
JPM New Europe	10	-17.51	105 / 127	-24.14	77 / 96	120.34	5 / 74	160.68	8 / 29	1.77	151.3
Ⓒ M&G Global Emerging Markets	10	-14.46	22 / 46	-10.00	17 / 40	-	-	-	-	0.57	1330.2
Neptune Russia & Greater Russia	10	-14.52	102 / 127	-29.27	82 / 96	114.76	6 / 74	-	-	1.27	297.8
GLOBAL EQUITIES **											
Ⓒ Artemis Global Income	6.5	15.68	2/27	42.76	2/20	-	-	-	-	4.10	525.5
Fundsmith Equity	6	10.05	82 / 187	50.01	4 / 159	-	-	-	-	0.66	1600.0
JOHCM Global Select	7	23.17	13 / 406	30.59	48 / 333	90.25	66 / 278	-	-	-	1300.0
Ⓒ M&G Global Dividend	6	6.64	137 / 187	28.32	31 / 159	110.95	10 / 143	-	-	3.12	8893.0
Newton Global Higher Income	6	3.33	24 / 27	28.68	7 / 20	79.85	7 / 13	-	-	4.15	4118.1
Ⓒ Rathbone Global Opportunities	6.5	14.27	30 / 187	31.08	19 / 159	121.52	7 / 143	207.79	3 / 94	-	331.3
MISCELLANEOUS **											
Ⓒ Artemis Strategic Assets	6	5.35	87 / 136	13.07	67 / 109	-	-	-	-	-	1038.7
AXA Framlington Global Technology	10	15.95	5 / 7	21.77	6 / 7	157.31	2 / 6	165.25	2 / 6	-	217.8
BlackRock Gold & General	10	-42.00	123 / 127	-53.35	90 / 96	-20.68	73 / 74	62.51	21 / 29	-	966.7
GLG Technology Equity	10	20.22	2 / 7	34.39	3 / 7	153.00	4 / 6	105.72	5 / 6	-	173.6
Ⓒ Henderson UK Property	3.5	6.84	13 / 38	17.42	8 / 34	34.68	20 / 31	25.57	4 / 6	4.20	1420.0
HSBC Open Global Return	3	4.13	101 / 175	14.34	86 / 147	43.81	77 / 111	-	-	0.45	229.8
Investec Global Gold	10	-39.59	121 / 127	-52.66	89 / 96	-16.33	71 / 74	-	-	-	58.3
JPM Natural Resources	10	-23.67	111 / 127	-48.88	87 / 96	35.13	50 / 74	119.74	12 / 29	-	1033.9
Jupiter Financial Opportunities	8	11.43	18 / 127	12.92	30 / 96	27.14	57 / 74	134.04	10 / 29	0.80	546.3
Ⓒ Miton Special Situations Portfolio	4	1.93	109 / 136	6.69	97 / 109	23.86	85 / 87	129.20	6 / 42	-	827.5
Old Mutual Global Strategic Bond	2	-6.68	38 / 46	5.60	30 / 43	38.89	8 / 34	80.72	5 / 23	0.90	895.5
Schroder Global Property Securities	7	-6.75	31 / 38	12.20	16 / 34	86.55	9 / 31	-	-	0.47	783.6

Ⓒ = Funds featured in The Chelsea Core Selection – see pages 14–19.

* These funds are domiciled offshore and therefore sit within a different sector. Please note different regulations may apply to funds with offshore status. Investors are not normally entitled to compensation through the UK Financial Services Compensation Scheme for offshore funds.

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

*** This fund falls within a different sector, hence the sector positions shown vary.

† The history of this unit/share class has been extended, at FE Analytics' discretion, to give a sense of a longer track record of the fund as a whole.

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. Correct at time of print, 03/02/14, but subject to change. Source: FE Analytics, total return, UK Retail UT & OEICs universe, 03/02/2014.

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.

Don't forget, Chelsea clients can switch out of these underperforming funds for free. See page 37 for details.

The **RedZone**

Page 27 of this Viewpoint magazine is devoted to highlighting how good, independent fund research can really make a difference to an investor's finances. Our fund research team meets more than 400 fund managers each year, with the sole aim of uncovering the best funds for our clients to choose from. These funds are placed on the Chelsea Selection.

As you will read in that article, over the past 10 years, our fund choices on this list have, on aggregate, outperformed the average fund in a comparable sector, by almost 2.3% per annum after all fees. We don't always get it right, but overall our fund research has led to considerable outperformance in the past decade. This is something we are extremely proud of and will do our best to repeat in the next decade.

However, while choosing the right fund can significantly boost returns, picking the wrong fund can have a devastating effect on your investments too. So not only do we try to find the funds we think will do best for you over time, but we also try to identify those that are in danger of doing the opposite.

That's where RedZone comes in. Using a more quantitative-based process, we identify those funds which have consistently underperformed their peers over the past three years, to encourage anyone invested in them to at least take a look and see if they ought to switch their investments into something else. Sometimes there may be good reasons for the underperformance and investors may decide to be patient with the manager. However, in other cases, ditching a perennial underperformer may be the best thing to do.

NUMBER OF UNDERPERFORMING FUNDS ON THE RISE

There are 151 funds in the latest RedZone, with total assets of almost £35 billion. This is quite an increase, but for once Scottish Widows/SWIP isn't the worst offender. Instead, Fidelity has the highest number of funds with no fewer than eight underperformers.

It saddens us that the flagship Fidelity Multi Asset Strategic fund, managed by Trevor Greetham, stubbornly refuses to leave the RedZone. This is the third consecutive time it has appeared. It is also a shame to see Fidelity UK Growth, Fidelity UK Select and Fidelity European Opportunities, run by the veteran Colin Stone, on the list.

> *"Good, independent fund research can really make a difference to an investor's finances."*
>
> SAM SLATOR
> Head of Communications, Chelsea

Fidelity UK Growth was a serial offender for many years, before the current manager, Tom Ewing, took the fund on and managed to turn performance around. However, it seems it is once again hitting problems. Hopefully Fidelity will concentrate their efforts into getting their RedZone managers back on track without delay.

Legal & General and, yes, Scottish Widows/SWIP, come in joint second, with seven funds apiece. In terms of assets, Legal & General is top, however, with £4.8bn in the RedZone, followed by Schroder with £3.7bn and Scottish Widows/SWIP with £2.3bn.

In terms of sectors, UK All Companies once again has the largest number of funds with 21. It also contains half of the DropZone funds. Mixed Investments 20%-60% Shares is second with 18 funds, while Global Equities and Mixed Investments 40%-85% Shares are in joint third. When it comes down to number of assets, Global Equities are top with £6.5 billion, followed by UK All Companies (£5.3 billion) and Europe ex UK (£4.9 billion).

DROPZONE

The DropZone, unsurprisingly, has four entries which were present last time round. SVM Global Opportunities, a regular of the DropZone in the past, has also made an unwelcome comeback. The worst fund in this group, however, has some of the worst underperformance ever recorded in this report; SF Webb Capital Smaller Companies Growth has underperformed its sector average by an unbelievable 112%. This sector has performed extremely well in the past three years, and the other funds in this area, which have made it to the RedZone, have actually returned 30%-50% in the period, so I expect that while these funds could have done better, their investors won't mind too much. On the other hand, SF Webb Capital Smaller Companies Growth has managed to lose investors almost 60%. That's simply shocking. Though it is worth noting that the manager changed in May 2012, but performance has not improved.

DropZone

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

		% underperformance from sector average*
1	SF Webb Capital Sm Co Gth	112.11%
2	Manek Growth	66.63%
3	SVM Global Opportunities	47.69%
4	FP HEXAM Global Em Mkts	29.81%
5	CF Lacomp World	29.41%
6	SWIP UK Opportunities	27.59%
7	Ignis UK Focus	27.33%
8	F&C UK Alpha	26.55%
9	WDB Assetmaster Glob. Them.	25.67%
10	Marlborough UK Primary Opps	25.40%

*Based on three-year cumulative performance

Past performance is not a reliable indicator of future returns. Please note that the RedZone and DropZone does not constitute investment advice. If you are in any doubt as to the suitability of any investment you should seek professional advice. An appearance of any fund on these lists is not an indication they should be sold or switched.

the **RedZone** funds

ASIA PACIFIC EXCLUDING JAPAN

	3 year % growth	Quartile Position
Cavendish Asia Pacific	-6.95	3
HSBC Asian Growth	-15.58	4
JPM Asia	-10.17	4
Legg Mason Asia Pacific*	-8.27	4
Newton Oriental	-12.73	4
SECTOR AVERAGE	**-1.69**	

EUROPE EXCLUDING UK

	3 year % growth	Quartile Position
AXA Rosenberg European	9.35	4
Cavendish European	8.84	4
CIS European Growth*	7.74	4
Fidelity European Opportunities	11.95	4
Halifax European*	15.38	4
HSBC European Index	16.69	3
Legal & General European Index	14.40	4
Legg Mason Continental European Equity*	13.54	4
M&G European Index Tracker	14.56	4
Royal London European Growth	13.91	4
Royal London European Income	16.64	3
SECTOR AVERAGE	**21.75**	

FLEXIBLE INVESTMENT

	3 year % growth	Quartile Position
Barclays Wealth Global Markets 5	6.05	4
CF IM Global Strategy	-1.93	4
CF Purisima EAFE Total Return	11.26	3
Elite LWM East West Value	-4.66	4
Fidelity Target TM 2020	9.73	4
FSL Select	11.42	3
Legal & General Multi Manager Growth	-3.11	4
MGTS Clarion Explorer Portfolio	-0.44	4
Old Mutual Voyager International Growth	2.88	4
Scot Wid HIFML Dynamic Return	8.47	4
SECTOR AVERAGE	**13.94**	

GLOBAL BONDS

	3 year % growth	Quartile Position
Investec Global Bond	-3.92	4
SECTOR AVERAGE	**7.62**	

GLOBAL EMERGING MARKETS

	3 year % growth	Quartile Position
Ⓓ FP HEXAM Global Emerging Markets	-42.85	4
Legal & General Global Emerging Markets Index	-17.92	3
Lazard Developing Markets	-26.33	4
Neptune Emerging Markets	-23.56	4
Santander Global Emerging Shares Portfolio	-17.54	3
SWIP Emerging Markets	-17.08	3
Templeton Global Emerging Markets	-34.75	4
SECTOR AVERAGE	**-13.04**	

GLOBAL EQUITIES

	3 year % growth	Quartile Position
Aberdeen Ethical World Equity	3.05	4
AXA Rosenberg Global	18.57	3
CF JM Finn Global Opportunities	4.07	4
Ⓓ CF Lacomp World	-10.29	4
FP Brown Shipley MultiManager International	8.37	4
JPM Global Consumer Trends	11.65	4
Neptune Global Equity	-1.79	4
Neptune Global Special Situations	-6.12	4
NFU Mutual Global Growth	4.90	4
Old Mutual Voyager Global Dynamic Equity	8.66	4
R&M Global Opportunities	6.54	4
Santander Global Shares Portfolio	12.16	4
Schroder QEP Global Active Value	14.58	4
SJP Ethical	1.72	4
Ⓓ SVM Global Opportunities	-28.57	4
Ⓓ WDB Assetmaster Global Thematic	-6.55	4
SECTOR AVERAGE	**19.12**	

GLOBAL EQUITY INCOME

	3 year % growth	Quartile Position
Old Mutual Global Equity Income	10.00	4
R&M Global High Income	14.65	4
Sarasin Global Higher Dividend	18.84	3
SECTOR AVERAGE	**26.72**	

JAPAN

	3 year % growth	Quartile Position
AXA Rosenberg Japan	-1.77	4
Fidelity Japan	-5.87	4
Martin Currie Japan	5.34	4
Santander Premium Japan Equity	2.40	4
SECTOR AVERAGE	**13.51**	

MIXED INVESTMENT 0%30% SHARES

	3 year % growth	Quartile Position
Barclays Wealth Global Markets 1	3.44	4
Margetts Greystone Conservative	6.89	4
SECTOR AVERAGE	**12.46**	

MIXED INVESTMENT 20%60% SHARES

	3 year % growth	Quartile Position
Barclays Wealth Global Markets 2	4.89	4
Barclays Wealth Global Markets 3	6.56	4
BlackRock Cautious Portfolio	10.62	4
CF 7IM AAP Balanced	13.87	3
Fidelity Multi Asset Strategic	10.12	4
FP Apollo Multi Asset Balanced	2.85	4
FP Distinction Diversified Real Return	-2.42	4
FP Frontier MAP Balanced	-2.30	4
IFSL Select Cautious	9.12	4
Legal & General Multi Manager Income	6.41	4
Legal & General Target Return	11.34	4
Premier Conservative Growth	12.47	3
Scot Wid HIFML Diversified Income	1.02	4
Scot Wid HIFML Diversified Return	4.04	4
SWIP Diversified Assets	9.86	4
SWIP MultiManager Diversity	6.83	4
Thesis Optima Multi-Asset Strategy	1.63	4
WDB Assetmaster Cautious	-0.98	4
SECTOR AVERAGE	**14.81**	

MIXED INVESTMENT 40%85% SHARES

	3 year % growth	Quartile Position
Aviva Inv Balanced Managed	11.13	4
Barclays Wealth Global Markets 4	6.13	4
CF 7IM AAP Moderately Adventurous	15.19	3
Doherty Pn&Inv Consultancy Ltd TB Doherty Balanced Managed	11.52	4
Elite Hurlingham Managed Growth	13.91	4
Family Balanced International*	12.26	4
Fidelity Multi Asset Growth	8.73	4
Fidelity Multi Asset Open Growth	10.22	4
FP Tatton Oak Capital Growth	14.60	4
Legal & General Multi Manager Balanced	1.21	4
Marlborough Balanced	8.85	4
Old Mutual Voyager International Diversified	5.67	4
Smith & Williamson MM Endurance Balanced	13.93	4
SWIP Multi Manager Optimal Multi Asset	10.57	4
Total Clarity Diversified Balanced Portfolio	14.20	4
Total Clarity Diversified Long Term Gth Portfolio	7.52	4
SECTOR AVERAGE	**16.69**	

NORTH AMERICA

	3 year % growth	Quartile Position
Cavendish North American	10.16	4
PSigma American	25.63	4
SECTOR AVERAGE	**35.07**	

NORTH AMERICAN SMALLER COMPANIES

	3 year % growth	Quartile Position
Schroder US Smaller Companies	34.59	4
SECTOR AVERAGE	**38.46**	

CORPORATE BOND

	3 year % growth	Quartile Position
AXA Sterling Credit Short Duration Bond	9.31	4
CIS Corporate Bond Income*	17.33	4
Legg Mason Global Blue Chip Bond*	7.49	4
SJP Investment Grade Corporate Bond	11.60	4
Thesis Optima Bond	19.20	4
SECTOR AVERAGE	**20.54**	

HIGH YIELD

	3 year % growth	Quartile Position
Investec Monthly High Income	13.69	4
Legal & General High Income	11.97	4
SECTOR AVERAGE	**21.01**	

STRATEGIC BOND

	3 year % growth	Quartile Position
Cazenove Strategic Bond	12.52	4
Investec Strategic Bond	4.06	4
Kames Strategic Bond	17.32	3
M&G UK Inflation Linked Corporate Bond	11.75	4
Threadneedle Strategic Bond	17.22	4
SECTOR AVERAGE	**20.44**	

TARGETED ABSOLUTE RETURN

	3 year % growth	Quartile Position
CF Absolute Return Cautious Multi Asset	-16.46	4
Old Mutual Voyager Alternative Investments	-1.43	4
Threadneedle Absolute Return Bond	1.34	4
SECTOR AVERAGE	**8.37**	

UK ALL COMPANIES

	3 year % growth	Quartile Position
Barclays UK Core	23.93	3
Cazenove UK Growth & Income	26.22	3
Ⓓ F&C UK Alpha	5.27	4
Family Charities Ethical*	18.72	4
FF&P Concentrated UK Equity	7.47	4
Fidelity UK Growth	21.76	4
Fidelity UK Select	25.52	3
Ignis Balanced Growth	24.27	3
Ⓓ Ignis UK Focus	4.49	4
JPM UK Managed Equity	26.54	3
Kames UK Equity	21.45	4
Lazard UK Alpha	25.55	3
Ⓓ Manek Growth	-34.81	4
Ⓓ Marlborough UK Primary Opportunities	6.42	4
Royal London UK Growth	19.80	4
Santander Premium UK Equity	20.74	4
Sarasin EquiSar UK Thematic	21.44	4
SF Delmore Growth & Income	19.05	4
SWIP MultiManager UK Equity Focus	26.82	3
Ⓓ SWIP UK Opportunities	4.23	4
Thesis Resolution UK Growth*	14.89	3
SECTOR AVERAGE	**31.82**	

UK EQUITY & BOND INCOME

	3 year % growth	Quartile Position
CF IM UK Equity & Bond Income	17.49	4
SECTOR AVERAGE	**25.01**	

UK EQUITY INCOME

	3 year % growth	Quartile Position
CF JM Finn UK Portfolio	15.52	4
F&C UK Equity Income	19.81	4
Ignis UK Equity Income	21.08	4
Insight Equity Income	31.57	3
Neptune Income	18.70	4
Neptune Quarterly Income	27.25	4
Santander Enhanced Income Portfolio	18.10	4
Santander Equity Income Portfolio	27.65	3
SECTOR AVERAGE	**35.41**	

UK GILTS

	3 year % growth	Quartile Position
AXA Sterling Gilt	13.43	3
CF Canlife Gilt & Fixed Interest	12.78	4
HSBC Gilt & Fixed Interest	13.58	3
Stan Life Inv UK Gilt	13.12	4
SECTOR AVERAGE	**14.98**	

UK INDEX LINKED GILTS

	3 year % growth	Quartile Position
Natwest Inflation Link UK Sovereign Bond	20.69	4
SECTOR AVERAGE	**22.90**	

UK SMALLER COMPANIES

	3 year % growth	Quartile Position
BlackRock UK Smaller Companies	48.21	4
Jupiter UK Smaller Companies	46.54	4
M&G Smaller Companies	55.51	3
Ⓓ SF Webb Capital Smaller Companies Growth	-59.72	4
TB TB Amati UK Smaller Companies	32.08	4
SECTOR AVERAGE	**52.39**	

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 03/02/2014, month end. 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.

* Fund management outsourced to another company other than the one named.

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.

M&G GLOBAL BASICS

BUY / **HOLD** / SWITCH

In November, Graham French, who had run M&G Global Basics since 2000, decided to retire from fund management. During his tenure the fund achieved enormous success, as he successfully exploited the exponential growth and changing consumption patterns in emerging markets.

In fact, over 10 years, the fund is up 178% versus the MSCI World Index return of 112%*. However, in recent years, the performance of the fund has lagged its benchmark, as previously successful strategies, like capitalising on China's thirst for natural resources, became less profitable and growth in emerging markets slowed from the rapid expansion seen during the mid-2000s.

The fund is now managed by Randeep Somel, who was previously co-manager of the fund and has worked closely with Graham for a number of years. As we have not had the chance to assess the new manager and discuss the direction in which he would like to take the fund, we are placing it on hold.

* Source: FE Analytics 09/01/2014

INVESCO PERPETUAL HIGH INCOME / INCOME

BUY / **HOLD** / SWITCH

Neil Woodford, the most successful working fund manager in the UK, with around £28bn of assets under management, communicated in October his intention to leave Invesco Perpetual, his employer for the past 25 years, to start his own fund management firm.

Neil has a large and loyal retail following, which he has deservedly accumulated over a number of years, largely due to his astute calls to avoid technology and banking stocks, which has seen him build up a formidable long-term track record. In fact, over 10 years, his flagship High Income fund is up 207% versus the sector average of 126%, and is rated 1st out of 57 funds over that period*.

The incoming manager, Mark Burnett, is taking the reins of these funds in May 2014. While we know and have confidence in Mark, and he has a good track record managing Invesco's Strategic Income fund, we think the huge jump in assets under management and the prospect of withdrawals will present significant challenges. We have therefore placed these funds on hold.

* Source: FE Analytics 17/01/2014

INVESTEC UK SPECIAL SITUATIONS

BUY / HOLD / SWITCH

Alastair Mundy heads up Investec's renowned value team. He is a contrarian fund manager who employs a traditional value-based approach and looks for companies with 'a margin of safety'. This means he seeks companies that are out of fashion, trading on low multiples but are profitable and have little debt. Over his tenure, Alastair has demonstrated that he will stick religiously to his process and has refused to get caught up in periods of market exuberance.

As detailed above the fund is highly stylistic and will outperform and underperform from time to time. However, the defensive, value-driven nature of the strategy does provide an element of safety, as the fund exhibits lower volatility and does a better job at preserving capital in market downturns than many of its sector peers.

Alastair has managed the fund since August 2002 and is top quartile over the period*. Consequently, we feel Alastair's long-term track record, combined with the robustness of his process, warrant the fund a place on the Chelsea Selection.

* Source: FE Analytics 22/01/2014

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

Chelsea offers a direct offer/execution-only service. If you require individual investment guidance you should seek expert advice.

Research really matters

"We have always concentrated on finding the very best of breed and now we have the evidence to show that the Chelsea Core Selection has consistently outperformed benchmark indices and peers."

BELINDA VENNING
Research Department, Chelsea

At Chelsea, unlike many of our competitors, we devote tremendous resources to our research. Our strong reputation enables us to get access to the leading managers in the industry. Each year we visit over 400 fund managers and participate in many more web and conference calls. No other broker of our size can claim to have the same level of access.

THE CHELSEA PROCESS

Our fund selection process starts with a quantitative screen. We look for the managers and funds that have produced the most consistent risk-adjusted returns. However, a fund is never selected on the basis of past performance alone; we must be confident that the manager has a repeatable and consistent process in place. Past performance can never be taken as a guide to future performance.

Once a fund has been identified, an initial meeting with the fund manager is scheduled. We rigorously assess a fund manager's ability and support team. We also look at whether the fund itself places constraints on the manager. For example, if the size of the fund affects the stocks a manager can invest in or if the fund lacks the necessary infrastructure. One thing we always consider is how well aligned a manager is with his or her investors.

OUR PERFORMANCE

We have calculated the performance of the Chelsea Core Selection over the past 10 years, taking into account when old funds left the Core and new ones were added.

We have always concentrated on finding the very best of breed and now we have the evidence to show that the Chelsea Core Selection has consistently outperformed benchmark indices and peers. On average the Chelsea Core Selection outperformed the IMA Flexible benchmark by 2.26% annually (see chart for compounded returns).

Our Core fund selections were especially strong in the UK, Asia Pacific and emerging markets. In the UK Growth sector, the Chelsea Core returned 186.00%, compared with just 129.24% for the IMA UK All Companies over the past 10 years.

The strongest performing fund on the entire Chelsea Core in terms of absolute performance was the First State Asia Pacific Leaders fund, which almost quadrupled, returning 289.34% in the nine years and eight months that it has been on the Core, versus 178.52% for the comparable sector benchmark. The fund still remains on the Chelsea Core.

Overall, our research outperformed the benchmark index in eight out of ten sectors. The weak spots were in the US, where beating the benchmark average is notoriously difficult, and in Japan.

We were also very pleased with the performance of our Core bond funds. Our Core strategic bond funds returned 83.74%, versus just 58.24% for the comparable sector average.

TIME ON THE CORE

The average Chelsea fund was on the Core Selection for approximately five years. Even this number is artificially understated as we are often forced to remove a fund. For example, if the fund closes and stops taking new money or if the manager retires or leaves for a rival house.

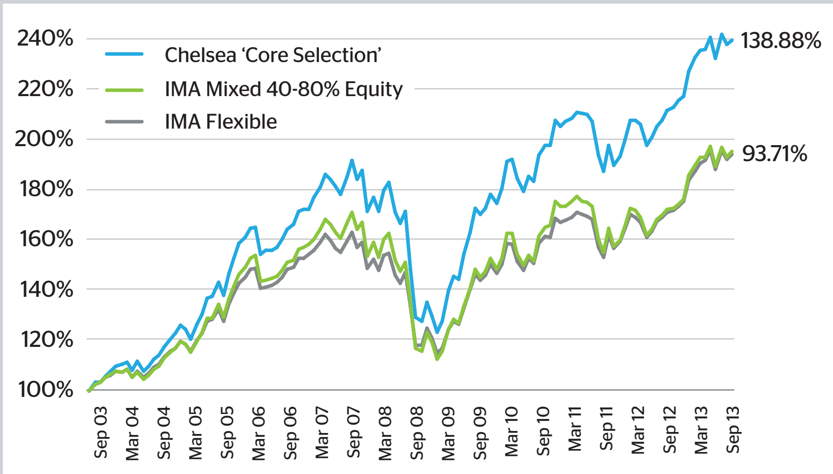
We avoid chasing short-term performance and take a long-term view. Excessive switching can have a negative impact and even the best manager is likely to go through occasional periods of underperformance. In our experience, the best returns are achieved by sticking with a proven manager over the long term.

We don't get it right all the time but overall we have consistently outperformed. We will continue to put all our efforts into finding the best funds available.

Our successful research also extended to our range of Easy ISAs (see page 9). Over the past five years, all our EasyISAs outperformed their sector benchmarks.

These are Chelsea's views only, from our in-house research. Where comparison is made every step is taken to ensure data and information is accurate at the time of print.

OUR BEST PERFORMING FUNDS



Source: FE Analytics 17/01/2014. Data from 30/09/2003 to 30/09/2013.

TOP PERFORMING FUNDS

FUND	SECTOR	PERFORMANCE WHILST ON CORE	SECTOR BENCHMARK PERFORMANCE	TIME ON CORE IN MONTHS
First State Asia Pacific Leaders*	Asia Pacific	289.34%	178.52%	116
Jupiter Emerging European Opportunities	Specialist	227.32%	112.12%	89
Invesco Perpetual High Income	UK Equity Inc	216.17%	126.64%	120
First State Greater China Growth	China	194.66%	136.36%	80
Threadneedle Latin America	Specialist	167.19%	56.05%	32
Artemis UK Special Situations*	UK All Co.s	163.97%	129.24%	120
AXA Framlington UK Select Opps*	UK All Co.s	161.98%	105.99%	111
Schroder UK Alpha Plus	UK All Co.s	149.01%	98.44%	113

* Still on the Chelsea Core Selection. Source: FE Analytics 17/01/2014.

SECTOR PERFORMANCE

	UK ALL	UK EQUITY INCOME	EUROPE EX-UK	US	ASIA PACIFIC EX-JAPAN	STRATEGIC BOND	JAPAN	CORPORATE BOND	EMERGING MARKETS	SPECIALIST
Chelsea 10 Year Performance	186.00%	146.50%	158.72%	54.59%	280.74%	83.74%	30.31%	51.33%	267.93%	161.96%
Sector Benchmark	129.24%	126.64%	144.31%	89.10%	206.64%	58.24%	51.76%	48.38%	227.90%	103.46%
Out/ Underperformance	56.76%	19.86%	14.41%	-34.51%	74.10%	25.50%	-21.45%	2.95%	40.03%	58.50%

*Absolute Return and Global Sectors not on the Core long enough. Source: FE Analytics 17/01/2014.

Past performance is not a reliable guide to future returns. You may not get back the amount originally invested.

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 opposite and return it to us. You can recommend as many people as you like – there's no limit.

> *"I would like to put on record my appreciation of the wonderful prompt service which I always receive from Chelsea Financial Services you are a wonderful example to your peer companies."*
>
> **MR BURROW**
> Worcestershire

> *"I wanted to write in person to say thank you for your service, which has always been completely efficient, professional and friendly whether by telephone, letter or email."*
>
> **DR MARK**
> Leicestershire

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:

New Chelsea website coming soon!

We are delighted to inform you that Chelsea will launch a new website in the spring.

With ever-increasing product ranges and types of investment available, researching and choosing a fund can be an overwhelming task. But if you get it right, you can make a material difference to your financial health (see page 27).

At the core of Chelsea's business has been the desire to give clients information to assist them to make their own investment decisions, and we've been continually evolving our business to achieve this goal.

The past year has been no exception, and we've been working hard to develop a new and improved website for our customers. We're excited to say that the new site will launch this spring.

The new site will continue to provide all the information and services previously available, but will have a modern feel, will be easier to navigate, taking investors more quickly to the content which is relevant to them, and make it easier to better understand our range of services.

New features will include fresher news content with fund and market updates, dedicated areas for educational material and ideas to guide novice investors through their decision making, as well as smarter tools for the more experienced amongst you who want to analyse funds or sectors in more detail.

RESEARCH CENTRE

We have made a substantial investment to bring you a new research centre where, amongst many other things, you can find all the funds available on our platform and filter by categories, such as yield and Chelsea's buy, hold and switch generic rating. You can also access information on the Chelsea Selection, and create an 'x-ray' of your own personal portfolio to see how your investments really stack up. You will also be able to build your portfolio online and chart its performance. Videos of our analysts interviewing fund managers will also be available for you to watch.

We'll be continually adding to, and improving, the site over the coming months, so keep an eye out for new content and tools to help you, our customer, make sound investment decisions.

> “Look out for our new-look website ...it will be unveiled soon.”

The UK stock market: **Two**

The speed of the UK recovery has taken even George Osborne by surprise. Unemployment is declining, the IMF has sharply increased its UK growth forecast for 2014 and inflation is back at 2%. But questions remain – is the recovery sustainable and, if so, will it translate into strong stock-market returns? Unsurprisingly, managers are divided on the answers. We thought you would be interested in both sides of the argument from two of our Core Selection managers. Richard Buxton, manager of Old Mutual UK Alpha, shares his sanguine view of the UK with us below. John Wood, manager of JOHCM UK Opportunities, elucidates his more cautious approach opposite and, despite holding close to 20% in cash over the past year, has still outperformed.

RICHARD BUXTON
Fund manager,
Old Mutual UK Alpha

I anticipate further single-digit positive returns for the UK stock market for 2014, well in excess of the rate of inflation. What's behind my reasoning? The UK economy's tangible signs of recovery are being driven by a mixture of continued steady growth in employment, some reduction in taxation, largely through increased personal allowances, an upturn in consumer sentiment and a pick-up in the housing market. Encouragingly, manufacturing and services have also contributed to the growth. It's my strong belief this recovery looks set to continue.

CORPORATE SPENDING ON THE HORIZON

Even though consumer spending typically accounts for almost three quarters of the UK's overall output, it is changes in business spending patterns which have, in the past, provided the necessary boost to the economy. Having reduced their borrowings in the aftermath of the financial crisis, and stalled major investment decisions due to a lack of confidence in the economy, the majority of UK firms are sitting on large amounts of cash reserves. It is estimated that, overall, the cash they have to hand is equivalent to as much as one third of the UK's entire output. Furthermore, recent surveys suggest that, at long last, these companies are ready to start spending again.

If this corporate confidence continues to build it's my belief there are several important implications for equity investors. Most obviously, the economic recovery will continue to grow and broaden from sector to sector. We've already seen signs of renewed confidence in the housing market which, in turn, has translated into housebuilding stocks registering strong gains during 2013. Another area where I believe share prices will continue to perform is financial stocks – more specifically banks, such as HSBC, as well as life insurance companies such as Aviva. They have emerged from the recession leaner and fitter as a result of being subjected to a greater degree of regulation in the case of banks and financial scrutiny in the case of life insurers. My view is that the result of both these actions will be quite a sharp uptick in their profitability. This should, in turn, lead to increased payments to shareholders in the form of dividends.

EXPECTATIONS FOR 2014

Of course there will be some obstacles for UK equity investors throughout 2014. The decision by the US Federal Reserve to withdraw a part of its monetary stimulus programme will cause some fluctuation, or volatility, in share prices. In addition the debate over whether interest rates have been kept too low for too long will continue to rage. My view here is that rates simply have to stay low while the UK continues along the path of reducing its overall borrowings. Households remain highly sensitive to even small changes in short-term interest rates. Indeed, it has been calculated that a 0.25% change in mortgage rates would equate to an approximate 1.5% change in the amount of cash available for discretionary spending.

What do I think the stock market will do in 2014? I anticipate that the trading range of the FTSE 100 index may move up to 6500-7300 this year (from 6200-6800 in 2013) as companies start to invest and their profitability improves. As optimism returns to the stock market I genuinely believe that we are in what might be termed the 'foothills' of a significant equity market growth phase. The only caveat I would add is that this year may be more modest in terms of share price performance as investors worry about interest rate increases, not so much in the UK but in the US. ■

THE CHELSEA VIEW:

"We like the access this gives to large-cap stocks without benchmark hugging. Richard utilises his considerable macroeconomic expertise when selecting stocks in this concentrated fund."

CHELSEA RISK RATING:	7
STANDARD INITIAL CHARGE:	5.00%
INITIAL CHARGE AFTER DISCOUNT:	0%
ANNUAL MANAGEMENT CHARGE:	1.5% ‡

‡ Valid up until April 6th 2014. New charging structure applies thereafter.

sides of the same coin

JOHN WOOD
Fund manager,
JOHCM UK Opportunities

"COMPOUND INTEREST IS THE EIGHTH WONDER OF THE WORLD. HE WHO UNDERSTANDS IT, EARNS IT...HE WHO DOESN'T... PAYS IT."
Albert Einstein

Albert Einstein wasn't known for his investment advice. But the silver-haired scientific genius seems to have been well acquainted with one of the main planks of financial success: compounding returns.

GENUINE GROWTH VERSUS 'FINANCIAL ENGINEERING'

With interest rates at rock-bottom levels across the developed world, investors have been desperately searching for income in recent years. This so-called 'quest for yield' has seen income-biased funds suck in money. In turn, listed companies have come under intense pressure from income fund managers to engage in what we describe as 'financial engineering', meaning returning money to shareholders by way of share buy-backs, special one-off pay-outs and rising annual dividends. This has left little in the pot for corporate investment in the likes of research & development, technology, machinery and people, the very things that are needed if companies are to enjoy future growth. Those, currently few, companies that do engage in ongoing investment in their businesses are the ones that stand to benefit from growth year-on-year, even in a world where we think GDP growth will remain sluggish for some years to come in the still over- indebted West. We think our investment approach is particularly relevant for the stock market conditions of today.

Within the JOHCM UK Opportunities fund, we aim to harness the relentless power of compounding returns over time to generate long-term absolute performance. We do this by looking for what we call 'compounders', companies that can grow their intrinsic worth year in and year out over the long haul by investing in themselves for growth. These companies are drawn from a range of sectors across the economy, but all will have the same innate qualities: robust balance sheets (no or modest levels of debt), recurring revenues, consistently strong cash flow generation, i.e. profits that actually translate into hard cash, and dominant market positions in markets that still have room to grow in the future. Some fund managers argue that these companies are often overpriced, but we think the stock market consistently underestimates the value created by these well-managed companies reinvesting wisely.

'FOLLOWING WINDS'

Overlaying our search for the type of companies described above are what we refer to as 'following winds'. We look for companies that are backed by favourable long-term trends and themes. These 'following winds' represent structural growth areas where corporate investment will be rewarded over time. Current themes that permeate our fund are the outsourcing of non-core activities by cash-strapped governments to companies. Compass Group, which provides catering and cleaning services to schools and hospitals, is a clear beneficiary of this shift. Ageing populations in the West and their associated increased medical demands is another secular trend we seek to exploit, one that is benefiting pharmaceutical companies such as GlaxoSmithKline and AstraZeneca and medical devices company Smith & Nephew, a producer of hip and knee implants amongst many other lines of business. And the arguably unstoppable rise of the emerging markets consumer is another trend which certain UK-listed companies are already tapping into with great success. Unilever and Diageo are two consumer giants whose everyday products are increasingly becoming part of the weekly shopping basket in the emerging economies of China and India and elsewhere. When you consider, anecdotally, that Indians drink more whiskey in a year than Scotland produces, then the abundant opportunities for UK consumer companies in the developing world become clear.

LOOKING AHEAD

Taking a shorter-term perspective, what are our predictions for 2014? Here we struggle. When the investment climate is dominated by liquidity pumped out by the major central banks, with fundamental investment analysis seemingly of little importance, we are uneasy. After all, the rise in share prices in the past year has not been supported by a similar improvement in underlying company cash flows; abundant liquidity has merely increased the price of those cash flows. A major tenet of our investment approach is VALUATION, VALUATION, VALUATION; we do not buy expensive cash flows. We will wait patiently on the side lines until asset prices fall or cash flows improve. ■

THE CHELSEA VIEW:

"We like John's cautious decision-making approach to investing in the UK stock market which leads to a lower risk, less volatile and more defensive fund than the vast majority of his peers."

CHELSEA RISK RATING:	5
STANDARD INITIAL CHARGE:	5.00%
INITIAL CHARGE AFTER DISCOUNT:	0%
ANNUAL MANAGEMENT CHARGE:	1.25%* ‡

*There is a 15% performance fee on outperformance versus the FTSE All-Share Total Return Index. Any underperformance is carried forward.

For further details on these funds, see page 14.

‡ Valid up until April 6th 2014. New charging structure applies thereafter.

VCTs: Capitalising on the UK's economic recovery

With the rising burden of taxation and the increasingly restrictive rules governing pension contributions, we are all looking for tax-efficient ways to save for the future. For sophisticated and wealthy investors who want to reduce their current year tax bill and receive tax-free dividends in their retirement, VCTs could be the answer. Also, with the UK economy back on the move again, smaller companies are well placed to benefit.

Venture Capital Trusts (VCTs) are a government initiative designed to encourage individuals to invest in small, unquoted, but potentially high-growth businesses. To this end, VCTs play an important role in filling the funding gap left by banks, who are unwilling to lend to small companies. As a reminder, here are the current tax benefits of VCTs for subscriptions of up to £200,000 per tax year (tax benefits are dependant on individual circumstances):

TAX BENEFITS OF VENTURE CAPITAL TRUSTS

- Initial income tax relief of 30% if VCT shares are held for five years (early exit will require repayment of the tax rebate)
- Tax-free dividends
- Capital gains tax exemption upon sale of VCT shares

To reduce the individual company risk, the VCT manager will construct a portfolio of typically 30-40 of such companies and dividends are paid when the portfolio companies mature and are sold to an outside party. It may surprise you that several VCTs pay out a solid level of income on a regular basis, and some of those are offering shares in what are called "top-up" offers. These give new investors the opportunity to invest into mature portfolios, which may have the potential for dividends from the outset.

While the tax breaks associated with VCTs are attractive to any investor, one area where Chelsea has seen increased demand is in retirement planning. For clients who have reached their annual or lifetime pension allowance, VCTs could provide a tax-efficient way to invest for the future. This is because VCTs are a tax wrapper that can reduce income tax, in a similar fashion to some pension schemes.

Below is a table of some of the VCTs that are currently fund raising.

If any of these are of interest please call **020 7384 7300** to request a brochure.

> "With the UK economy back on the move again, smaller companies with a domestic focus, like those found in many VCTs, are likely to prosper."
>
> HARRY DRISCOLL
> Senior Research Analyst, Chelsea

CURRENT VCT OFFERS

NAME OF VCT	TYPE OF VCT	MINIMUM INVESTMENT	AMOUNT RAISING	TOTAL DISCOUNT
Albion Top-up Offers	Generalist	£6,000	£15m	0.00%
British Smaller Companies 1&2	Generalist	£6,000	£25m	2.5%*
Downing ONE VCT	Generalist	£5,000	£20m	2.50%
Downing THREE VCT	Planned Exit	£5,000	£25m	2.50%
Foresight VCT "O" Shares	Generalist	£3,000	£20m	2.50%
Hargreave Hale AIM VCT 1&2	AIM	£5,000	£20m	1.00%
Maven VCTs Top-up Offers	Generalist	£5,000	£20m	1.00%
Mobeus Linked Offer	Generalist	£6,000	£24m	0.50%
Octopus Titan VCTs 1-5 Linked Offer	Generalist	£5,000	£35m	2.50%
ProVen VCT	Generalist	£5,000	£15m	3.00%
Puma 10	Planned Exit	£5,000	£30m	1.00%
Unicorn AIM VCT	AIM	£2,000	£20m	1.00%

Source: Chelsea Financial Services

* Plus early bird discount of 2% for existing investors and 1.5% for new investors

For details of the latest totals, please visit the VCT page on our website where application forms can be downloaded before being sent to us.

IMPORTANT NOTICE

Please be aware that VCTs are long-term investments. VCTs usually invest in small, unquoted companies and therefore carry a greater risk than many other forms of investment. The level of charges are often greater than unit trusts and OEICs and they can be harder to sell than more mainstream investments. Past performance is not necessarily a guide to the future. The value of investment, 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. VCTs should be regarded as long-term investments. The FCA suggests a sophisticated investor is somebody with an annual income of £100,000 or investable assets of more than £250,000. If you invest in a VCT through Chelsea Financial Services we do not offer financial advice and you must make your own assessment of your expertise and the suitability of a VCT for your circumstances. If you have any doubts you should seek expert advice. Tax assumptions are subject to statutory change and the value of tax relief (if any) will depend on your individual circumstances.

AIM VCTs:
Time to take another look?

OLIVER BEDFORD
Co-manager,
Hargreave Hale AIM VCTs

It is well documented that AIM VCTs had a tough time during the financial crash of 2007-08. However, since then the sector and the VCTs themselves have matured. With this in mind, we thought now would be a good time to ask an AIM VCT manager, Oliver Bedford, to discuss how the sector has evolved and his outlook going forward.

MANY INVESTORS HAVE SHUNNED AIM AND UK SMALL-CAP STOCKS FOR SO LONG. WHY IS THAT?

The commonly held view is that AIM is synonymous with volatility, risk and poor performance; many investors have shunned it since 2008. But it goes deeper than that: according to statistics produced by the Investment Management Association, there has been a net outflow of funds from small-caps in 15 of the last 16 years. Yet, the evidence shows that UK small-caps outperform when held for the medium to long term.

WHY SHOULD INVESTORS RETURN TO AIM?

AIM offers much more than 'frontier investing'. It is also home to numerous established and more traditional businesses. ASOS (online retailer of high-street fashion), Brooks McDonald (financial services), Majestic Wine, Nichols (brand owner of the Vimto and Sunkist soft drinks), Prezzo (branded restaurant operator in the UK casual-dining market) are all examples of household names that can be found on AIM.

With three times as many companies as the FTSE 350, the scale of the opportunity on AIM presents investors with a challenge that sits alongside the opportunity. Research is hampered by the limited availability of accurate information on AIM-listed companies and poor analyst coverage. As a result, AIM is less efficient and more likely to contain pricing anomalies; ideal conditions for stock pickers and those prepared to make the necessary investment in time and effort.

AIM HAS HAD A GOOD RUN OF LATE. IS IT TOO LATE?

I don't think so. Firstly, AIM is coming off a low base. Despite the rally, the AIM All-Share still trades at a discount to the FTSE Small Cap (Ex-IT) and FTSE 350 Indices. Secondly, whilst the portfolios trade at a premium to the indices, they also offer a more compelling growth profile. Of course, we have some stocks that look fully valued or expensive in the short term, but I am sure that's true of any portfolio at a given moment in time. Besides, investors should be looking beyond the short term and focusing on the outlook for five years or more.

AND WHAT ABOUT THE RISKS?

It is true that an investor in an AIM-listed company can face a 100% loss scenario, and for a variety of reasons: inexperienced management, poor business model, over-reliance on a single customer, and weak balance sheets. Poor liquidity in the underlying securities requires proactive management within the fund, and can increase NAV volatility. However, it's an issue we are alive to and monitor closely. Giles Hargreave is fond of saying: 'Success breeds liquidity'. And it's true; we would have no difficulty in liquidating a large part of our portfolio in a matter of days. It's our firmly held conviction that a company's fundamentals, business model and management ultimately determine the success or failure of an investment, not the choice of exchange they sit on.

MANY AIM VCTS SUFFERED HEAVY LOSSES IN 2008 & 2009. COULD THAT SCENARIO BE REPEATED?

Of course, a major market event would hurt our VCTs, as it would any equity fund. However, the AIM VCT proposition has evolved considerably over the past five years. For example, whereas in 2008 we were running fairly young funds that were still in the process of building up their portfolio of qualifying investments, we now have mature VCTs that have established (and tested) portfolios. Take Hargreave Hale AIM VCT 1 as an example. Today, 80% of the net asset value is invested in profitable companies, cash or bonds, whilst the average market cap of our qualifying portfolio is £139m, the average revenue is £87m, the average profit before tax is £6m and the average free cash flow is £3m. This is a very different investment proposition to the one that we could offer investors at launch and should provide more protection if the markets became more volatile.

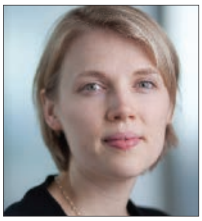
HOW HAVE AIM VCTS PERFORMED COMPARED WITH OTHER TYPES OF VCTS?

As it happens, very well. We recently analysed our performance against the leading Generalist VCTs and found that we are ahead of all of them over five years. We find that many people are surprised by the level of performance that we and other AIM VCTs have delivered. We are not trying to claim we run a better fund (or group of funds), however, we think AIM VCTs should be given due consideration by those investors who are already heavily exposed to the Generalist, Planned Exit and Renewable sectors.

If you are interested in the current Hargreave Hale top-up offer, please call 020 7384 7300 to request a brochure.

The how, what, where and why of **bonds**

WITH THE ASSET CLASS RECEIVING A LOT OF PRESS RECENTLY, WE ASKED THE MANAGERS OF ONE OF OUR CORE SELECTION FUNDS, THE HENDERSON STRATEGIC BOND FUND, TO ANSWER A FEW KEY QUESTIONS ON THE OUTLOOK FOR BONDS AND HOW THEIR FUND IS POSITIONED ACCORDINGLY.



JENNA BARNARD
Co-manager,
Henderson Strategic Bond

JOHN PATTULO
Co-manager,
Henderson Strategic Bond

AFTER SEVERAL YEARS OF STRONG RETURNS, THE BOND MARKETS HAD A MORE CHALLENGING YEAR IN 2013 THAN IN SOME PREVIOUS YEARS – WHY WAS THIS?

It is always worth remembering that bond prices and bond yields move in opposite directions to each other. The news that the central bank of the US – the US Federal Reserve (Fed) – was considering scaling back (tapering) its purchases of bonds unsettled bond markets. Markets were concerned that, if the Fed began buying fewer government bonds, the lower demand for these bonds could cause prices to fall. What's more, tapering essentially signalled confidence in the strength of the US economy, so it also brought forward expectations of when interest rates would rise. This weighed on interest rate sensitive bonds such as government bonds, although corporate bonds tended to perform much better.

WHAT WAS THE DIFFERENCE IN PERFORMANCE BETWEEN DIFFERENT PARTS OF THE BOND MARKET?

Government bonds have tended to have low yields in recent years so they were more sensitive to potential rises in interest rates and bond yields. What happens in the US tends to ripple overseas so as US government bonds weakened, so did UK government bonds (gilts). UK government bonds lost 5.3%[1] as the yield on the 10-year gilt rose from 1.8% to 3.0% over the course of 2013.

Corporate bonds delivered positive returns because their prices are driven more by the corporate environment. A strengthening economy, stronger balance sheets and higher profits means investors have greater confidence that a company can meet its bond repayments, so prices for a company's bonds tend to rise. This was particularly the case for high yield bonds. These are corporate bonds that are rated sub-investment grade by the credit rating agencies. High yield bonds returned 6.9%[2] in 2013. Investment grade corporate bonds did less well. These are bonds issued by the strongest companies and, because their yields were closer to those of government bonds, they tended to be more affected by government bond returns. Investment grade corporate bonds returned 0.6%[3].

Source for performance: Morningstar, nav-nav, net income reinvested, in sterling.

[1]Investment Management Association (IMA) UK gilts sector average.

[2]IMA £ High Yield Bond sector average.

[3]IMA £ Corporate Bond sector average.

HOW DID THE HENDERSON STRATEGIC BOND FUND PERFORM?

In 2013 the fund rose 3.9%[4] (after fees) because we had more exposure to high yield bonds and loans and little or no exposure to gilts. As this is a strategic bond fund, we benefited from being able to position the portfolio towards those areas that we thought would outperform.

WHAT ADVANTAGES DO STRATEGIC BOND FUNDS OFFER?

The advantage of managing a strategic bond fund is that we are not limited to one area of the fixed income market. I think there is a lot to be said for flexibility, particularly when markets are at an inflection point. We can own government bonds, investment grade corporate bonds, high yield corporate bonds and secured loans; the latter have floating rates which means that if interest rates rise so does the coupon (the periodic payment they pay to the investor). We alter the weighting towards the different types of bonds depending on our expectations for the future. If we think the economy is strengthening we will own more credit-sensitive bonds such as high yield bonds. If we think the economy is weakening or heading into recession we would raise our weight in interest-rate sensitive bonds such as government bonds. We can also make use of derivatives, which can offer a cost-effective and rapid way to gain exposure to parts of the bond market or to reduce risk in the portfolio.

WHAT DOES THE FUND YIELD?

Overall, the Henderson Strategic Bond fund is yielding 5.8%[5] (at 31 December 2013) which we believe is attractive relative to interest rates.

SO WHAT IS YOUR CURRENT OUTLOOK?

Although economic data has improved recently, it is hardly at runaway levels and we still believe that central banks will err on the side of caution and not rush in to raising interest rates.

DO YOU THINK INTEREST RATES WILL RISE THIS YEAR?

I certainly would not be surprised if the UK raised interest rates ahead of the US. The market is currently pricing in a quarter of a point rise in the Bank of England base rate to 0.75% in the fourth quarter of 2014, rising to 1.5% by the end of 2015. What is clear is that interest rate rises are likely to be gradual because inflation is low and the economy is still fragile.

WHAT IS YOUR VIEW ON INFLATION?

There are some one-off factors, such as the rise in university tuition fees, dropping out of year-on-year comparisons that help to explain why inflation is low. The strength of sterling is also an important factor because it allows the UK to import goods more cheaply. Perhaps the biggest factor, however, is that wage growth is still subdued and manufacturers and retailers are struggling to pass on price rises. For the Bank of England, which had stated that it may look at raising interest rates if unemployment fell below 7%, the low inflation is helpful because it gives it the wiggle room to postpone a rise in interest rates.

[4]Source: Morningstar, A class shares, nav-nav, net income reinvested, in sterling.

[5]Source: Henderson Global Investors. Yield may vary and is not guaranteed.

WHERE WOULD YOU SAY THE BEST VALUE LIES WITHIN FIXED INCOME?

We continue to like high yield bonds because we think there is more to be gained from exposure to an improving corporate environment. Secured loans are also attractive because the floating rate they pay to investors provides some protection against rising interest rates. We also like bonds issued by certain financial companies, such as national champion banks. The re-regulation of the financial sector and strengthened capital requirements are creating opportunities to profit from holding financial bonds.

ANY AREAS TO AVOID?

We are not fans of emerging market bonds and correctly avoided them in 2013. Although prices have fallen we are concerned that structural problems remain, particularly in relation to how some emerging markets finance their deficits. We also worry that there has been a lot of growth in smaller and medium-sized enterprises (SMEs) accessing financing through the bond markets because the banks are not lending to them. History shows that smaller companies are much more likely to default (fail to meet the repayments on a bond). For this reason we prefer to lend to big businesses, where default rates are much lower than they are for SMEs.

DO YOU EXPECT DEFAULT RATES TO REMAIN LOW ON BONDS?

Yes. A relatively low growth, low inflation environment is allowing companies to finance at relatively low costs. The bulk of bond issuance that we are seeing is being used to refinance existing debt, although it is questionable if some companies would survive if rates were not so low. We want to be confident that the issuers of bonds in the portfolio have the financial capacity to meet the bond payments, hence our preference for bonds from large, reliable businesses.

HOW ARE YOU POSITIONED FOR 2014?

We are managing a strategic bond portfolio so we are flexible in how we position the fund. As we explained earlier we currently prefer high yield bonds and secured loans over government bonds, although we retain a flexible mindset. We look for bonds from companies that are in consolidating markets (fewer companies mean those that remain are likely to have greater earnings strength) or from issuers that have predictable cash flows. For example, we own bonds from AA, the Automobile Association, and Arqiva, a company that provides the infrastructure for television and mobile phone transmission; both companies have utility-like earnings.

HENDERSON STRATEGIC BOND

- Invests in bonds from across the fixed interest spectrum
- Fund managers look for bonds from companies with a predictable cashflow
- Henderson have a well-resourced fixed interest team
- Income is paid in March, June, September and December
- Current yield: 5.8%

FINALLY, WHY SHOULD AN INVESTOR HAVE EXPOSURE TO BONDS?

There are essentially three key reasons to have exposure to bonds. First, the income: at the end of January 2014 gilts were offering around 3% yields and high yield bonds yield around 5-7% so, depending on how much risk you want to take, bonds offer an attractive income. Second, capital tends to be more secure: bonds are historically less volatile than equities and rank higher in any claim on assets if a company gets into difficulties. Third, if we have learnt anything over the past few years it is that markets are unpredictable, so it pays to have a diversified portfolio. ■

THE CHELSEA VIEW:

“The managers of this Strategic Bond fund have the freedom to invest globally, which protects investors from currency fluctuations, and the flexibility to invest across the fixed income spectrum. These highly-experienced managers also have access to a very well-resourced fixed interest team.”

CHELSEA RISK RATING:	3
STANDARD INITIAL CHARGE:	4.00%
INITIAL CHARGE AFTER DISCOUNT:	0%
ANNUAL MANAGEMENT CHARGE:	1.25%‡

‡ Valid up until April 6th 2014. New charging structure applies thereafter.

INVEST, MONITOR AND MANAGE YOUR PORTFOLIO WITH

the Chelsea **FundStore**

POWERED BY c•funds

'FUNDSTORE' COMBINES CHELSEA'S REPUTATION FOR OUTSTANDING SERVICE WITH COFUNDS' EXPERT ADMINISTRATION.

Chelsea and Cofunds are separate, regulated 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.

Invest online

INVESTMENT ISA
Lump sum or monthly savings, select one of our EasyISA portfolios, or choose from more than 1,700 funds

INVESTMENT FUNDS (NON-ISA)
Use our tools and research to diversify your portfolio

Manage your investments online

ALL YOUR INVESTMENTS IN ONE PLACE
Seeing all your investments together gives you a holistic view of your portfolio

FREE ONLINE 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 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 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 at no extra charge:

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 regulated company, and one of the UK's leading investment platforms.

Unhappy with your IFA or platform?

(And unhappy about their charges?)

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

WHAT FREE SWITCHING MEANS FOR YOU:

- Get rid of poor-performing funds at 0%. Thanks to free switching, Chelsea clients have saved thousands of pounds .
- 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 38.

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

If you have a Cofunds account with another intermediary, and you do not need advice, 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:

Re-registration form

THE EASY WAY TO CONSOLIDATE YOUR PORTFOLIO

The Chelsea **FundStore**

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

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

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

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

ISA investments - Please complete in block capital letters

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

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.

Investment ISA application form

2013/14 TAX YEAR – SELF-DIRECTED

The Chelsea **FundStore**

The disclosure documentation applicable to this transaction is: 0 9 1 3 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 __ __ / __ __ / __ __ __ __
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 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)*
	☐ Cautious Growth EasyISA ☐ Balanced Growth EasyISA ☐ Aggressive Growth EasyISA ☐ Income EasyISA ☐ Global Income EasyISA (please complete income payment section overleaf) **(tick one option only)**	ACC/INC	£	£
		ACC/INC	£	£
		ACC/INC	£	£
		ACC/INC	£	£
		ACC/INC	£	£
	Cash Reserve (if required)†		£	£
TOTAL INVESTMENT AMOUNT			**£**	**£**

***ACC/INC** If you do not specify ACC or INC in this column, and have not completed section 5, Cofunds will invest into accumulation units/shares where available.
†Monies may be held for short periods in the Cash Reserve. Such holdings are deemed 'destined for investment'.
Your cheque payment Cheques must either be drawn on your own or your joint account. The cheque must be made payable to **Cofunds Limited.** For a Building Society cheque or banker's draft your name must appear on the front of the cheque, or on the back of the cheque accompanied by the Building Society's or bank's official stamp and signature. We do not accept payments from other third parties. We do not accept payment by any other method.
Your monthly savings For monthly savings we will automatically collect on or just after the 25th day of each month. For applications received up until the last day in any month, the first direct debit collection will be made on or just after the 25th day of the following month.

CHELSEA Investment Intelligence™ powered by cofunds

4 Nominated Bank Account

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

Name of Account Holder

Bank or Building Society Name and Address

Postcode

Branch Sort Code

Bank/Building Society Account Number

Building Society Roll Number

5 Income

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

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

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

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

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

6 Declaration and Authorisation

I declare that:
- All investment subscriptions made now and in the future belong to me.
- I am aged 18 years or over.
- I have not subscribed and will not subscribe to more than my overall subscription allowance in total to a cash ISA and a Stocks and Shares ISA in the same tax year.
- I have not subscribed and will not subscribe to another Stocks and Shares ISA in the same tax year that I subscribe to this Stocks and Shares ISA.
- I am resident 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

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

c•funds

Instruction to your Bank or Building Society to pay Direct Debits

DIRECT Debit

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

Name and full postal address of your Bank or Building Society

To the Manager Bank or Building Society

Address

Postcode

Name(s) of Account Holder(s)

Bank/Building Society Account Number

Branch Sort Code

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

Service User No.

6	0	0	2	6	7

Reference Number

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

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

Signature Date

This Guarantee should be detached and retained by the payer.

The Direct Debit Guarantee

DIRECT Debit

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

Issued and approved by Cofunds Limited, One Coleman Street, London EC2R 5AA.
Registered in England and Wales No. 3965289. Authorised and regulated by the Financial Conduct Authority (FCA) under FCA Registration No. 194734.
CA07 01/13

Junior Investment ISA application form

The Chelsea **FundStore**

2013/14 TAX YEAR – SELF-DIRECTED

This form is for Self-Directed clients only

The disclosure documentation applicable to this transaction is: | 0 | 9 | 1 | 3 | S | D | I |

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

I apply to open a Junior Investment ISA and/or make subscriptions for

Mr/Mrs/Ms/Miss/Master/Other

Surname

Full First Name(s)

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

Current Permanent Residential Address

Postcode

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

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

Surname

Full First Name(s)

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

Current Permanent Residential Address

Postcode

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

Surname

Full First Name(s)

Current Permanent Residential Address

Postcode

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 8 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 ☐ Cautious Equity Portfolio ☐ Balanced Equity Portfolio ☐ Aggressive Equity Portfolio **(tick one option only)**	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
TOTAL INVESTMENT AMOUNT		**£**	**£**

(See overleaf for notes on this section)

CHELSEA Investment Intelligence™ powered by cofunds

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

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

c•funds

Instruction to your Bank or Building Society to pay Direct Debits

DIRECT Debit

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

Service User No.

6	0	0	2	6	7

Name and full postal address of your Bank or Building Society

To the Manager	Bank or Building Society
Address	
	Postcode

Reference Number

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.

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

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

Signature	Date

This Guarantee should be detached and retained by the payer.

The Direct Debit Guarantee

DIRECT Debit

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

Issued and approved by Cofunds Limited, One Coleman Street, London EC2R 5AA.
Registered in England and Wales No. 3965289. Authorised and regulated by the Financial Conduct Authority (FCA) under FCA Registration No. 194734.

JCA07 01/13

Investment Funds application form

SELF-DIRECTED

The Chelsea FundStore

This form is for Self-Directed clients only

The disclosure documentation applicable to this transaction is: 0 9 1 3 S D I

Cofunds Intermediary Authorisation Code 7 7

Please complete this Application Form using black ink in BLOCK CAPITALS and return to: Chelsea Financial Services PLC, St James' Hall, Moore Park Road, London SW6 2JS
You will require a Cofunds authorisation code before being able to transact business. If you do not include this we will not be able to process this application.
For Key Features of the Cofunds Platform and/or Key Investor Information Documents please refer to your personal disclosure at chelseafs.co.uk/pd or telephone us for a copy.

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

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

Existing Cofunds Client Reference

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

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

or Company Name

Email Address

Daytime Tel No.

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

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

Postcode

Time at this Address yrs mths

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

Postcode

Time at this Address yrs mths

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

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

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

3 Joint Holder (You can nominate one additional holder)

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

Second named holder

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Current Permanent Residential Address

Postcode

Time at this Address yrs mths

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

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

Postcode

Time at this Address yrs mths

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

4 Funding your investment

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

☐ **Cheque** £ . Amount

☐ **Cofunds Cash Account** £ . Amount

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

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

5 Nominated Bank Account

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

Name of Account Holder

Bank or Building Society Name and address

Postcode

Branch Sort Code – –

Bank/Building Society Account Number

Building Society Roll Number

6 Income

Complete this section if you have requested income units/shares ('INC'). The option you choose will be applied to all income units/shares 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 to be held on platform for withdrawals or future investment.

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

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

CHELSEA Investment Intelligence™ powered by cofunds

7 Investment Selection

Minimum investment £500 per fund (Lump Sum) or £50 per month per fund (Monthly savings). Your investment will be made in the Retail Class. For details of Funds available, please refer to the Fund Key Features.

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

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

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

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

8 Declaration and Authorisation

I 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 instructions may be delayed or rejected if this application form is not complete in all respects.

You may undertake a search with a reference agency for the purposes of verifying my identity. To do so, the reference agency may check the details I supply against any particulars on any database (public or otherwise) to which they have access. They may also use my details in the future to assist other companies for verification purposes. A record of the search will be retained as an identity search.

I declare that the information contained in this application form is correct to the best of my knowledge and belief. I am aged 18 or over.

Please note that all joint holders must sign this application.

Where there are two signatories for a corporate investor, please delete reference to primary and second holder.

Data Protection

Cofunds Limited will use your information for the administration and servicing of your investments and 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.

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

CA03 01/13

Investment by Direct Debit

cofunds

Instruction to your Bank or Building Society to pay Direct Debits

DIRECT Debit

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

Name and full postal address of your Bank or Building Society

To the Manager	Bank or Building Society
Address	
Postcode	

Name(s) of Account Holder(s)

Bank/Building Society Account Number

Branch Sort Code

__ __ – __ __ – __ __

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

Service User No.

6	0	0	2	6	7

Reference Number

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

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

Signature	Date

This Guarantee should be detached and retained by the payer.

The Direct Debit Guarantee

DIRECT Debit

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

Investment ISA application form

2014/15 TAX YEAR – SELF-DIRECTED, EXPLICIT PRICING

The Chelsea **FundStore**

The disclosure documentation applicable to this transaction is: 0 2 1 4 S D E

This form is to be used for Self-directed Explicit Pricing clients only. 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.

This application form is used to subscribe to a Stocks and Shares ISA with Cofunds. By completing this application, you agree to subscribing to a 2014/2015 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 £11,880 for the 2014/15 tax year.

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

Cofunds Authorisation Code 7 7

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

Daytime telephone number

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 two years, please supply previous address and time there

Postcode

Time at this address ___ yrs ___ mths

If more than one previous address in the last two 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 Segmentation (For intermediary use only)

Only complete this section if the client is not currently segmented or if you wish to change their segment. All clients trading through Cofunds must be assigned to a segment.

Please enter the name of the segment in full using BLOCK CAPITALS: STANDARD SELF DIRECTED SEGMENT

If the chosen segment has a fund sale instruction applied your client must be made aware of this. Should you wish to take a charge, please ensure that the applicable charge model is assigned to the segment entered. Please note, the client will only be assigned to the charge model where it is set as mandatory for the chosen segment.

3 Funding Your Investment

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

☐ **Cheque** £ . Amount

☐ **Cofunds Cash Account** £ . Amount

☐ **Monthly Direct Debit** (please ensure you complete the Investment by Direct Debit instruction)

Cheque payment
Cheques must either be drawn on your own account or joint account. The cheque must be made payable to **Cofunds Limited**. For a Building Society cheque or banker's draft your client's 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.

4 Nominated Bank Account

Complete this section if you have not provided us with your nominated bank account details. You can only have one nominated bank account at any given time.

Name of Account Holder

Bank or Building Society name and address

Postcode

Branch Sort Code __ __ – __ __ – __ __

Bank/Building Society Account Number

Building Society Roll Number

5 Income

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

From 6 April 2014, if you have selected the option to 'Retain in fund' this will only be applied to the commission-free share classes you hold, any commission-included share classes you hold will continue to pay income in accordance with your previous instruction.

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

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

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

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

CHELSEA Investment Intelligence™ powered by cofunds

6 Investment Selection

I wish to invest in the funds indicated (for further details about the available funds, please refer to the Key Investor Information Documents (KIID) and/or Fund Key Features Document).

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. You can only choose commission-free share class funds. If you do not indicate the share class, we'll select the commission-free share class fund, where available.

Please note: if we have agreed exclusive share classes with a fund manager for your selected funds, we'll always invest in that exclusive share class and not the share class you've selected below.

Fund name and share class	Type of unit/share *(delete as appropriate)**	Lump sum £500 per fund (minimum)	New monthly saving £50 per fund (minimum)**
☐ Cautious Growth EasyISA ☐ Balanced Growth EasyISA ☐ Aggressive Growth EasyISA ☐ Income EasyISA ☐ Global Income EasyISA (please complete income payment section overleaf) **(tick one option only)**	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
	ACC/INC	£	£
CASH RESERVE†		£	£
TOTAL INVESTMENT AMOUNT		**£**	**£**

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

Cheque payment
Cheques must either be drawn on your own account or joint account. The cheque must be made payable to **Cofunds Limited**. For a Building Society cheque or banker's draft your client's 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.

New monthly saving
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 Service and Subscription charge (To be completed by the intermediary)

Service Charge model name: **STANDARD SELF DIRECTED SEGMENT**	Monthly Service Charge: **0.40%**

8 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 Explicit Pricing) and by signing this application form I agree to be bound by them.
- I have received the relevant product key features and fund specific information and/or Key Investor Information Documents (KIID) relating to my investment.
- I understand that there are fees (the Cofunds Platform Charges) for the use of Cofunds services. I authorise Cofunds to collect these fees from my Cofunds Cash Account. If there is insufficient money in my account, I authorise Cofunds to sell enough of my Platform Assets to pay these fees in accordance with the 'Our Charges' section of the Terms & Conditions of the Cofunds Platform (Self-directed Explicit Pricing).
- I understand that the Terms & Conditions of the Cofunds Platform (Self-directed Explicit Pricing) are the standard terms upon which Cofunds intends to rely, and it is important that I read and understand the terms before agreeing to be bound by them. If there is any term or point I do not understand or do not wish to be bound by, I understand that I can request further information before signing this application.
- I understand that my signed application form (once accepted by Cofunds) together with the Terms & Conditions of the Cofunds Platform (Self-directed Explicit Pricing) form my customer agreement with Cofunds Limited.
- I understand that the commencement of my ISA may be delayed or rejected if this application form is not complete in all respects. You may undertake a search with a reference agency for the purposes of verifying my identity. To do so, the reference agency may check the details I supply against any particulars on any database (public or otherwise) to which they have access. They may also use my details in the future to assist other companies for verification purposes. A record of the search will be retained as an identity search. I declare that the information contained in this application form is correct to the best of my knowledge and belief.
- I understand and accept that if the fund(s) selected in this form are not available to my intermediary, Cofunds will automatically select a comparable fund available to my intermediary when processing my application. I understand and accept that I am entitled to cancel my application in accordance with the relevant Terms and Conditions of the Cofunds Platform or Customer Agreement applicable to the product I am investing in and that if I chose to cancel my application, my investment shall be subject to market movement during the period from the date when my application is processed to the date my investment is sold.

Fund Sale Instruction
If a Fund Sale Instruction applies to the segment linked to my investment, I accept and agree that funds will be sold to settle any outstanding fees and charges which have accrued prior to this date and all fees and charges payable hereafter.

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 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.

Service and Subscription Charge
I confirm that I have received my Fees and Charges Schedule and understand which fees and charges are applicable to my investment. I hereby instruct Cofunds to pay my intermediary the Service Charge and/or Subscription Charge specified in Section 10 of this form and in my Fees and Charges Schedule from my relevant payment account.

Cofunds will accept authority from the primary holder only, in most circumstances. For trusts and Powers of Attorney more than one signature may be required.

If I have an active Sale for Regular Payment mandate or the segment linked to my investment applies to a Fund Sale Instruction (as described in my Fees and Charges Schedule) and there is insufficient money within the relevant payment account, I authorise Cofunds to sell enough of my platform assets to pay the Service Charge and/or Subscription Charge in accordance with the relevant Terms and Conditions of the Cofunds Platform or Customer Agreement applicable to my investments/assets. I understand and accept that this may result in commission-included share class funds being sold to cover the Service Charge and/or Subscription Charge, if I have an account level SfRP instruction.

If you provide your email address and telephone number on this form, Chelsea will keep a record of it. Chelsea may use it 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 on 0207 384 7300.

Signature X	Date

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.

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 five 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, One Coleman Street, London, EC2R 5AA.
Registered in England and Wales No. 3965289. Authorised and regulated by the Financial Conduct Authority (FCA) under FCA Registration No. 194734.
CA07SDUB 03/14

We're here to help

We're proud to offer our clients a very personal service.

Unlike others, we're not 'online only'.

And we haven't 'outsourced our customer support function'.

We have a team in our office in Chelsea.

And we'd be pleased to help.

So if you need little extra help or guidance, you can call us on **020 7384 7300**.

CHELSEA
Investment Intelligence™