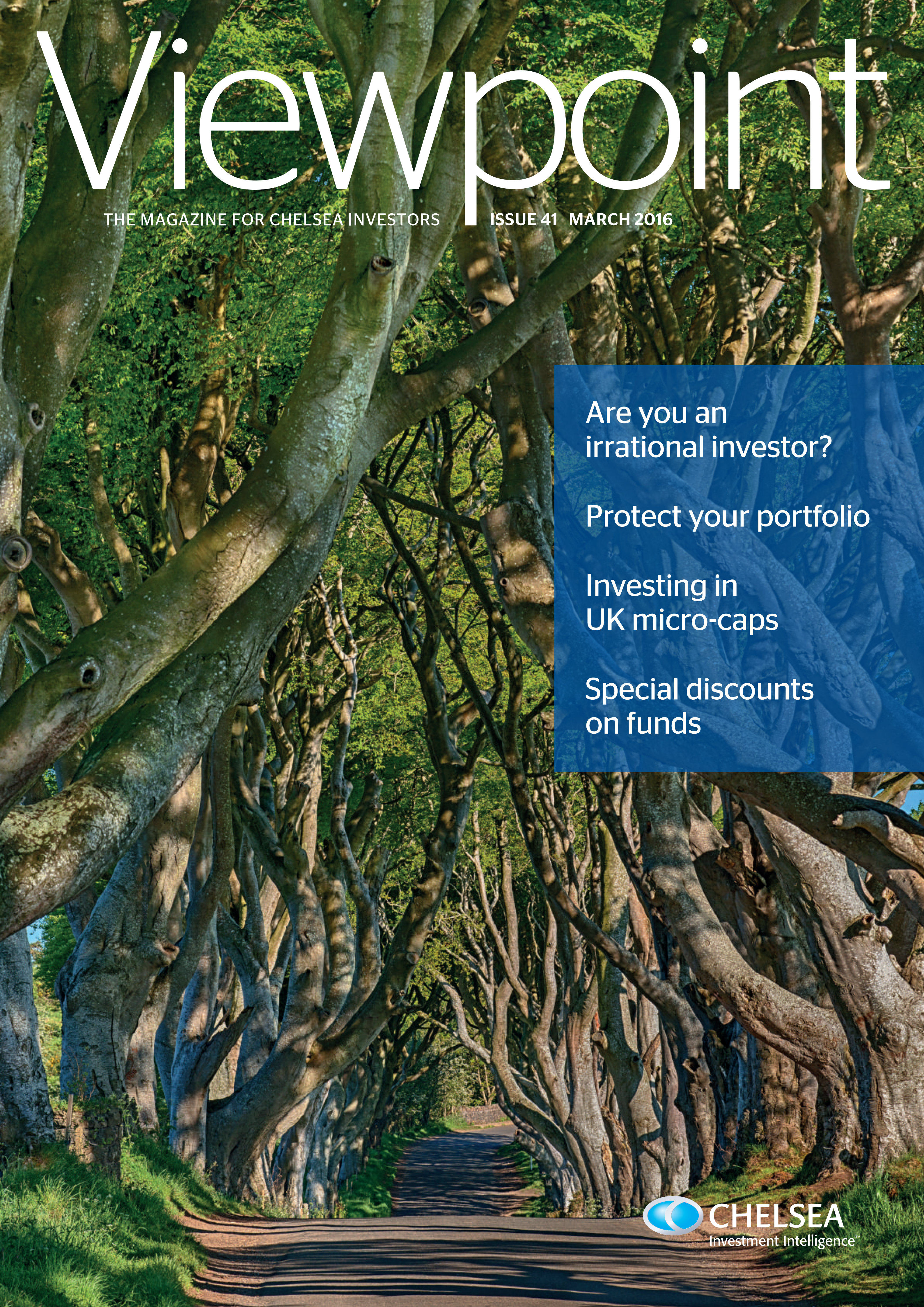


Viewpoint

THE MAGAZINE FOR CHELSEA INVESTORS ISSUE 41 MARCH 2016

Are you an irrational investor?

Protect your portfolio

Investing in UK micro-caps

Special discounts on funds

CHELSEA
Investment Intelligence™

Welcome to Viewpoint

JOHN HOLDER

"Learn about how to protect your portfolio with targeted absolute return funds on page 26."

Chairman, Chelsea

Welcome to our Spring edition of Viewpoint. You may be familiar with some of our regular features, but do keep an eye out for some additional articles and features you'll hopefully find interesting.

Get ready for the end of the tax year by taking a look at the deadlines.

And test yourself with our behavioural finance quiz on page 32.

On the front cover

Call us on
020 7384 7300

Email us on
info@chelseafs.co.uk

Visit our website
chelseafs.co.uk

IMPORTANT NOTICE Chelsea Financial Services is authorised and regulated by the Financial Conduct Authority and offers an execution-only service. Past performance is not a reliable guide to future returns. Market and exchange-rate movements may cause the value of investments to go down as well as up. Yields will fluctuate and so income from investments is variable and not guaranteed. You may not get back the amount originally invested. Tax treatment depends on your individual circumstances and may be subject to change in the future. Chelsea do not provide any investment advice so if you require individual investment advice you should seek expert advice. Whilst we may draw attention to certain investment products we cannot know which of them, if any, is best for your particular circumstances and must leave that judgement to you. Nor can we accept liability to clients who purchase two ISAs in one fiscal year, or otherwise do not comply with ISA rules. Investors are not normally entitled to compensation through the UK Financial Services Compensation Scheme for offshore funds. Cofunds is the ISA Plan Manager for the FundStore, the Chelsea EasyISA and the Chelsea Junior EasyISA. Unless stated otherwise, all performance figures have been sourced from FE Analytics, bid to bid, net income reinvested on 01/01/2016 and are believed to be correct at the time of print. FundCalibre is an appointed representative under Chelsea Financial Services.

In Viewpoint

Market View

DARIUS MCDERMOTT

"Despite the gloom from the media, the past year has been a great one for active funds."
Managing Director, Chelsea

It's been a pretty miserable start to 2016. There has been a succession of floods for the people of Cumbria, and the FTSE 100 has endured its worst ever start to a year. The market is now almost 20% below the high of 7,100 we hit in April last year.*

At times like these, I think we need to remember that the occasional big fall in the stock market is a necessary part of investing. It's only because markets are volatile and sometimes scary that we are able to make good returns over the long term. The key to success is patience. My colleague, Ryan, has written a very interesting piece on behavioural finance, which you can find on page 32.

Doom-mongers will tell you that the FTSE 100 has gone nowhere for 15 years. That's not actually true. When you account for the dividends, you're still up 50% since the peak in 1999. Peer under the hood a little further, and you'll find that the total return of the FTSE 250 (+332%) has more than quadrupled and the average smaller companies fund has tripled (+206%)**. Not bad – and an awful lot better than cash in the bank but clearly with more risk.

Despite the gloom from the media, the past year has been a great one for active funds. Many managers have successfully avoided the oil and mining stocks, which have done so badly, and many have delivered strong performance. In fact all the European and UK Smaller Companies funds on our Chelsea Selection made double digit returns over the past year, as did all but two of our global equity and Japanese funds (see pages 22-23). Many UK managers also did very well, although emerging market funds have struggled. Once again, I would stress the importance of picking good active managers.

OIL

I don't think anybody in the world could have predicted that oil would fall below $30 a barrel, 18 months ago. My feeling is the sell-off has now gone too far and I would rather be long than short. The current supply glut will correct itself eventually as more production gets shut down. My only concern is that the electric car may dampen oil demand in the future but that is still likely to be some years away.

CHINA

All anyone's talking about at the moment is China. There are legitimate worries. China has been building housing and infrastructure like there's no tomorrow. The trouble is it can't keep expanding like this forever and it is now trying to shift to a more consumption-orientated economy. That's been bad news for commodities as demand for steel, iron ore, coal and copper has collapsed.

Slower Chinese growth has led to concerns with their currency (the renminbi), which is currently pegged to the US dollar. As the Chinese economy has slowed, many now believe the renminbi is overvalued. Dare I say the situation is a bit similar to our own fixed currency experience in 1992 with the Exchange Rate Mechanism (ERM), although China is in a stronger position, because it has a more controlled economy.

So, why does it matter if China devalues its currency? The fear is this will export deflation to the rest of the world and kill global growth, although I think the ultimate outcome is still open for debate. On a more positive note, it is worth remembering that when we did finally leave the ERM, it triggered a massive bull run for stocks. The FTSE 100 went on to gain 280% over the next seven years.^

INVESTMENT OUTLOOK

We have been negative on bonds for a long time because they are so expensive. This year we have been right, at least to a small extent, as most bond indices are slightly negative over the past year.***
I continue to have concerns, but it is still worth considering flexible strategic bond funds as part of a diversified portfolio.

Could stock markets fall further if you invest today? Of course they can – but prices are now a lot cheaper than they were six months ago. Our preferred areas are still Japan and Europe, where central banks continue to try and stimulate growth through quantitative easing. The US looks relatively expensive and the Federal Reserve has finally started raising interest rates for the first time in almost a decade (see our graph below). This may slow the economy and depress sentiment towards the US stock market.

For those worried by volatility, or who have shorter investment time horizons, you may want to take a look at absolute return funds, which aim to make money in all market conditions. See pages 26-28 for more details.

* FE analytics 27/04/2015-27/01/2016
** FE analytics 26/01/2015-26/01/2016
*** FE analytics 01/01/2015-31/12/2015
^ FE Analytics 16/09/1992-31/12/1999

Make the most of your ISA allowance

SAM HOLDER

"ISAs are still extremely tax-efficient for many individuals and have an important role to play in long-term investing."

Operations Director,
Chartered Financial Planner, Chelsea

With the government continuing to meddle with the pension rules, it is worth remembering that investment ISAs remain as attractive as ever.

- 0% capital gains tax
- No further tax to pay on income
- Access your money at any time
- Inheritable ISA allowance – pass on your ISA portfolio to your spouse

The 2015/16 ISA allowances are as follows:

Investment ISA	Junior ISA
£15,240	£4,080

Both ISA allowances will remain unchanged, at £15,240 and £4,080 respectively, for the 2016/17 tax year.

End of tax year deadlines:

Telephone (with debit card) – **5th April 2016 - 10pm**

Paper-based applications – **5th April 2016**

Online (with debit card) – **5th April 2016 – 10pm**

Investment Fund to ISA – **31st March 2016**

Junior ISA – **5th April 2016**

Three easy ways to buy your ISA

Over the telephone
Simply call
020 7384 7300

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

By post
Complete the form
on page 41

JULIET SCHOOLING LATTER

INVESTING MADE EASY, WITH 0% INITIAL CHARGE:

the Chelsea **EasyISA**

"Don't forget to check the box below for any changes that may be relevant to your portfolio. Remember, we don't automatically make the changes for you"

Research Director, Chelsea

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 created the Chelsea EasyISA portfolios. All you have to do is choose one of the five options, based upon your own requirements and attitude to risk. Your ISA will then be spread equally across the corresponding six funds, within the Chelsea FundStore. And remember, the EasyISA is also available for ISA transfers.

HOW MUCH CAN YOU INVEST?

The ISA allowance is £15,240 for the 2015/16 and 2016/17 tax years.
Please note that the minimum lump sum payment is £50 into any EasyISA.

WHAT TO DO NEXT

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)

2. Tick the relevant box on the ISA application form (page 41) and decide how much you want to invest

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

Three easy ways to buy your ISA:

Call us on **020 7384 7300**

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

Send us a **form** – go to page 41

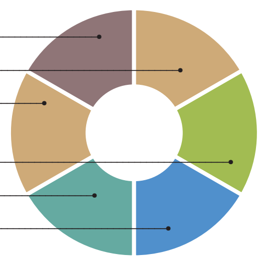
PORTFOLIO CHANGES

Cautious Growth EasyISA: Old Mutual Global Equity Absolute Return Hedged replaces Standard Life Global Absolute Return Strategies

Global Income EasyISA: Schroder Asian Income replaces JPM Emerging Markets Income; Neptune US Income replaces Newton Global Income

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 equities. Approximately one third will be invested in fixed interest, which tends to be less volatile than equities. The final third of the portfolio is divided between property and targeted absolute return funds that should produce uncorrelated returns. N.B. this portfolio contains up to 40% equity exposure, so may be subject to greater volatility than the term Cautious may suggest and there is potential for capital loss.



AVERAGE ANNUAL MANAGEMENT CHARGE	0.67%*	
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.78%	
BENCHMARK		1/3 STRATEGIC BOND (SECTOR AVERAGE) 2/3 MIXED INVESTMENT 20-60% (SECTOR AVERAGE)

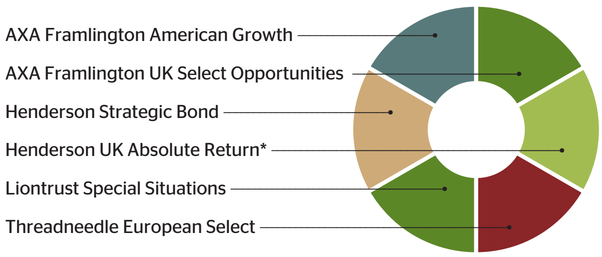
	PORTFOLIO	BENCHMARK	MIXED INVESTMENTS 20-60% SHARES**
PERFORMANCE OVER 1 YEAR	6.94%	0.60%	1.22%
PERFORMANCE OVER 3 YEARS	26.17%	12.93%	15.51%
PERFORMANCE OVER 5 YEARS	37.68%	23.38%	22.79%

FE Analytics data as of 01/01/2016, compiled by Chelsea. *A performance fee may be applied, see page 19 for details. **Sector average

‡ See page 39 for details of reduced charges on these funds

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 and one sixth in targeted absolute return. The portfolio has the majority of its assets invested in equities based in developed markets, (up to a maximum of 70% in equities), and so there is the potential for capital loss. The fixed interest portion is invested in a strategic bond fund which has the ability to invest across the credit quality spectrum.



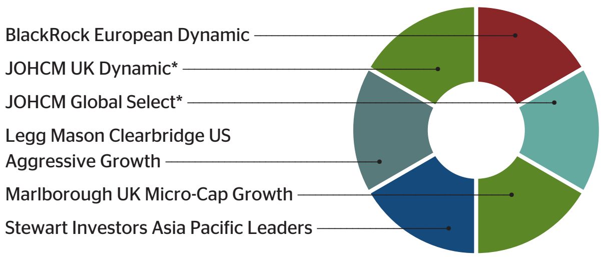
AVERAGE ANNUAL MANAGEMENT CHARGE	0.77%*
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.85%
BENCHMARK	1/3 UK ALL COMPANIES (SECTOR AVERAGE) 1/3 GLOBAL (SECTOR AVERAGE) 1/3 MIXED INVESTMENT 20-60% (SECTOR AVERAGE)

	PORTFOLIO	BENCHMARK	MIXED INVESTMENTS 40-85% SHARES**
PERFORMANCE OVER 1 YEAR	8.27%	3.27%	2.68%
PERFORMANCE OVER 3 YEARS	37.22%	27.40%	23.25%
PERFORMANCE OVER 5 YEARS	43.93%	33.08%	28.06%

FE Analytics data as of 01/01/2016, compiled by Chelsea. *A performance fee may be applied, see page 19 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. This portfolio can hold up to 100% in equities so there is the potential for capital loss.



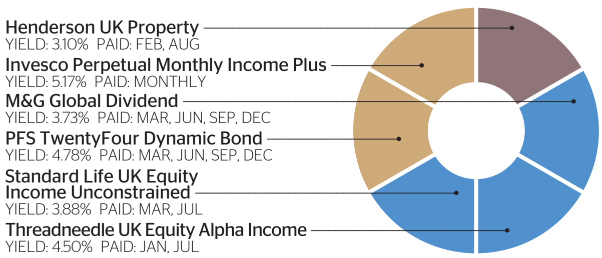
AVERAGE ANNUAL MANAGEMENT CHARGE	0.73%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.88%
BENCHMARK	MSCI WORLD INDEX

	PORTFOLIO	BENCHMARK	GLOBAL RETAIL**
PERFORMANCE OVER 1 YEAR	4.00%	4.87%	2.77%
PERFORMANCE OVER 3 YEARS	32.03%	45.32%	33.87%
PERFORMANCE OVER 5 YEARS	38.58%	53.15%	32.91%

FE Analytics data as of 01/01/2016, compiled by Chelsea. *A performance fee may be applied, see pages 14 and 18 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. The portfolio currently has approximately 50% exposure to equities, at the time of writing.



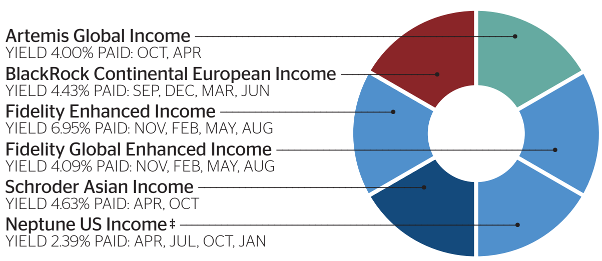
AVERAGE ANNUAL MANAGEMENT CHARGE	0.78%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.88%
BENCHMARK	1/2 STRATEGIC BOND (SECTOR AVERAGE) 1/2 UK EQUITY INCOME (SECTOR AVERAGE)

	PORTFOLIO	BENCHMARK	MIXED INVESTMENTS 20-60% SHARES**
PERFORMANCE OVER 1 YEAR	1.91%	2.86%	1.22%
PERFORMANCE OVER 3 YEARS	22.71%	23.33%	15.51%
PERFORMANCE OVER 5 YEARS	39.21%	38.89%	22.79%
AVERAGE YIELD FOR THE PORTFOLIO	4.19%	-	-

FE Analytics data as of 01/01/2016, compiled by Chelsea. **Sector average

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. This portfolio can hold up to 100% in equities so there is the potential for capital loss.



AVERAGE ANNUAL MANAGEMENT CHARGE	0.73%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.94%
BENCHMARK	GLOBAL EQUITY INCOME

	PORTFOLIO	BENCHMARK	GLOBAL RETAIL**
PERFORMANCE OVER 1 YEAR	2.66%	2.66%	2.77%
PERFORMANCE OVER 3 YEARS	30.51%	33.45%	33.87%
PERFORMANCE OVER 5 YEARS	N/A	N/A	N/A
AVERAGE YIELD FOR THE PORTFOLIO	4.42%	-	-

FE Analytics data as of 01/01/2016, compiled by Chelsea. **Sector average

These portfolios do not include cash allocations

‡ See page 39 for details of reduced charges on these funds

The Chelsea EasySIPP

Saving for retirement is one of the most important things you could do throughout your lifetime. With the recent added flexibility, you can now do what you want with your retirement pot (subject to your marginal rate of tax), even leaving the money for future generations, if you so wish.

WHO CAN INVEST

You, or a third party individual (this could be a family member, friend or an employer), can invest into your pension.

On any personal investment, 20% tax relief will be automatically reclaimed on your behalf and added to your portfolio. If you invest £800 the government will automatically add £200, meaning that you have £1,000 saved for your retirement. If you are a higher-rate or additional-rate tax payer you can currently reclaim further tax relief through your tax return, but this could change following the next budget.

Similar to the popular and successful EasyISAs, we have created the EasySIPP portfolios. All you need to do is choose one, based on your own requirements and attitude to risk, and your investments will be spread across the corresponding funds within Chelsea FundStore.

CONSOLIDATE YOUR EXISTING PENSIONS

If you are one of the many people out there who have worked for a number of employers and are now struggling with all the different charges and a number of different statements in the post, why not consolidate them with Chelsea? Please be aware of any exit charges that may be levied by your existing provider (we may be able to help with these) and any guarantees you may be giving up*.

WHAT TO DO NEXT

1. Fill out and return the Chelsea SIPP questionnaire on page 38

If you prefer to do things online, why not complete our quick and easy online questionnaire at **https://www.chelseafs.co.uk/products/pension/questionnaire/**

2. We will send you a pre-populated application form

3. Return the documentation with your selected EasySIPP (and cheque made payable to Cofunds Ltd, if applicable)

CHANGES IN APRIL 2016

The lifetime allowance is being reduced to £1m.

Are you a higher earner?

You could have your annual allowance reduced from £40,000 to £10,000 in April.

Invest before it's too late.

Register online to receive our email newsletter to keep up-to-date with pension changes.

SARAH CULVER

"Consolidate, and take control of your pension today"

Operations Consultant, Chelsea

WHY TO USE THE CHELSEA SIPP

- Competitive platform and service charges (the same as your usual platform and service charge)
- 0% set-up charge
- Free transfers in – consolidate and manage your schemes in one place
- We may be able to help with transfer out charges, if you are moving to us
- Free switching
- Free telephone dealing
- 20% tax relief automatically reclaimed for you
- Access to 25% tax-free cash from 55
- 0% charge for processing probate
- Personal pensions administrator will work with you from the outset

TAX-YEAR END DEADLINES

CHEQUE + FORM: 31st March

BANK TRANSFER + FORM:
(new pension investors) 3pm, 1st April
(existing pension investors) 3pm, 4th April

PORTFOLIO CHANGES

Aggressive EasySIPP: PFS Somerset Emerging Markets Dividend Growth replaces M&G Global Emerging Markets

High Alpha EasySIPP: JPM Japan replaces JOHCM Japan. Newton Global Emerging Markets replaces M&G Global Emerging Markets; Matthews Asia Pacific Tiger replaces Stewart Investors Asia Pacific Leaders

Please be aware that there is a minimum investment amount of £5,000 to open a pension (this can be from a single investment and/or transfer). Minimum investment of £50/month, if investing on a regular monthly basis, per EasySIPP. The application form must be completed by the individual taking out the pension, and they must be over the age of 18.

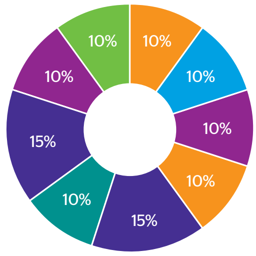
*Chelsea does not provide investment advice so if your are unsure of anything you should seek expert advice.

Cautious EasySIPP

The Cautious Growth EasySIPP offers diversification via equities, bonds, property and targeted absolute return funds. This diversification should offer the cautious investor lower volatility than a portfolio solely focused on equities. However, please be aware that this portfolio still contains up to 40% in equities, which means there will still be a moderate amount of volatility and this is likely to increase at times of market stress.

	PORTFOLIO	MIXED INVESTMENTS 0-35% SHARES
PERFORMANCE OVER 1 YEAR	4.18%	0.38%
PERFORMANCE OVER 3 YEARS	N/A	N/A
PERFORMANCE OVER 5 YEARS	N/A	N/A

- Artemis Global Income 10%
- Artemis Strategic Assets 10%
- BNY Mellon Absolute Return Equity** 10%
- Fundsmith Equity 10%
- Henderson UK Property 10%
- Jupiter Strategic Bond 15%
- Man GLG Strategic Bond 15%
- Premier Defensive Growth 10%
- Woodford Equity Income 10%



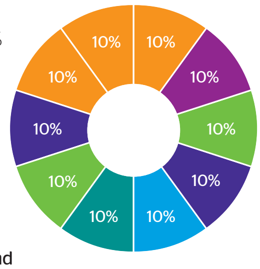
AVERAGE ANNUAL MANAGEMENT CHARGE (AMC): 0.73%
AVERAGE ONGOING CHARGES FIGURE (OCF): 0.85%

Balanced Growth EasySIPP

The Balanced Growth EasySIPP currently invests approximately 50% in equities, but can reach a maximum of 70%, with bonds, property and targeted absolute return funds offering diversification. With an increased weighting in equities than that of the Cautious EasySIPP, this portfolio may be ideal for investors who have a longer time horizon and those who are comfortable with a higher degree of risk.

	PORTFOLIO	MIXED INVESTMENTS 20-60% SHARES
PERFORMANCE OVER 1 YEAR	3.89%	1.22%
PERFORMANCE OVER 3 YEARS	N/A	N/A
PERFORMANCE OVER 5 YEARS	N/A	N/A

- BlackRock European Dynamic 10%
- BNY Mellon Absolute Return Equity** 10%
- Evenlode Income 10%
- Henderson Cautious Managed 10%
- Henderson UK Property 10%
- Liontrust Special Situations 10%
- Jupiter Strategic Bond 10%
- Legg Mason Clearbridge US Aggressive Growth 10%
- Man GLG Strategic Bond 10%
- PFS Somerset Emerging Markets Dividend Growth 10%



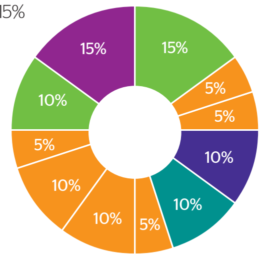
AVERAGE ANNUAL MANAGEMENT CHARGE (AMC): 0.72%
AVERAGE ONGOING CHARGES FIGURE (OCF): 0.92%

Aggressive EasySIPP

The Aggressive EasySIPP is for investors who are comfortable with a higher degree of risk. The portfolio currently comprises approximately 60% in equities, but could be higher, with exposure to Asia, emerging markets, Europe and North America. This portfolio has the potential to produce greater returns, but with less investment in bonds and property funds, this is only for those who are prepared to accept a high level of risk and invest for the long-term.

	PORTFOLIO	MIXED INVESTMENTS 40-85% SHARES
PERFORMANCE OVER 1 YEAR	8.28%	2.68%
PERFORMANCE OVER 3 YEARS	N/A	N/A
PERFORMANCE OVER 5 YEARS	N/A	N/A

- AXA Framlington UK Select Opportunities 15%
- Baillie Gifford Japanese 5%
- Henderson Strategic Bond 10%
- Henderson UK Property 10%
- Invesco Perpetual Hong Kong and China 5%
- Jupiter European 10%
- Legg Mason Clearbridge US Aggressive Growth 10%
- Marlborough UK Micro-Cap Growth 10%
- Old Mutual Global Equity Absolute Return Hedged* 15%
- PFS Somerset Emerging Markets Dividend Growth 5%
- Stewart Investors Asia Pacific Leaders 5%



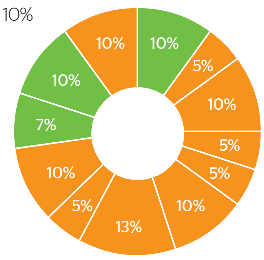
AVERAGE ANNUAL MANAGEMENT CHARGE (AMC): 0.76%
AVERAGE ONGOING CHARGES FIGURE (OCF): 0.90%

High Alpha EasySIPP

The High Alpha EasySIPP comprises a range of equity funds that tend to be high risk in nature. This is a globally-diverse portfolio, with 100% of the holdings in equities and over 60% of the portfolio investing overseas. Due to the nature of these investments, this could be a highly volatile portfolio, and is more appropriate for long-term investing. Those who invest in this portfolio may see higher returns, but should only be invested in by those willing to take a higher level of risk.

	PORTFOLIO	GLOBAL
PERFORMANCE OVER 1 YEAR	7.58%	2.77%
PERFORMANCE OVER 3 YEARS	N/A	N/A
PERFORMANCE OVER 5 YEARS	N/A	N/A

- AXA Framlington UK Select Opportunities 10%
- Baillie Gifford Global Discovery 5%
- JOHCM Asia Small & Mid-Cap** 5%
- JPM Japan 5%
- Jupiter European 10%
- Legg Mason Clearbridge US Aggressive Growth 13%
- M&G Global Dividend 5%
- Marlborough UK Micro-Cap Growth 7%
- Matthews Asia Pacific Tiger 10%
- Neptune UK Mid Cap 10%
- Newton Global Emerging Markets 10%
- Rathbone Global Opportunities 10%



AVERAGE ANNUAL MANAGEMENT CHARGE (AMC): 0.73%
AVERAGE ONGOING CHARGES FIGURE (OCF): 0.96%

- Absolute Return
- Fixed Interest
- Multi-Asset
- Property
- UK Equity
- Overseas Equity

Important Notice
Please be aware that none of the funds available via Chelsea FundStore are without risk, and the Key Investor Information Documents, for each fund, should be read before investing.

* There is a 20% performance fee relative to the hurdle rate and high watermark.
**There is a 15% performance fee on outperformance of the benchmark subject to a high watermark.

Source: FE Analytics data as of 01/01/2016, compiled by Chelsea

The Chelsea Junior **EasyISA**

The Junior ISA is a version of the long-standing and popular ISA but aimed at parents, guardians and grandparents who wish to save for the child's future. The Junior ISA limit is £4,080 for the 2015/16 & 2016/17 tax years. The Junior ISA has the advantage of no capital gains tax and no further liability to income tax. Furthermore, there is **currently no service or platform charge to pay** on Junior ISAs. All you pay is the annual management charge of the funds held, whilst this offer lasts.

WHY SHOULD YOU USE THE JUNIOR ISA ALLOWANCE?

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

UNSURE WHERE TO INVEST?

To make it as easy as possible to invest in a Junior ISA, our research team has produced three Junior EasyISA portfolios to help you maximise returns over the long term. These are simply suggested portfolios, which are split equally between three funds. As the Junior EasyISA is aimed at children and, consequently, the investment term is generally longer, they offer a broad, but predominately equity, spread and therefore it should be noted that they may be subject to volatility, and thus potential capital loss.

HOW DO I INVEST?

An application form can be found on page 49.
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/documents/fundstore). You will also find further information on our website at chelseafs.co.uk/products/children/isa.

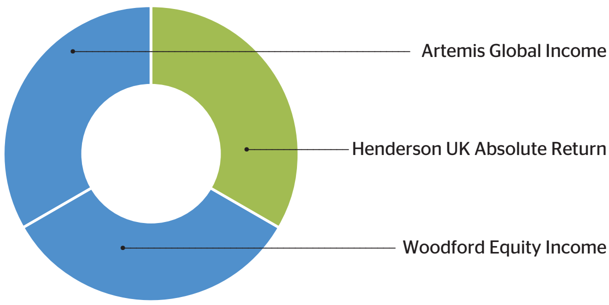
Junior ISA guide: We have written a guide which explains how the Junior ISA works, who can invest in it and what the benefits are. It is available on our website at the address above.

Please note that children with Child Trust Funds (CTF) cannot open a Junior ISA. However, you can now transfer a CTF to a Junior ISA and, once transferred, you can top-up the Junior ISA. An application form can be found on page 51.

Core Equity Portfolio

AVERAGE ANNUAL MANAGEMENT CHARGE	0.83%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.88%

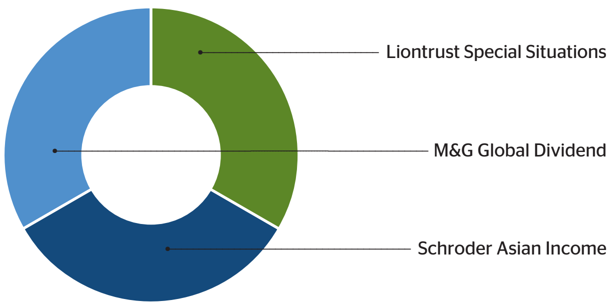
The core portfolio is designed to provide capital growth through investment in equities in a variety of regions and some fixed interest, with the aim of reducing volatility. The resulting portfolio holds over 80% in equities, so there is still potential for capital loss.



Balanced Equity Portfolio

AVERAGE ANNUAL MANAGEMENT CHARGE	0.75%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.90%

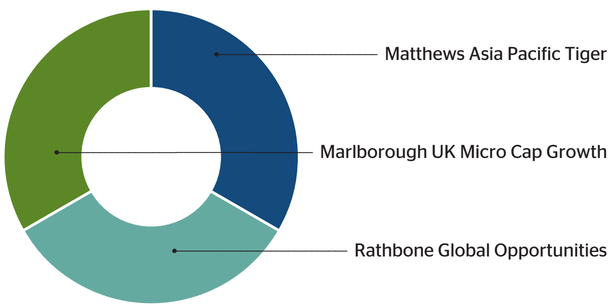
Those investors prepared to take a balanced level of risk and aiming to generate a return on capital through a mix of growth and income should opt for the balanced portfolio. The portfolio primarily invests in developed Asia and UK equity markets, although it is exposed to other regions such as the US, Europe and some emerging market countries. The fund will hold up to 100% in equities so there is potential for capital loss.



Aggressive Equity Portfolio

AVERAGE ANNUAL MANAGEMENT CHARGE	0.72%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.92%

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. The fund will hold up to 100% in equities so there is potential for capital loss.



PORTFOLIO CHANGES
Aggressive Equity Portfolio: Matthews Asia Pacific Tiger replaces M&G Global Emerging Markets

All funds are chosen from the Chelsea Selection *...see pages 22 & 23*

WELCOME TO THE GUIDE TO BUILDING YOUR OWN PORTFOLIO:

the **DIYportfolio**

If you have a larger sum to invest, or the EasyISA/SIPP portfolios don't meet your requirements, why not do it yourself? Here's a guide to how a self-selected portfolio might look. Please refer to page 12 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 split, we have provided the generic portfolios below.

The idea is that you determine your own attitude to risk. The Cautious DIY portfolio has an equity weighting of 40% and the Balanced DIY portfolio has an equity weighting of 70%. Please note that even a portfolio with 40% in equities is liable to substantial swings in value. The DIY portfolios below are a rough guide and may not be appropriate for you. You must determine your own level of risk. For example, you may decide to create a much more cautious portfolio with no exposure to equities at all.

The portfolios below are designed to give you an idea of how you could diversify your portfolio, which is one way of reducing risk.

If you have your entire portfolio in one asset and one geography, for example UK equities, your portfolio will struggle if this market does poorly and will also be more volatile (see page 12 for more on portfolio risk and divesification).

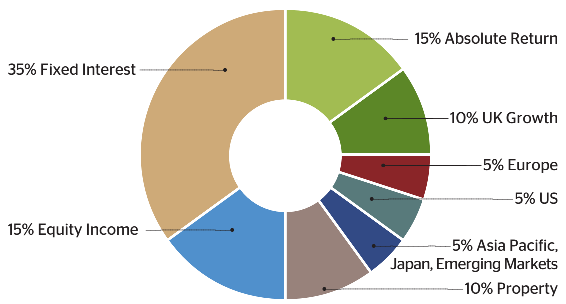
By diversifying by asset class and geography your portfolio should have a better chance of producing more balanced returns with lower overall volatility. For example, when your equity funds are struggling this might be offset by better performance from your bond funds or vice versa. The number of funds held within these portfolios will vary depending upon the amount invested. As a rough guide, you may 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.

NB: These portfolios do not include cash allocations.

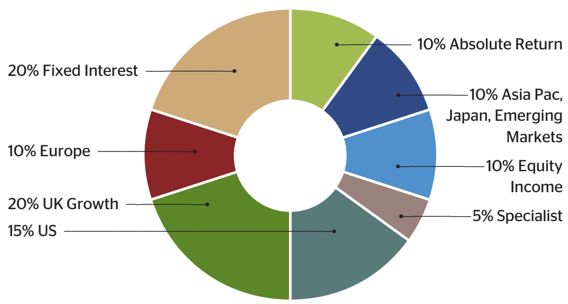
Cautious Growth DIYportfolio

Designed for those who have a lower tolerance to risk, perhaps an investor closer to retirement. It should be noted that even the 'Cautious Growth' portfolio has a substantial weighting in equities and is therefore subject to volatility.



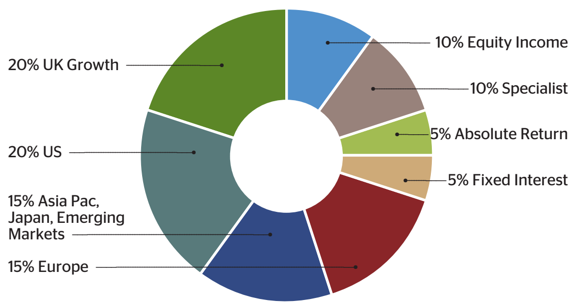
Balanced Growth DIYportfolio

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



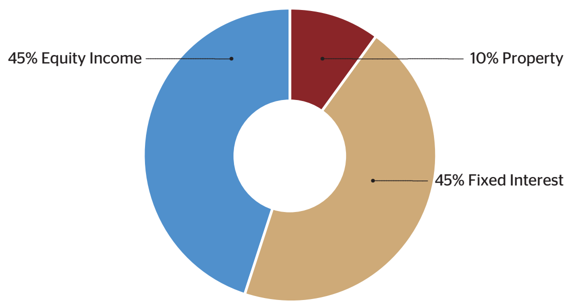
Aggressive Growth DIYportfolio

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

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.



*Chelsea does not provide investment advice so if you are unsure of anything you should seek expert advice

Risk – the impact of currency

In this edition we consider currency risk. Currency risk is the danger of losing money on your investments due to changes in foreign exchange rates between the currency in which you are investing and the currency in which you usually operate (sterling, for most of our investors). It is an important component that we consider when calculating the Chelsea Risk Ratings.

For most people, currency risk mainly affects the price of travel, where a €6 glass of wine on holiday can vary from reasonable to extortionate depending on the exchange rate! However, in investing, it is a hidden risk that can either be a headwind or tailwind depending on the conditions.

For example, imagine you, as a UK investor, buy a US fund. The fund manager will convert your pounds (sterling) into dollars. The dollars will then be invested in the US stock market. Now imagine your fund rises 20% in dollar terms over the next year. That's great, but your final investment return will also be determined by how sterling and the dollar have changed versus one another.

If the pound has strengthened against the dollar, your relative gains will be less than 20%. This is because when your dollar investments are translated back into sterling, you get less sterling than you would have done with the original exchange rate. If the pound has weakened against the dollar (i.e. the dollar has become stronger against the pound) the opposite would be true and your return would now be higher than 20%.

The performance figures you see on the Chelsea Selection (page 22-23) will always show your final return in pounds sterling.

Currencies can rise and fall against each other for an almost unlimited number of reasons. Central bank intervention, interest rate changes, inflation, government debt levels, oil prices and general speculation can all have a notable effect.

CURRENCY AND DEVELOPED MARKETS

So how much should you be concerned about this? As a general rule, the currencies of more developed economies are not as volatile as those of emerging markets. You also need to be aware of the risk of holding all your assets in sterling. There are potential diversification benefits to holding assets around the world and this can help to smooth your returns.

For example, did you know that in 2008 the US stock market only fell 13% in sterling terms but crashed 37% in dollar terms?* This was because sterling fell very heavily versus the dollar, as investors ran to the dollar for safety. In the same year the UK stock market fell 30%, so UK investors who had diversified some of their holdings into the US did much better comparatively.

Recent monetary policy, namely quantitative easing (QE), has distorted currency markets and brought increased volatility into more developed markets. This effect has mostly hit the Japanese yen and the euro, which are continuing their QE programmes at pace to try to inject growth into their stagnating economies. As such, there is more currency risk in the developed market economies than is usually the case.

Currency risk is almost impossible to avoid. Even if you invest in a UK-based fund, the globalised world in which we live will mean the companies in which you are invested, will have exposure to other currencies. For example, 77% of FTSE 100 sales come from outside the UK.**

Many companies are now global, this means there is a natural trade-off when you invest outside the UK, because when a global company's domiciled currency falls, its profits increase.

Recently, the euro has fallen versus the dollar and sterling. This has hurt UK investors investing in Europe. However, European businesses which export their products to the US and UK have seen their sales and profits rise since their products are now cheaper in those countries. As a result, stocks have done well and outweighed the fall in the currency.

Good investment practice generally is to hold a diversified portfolio of investments. This means spreading your investments across a variety of different geographic areas and asset classes, so that your risk is not held in one single place – essentially, not holding all your eggs in one basket.

CURRENCY RISK ESSENTIALS+

- The value of your investments can be affected by movement in exchange rates
- Currency risk is particularly high when investing in emerging markets or Japan
- Currency risk is unavoidable even when investing in the UK, as many companies operate globally
- You can still benefit from diversification by investing outside the UK

HOW TO USE THE CHELSEA RISK RATING

The Chelsea Risk Rating is simply a generic guide to the **relative** risk of funds within the market. It is up to you to determine your optimum asset class mix. The Chelsea Risk Rating is shown in the form of a thermometer (below) and is based on our in-house research.

The Chelsea Risk Rating attempts to quantify the relative risk of funds, to give you an idea of how risky one fund is versus another. A fund rated five, in the middle of the spectrum, does not mean it is suitable for medium-risk investors, merely that according to historic volatility, and our understanding of the manager's investment process, we think it is more risky than a fund rated four and less risky than a fund rated 6. **Even funds rated 1 are subject to risk.**

CHELSEA RISK THERMOMETER

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 - 5	UK EQUITY & BOND INCOME
3.5 - 4.5	MIXED INVESTMENT 20 - 60%
3.5 - 4	HIGH YIELD BONDS
3 - 3.5	PROPERTY
2 - 7	ABSOLUTE RETURN
2 - 4	STRATEGIC BONDS
2 - 4	GLOBAL BONDS
2 - 3.5	CORPORATE BONDS
2 - 3	GILTS
1	CASH

*Source FE Analytics 01/01/2008-31/12/2008
**Capital Group FTSE 100 study 11/11/2013

+Chelsea does not provide investment advice so if you are unsure of anything you should seek expert advice.

AN INTRODUCTION TO

Chelsea **research tables**

There are approximately 3,000 funds in the entire UK market – with more than 2,500 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.

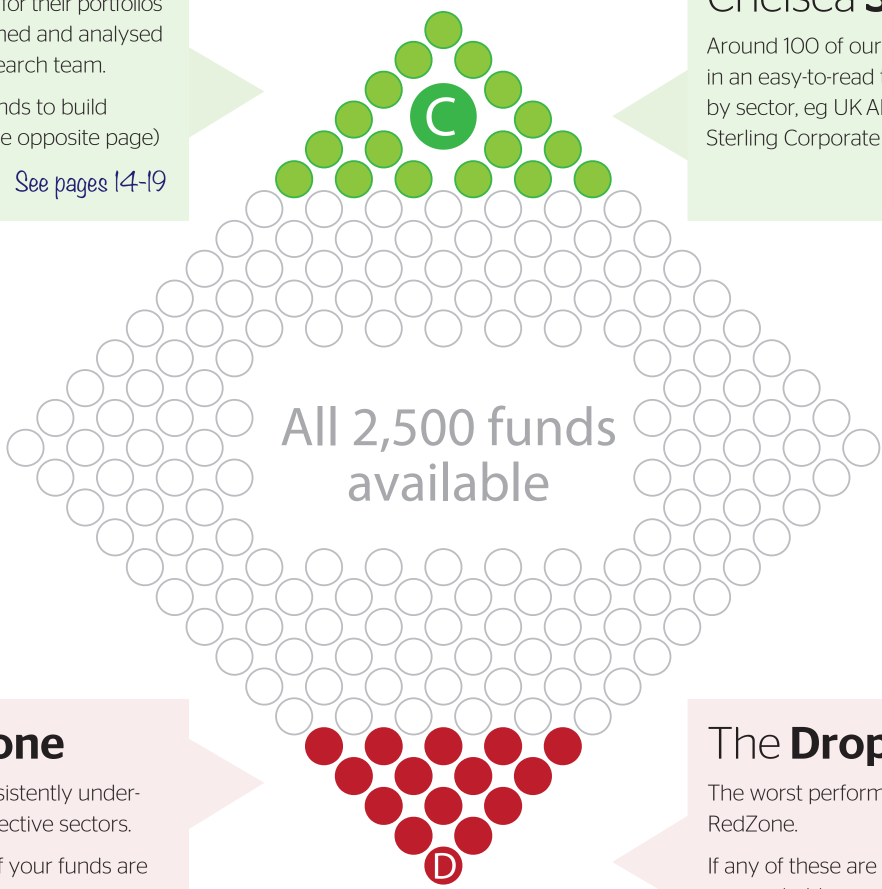
You can use these funds to build your **DIYportfolio** (see opposite page)

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, Sterling Corporate Bond, etc.

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.

For further details on our research process please visit **www.chelseafs.co.uk/research/process**

Chelsea **Core Selection**©

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

UK GROWTH

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 70 stocks.

CHELSEA RISK RATING	6
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.83%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	GOLD
YIELD	1.25%
UNIT TYPE	ACC or INC

FRANKLIN UK SMALLER COMPANIES NEW ENTRY

The strategy of this fund was completely changed around in 2012 when Richard Bullas took over the fund. The team are based in Leeds to enable them to focus on their stock selection and portfolio construction without the 'noise' of the city. Richard takes responsibility for the small-cap stocks and Paul Spencer manages the mid-caps, split around 80:20 respectively. The process is similar to Paul's highly successful mid-cap fund, with an emphasis on established, quality businesses with visible earnings. The fund has a long-term vision, with no particular bias to growth or value, and is quite concentrated, typically holding around 50 stocks, with no position worth more than 5% of the total portfolio. The smaller size of the fund, relative to its peers, allows the managers to be nimble.

CHELSEA RISK RATING	8
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.84%†
FUNDCALIBRE	
MORNINGSTAR RATING	BRONZE
YIELD	1.15%
UNIT TYPE	ACC or INC

JOHCM UK DYNAMIC

Alex Savvides, who has been running the fund since launch, is one of the most exciting up-and-coming UK fund managers. The process, which he built himself, aims 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. There is a 15% performance fee on outperformance of the FTSE All-Share Total Return Index.

CHELSEA RISK RATING	7
ANNUAL MANAGEMENT CHARGE	0.63%* #
ONGOING CHARGES FIGURE (OCF)	0.74%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	3.43%
UNIT TYPE	ACC or INC

JUPITER UK GROWTH

Manager Steve Davies has a long history with this fund, having started as an analyst in 2007, before taking full control in May 2015, when this fund was merged with his Jupiter Undervalued Assets fund. This change has not altered the style though. The fund holds a concentrated portfolio of 30-35 stocks that aims to achieve long-term capital growth. Steve is not constrained by a benchmark, meaning he has the discretion to avoid sectors. He selects companies on one of two main criteria: firms that are out of favour with the markets, but have a catalyst for future growth, and companies that will generate above average growth, but are currently under-priced.

CHELSEA RISK RATING	7
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	1.03 †
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	0.60%
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.

CHELSEA RISK RATING	6
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.87%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	0.55%
UNIT TYPE	INC

MARLBOROUGH UK MICRO-CAP GROWTH

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
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.79%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	–
YIELD	–
UNIT TYPE	ACC

OLD MUTUAL UK ALPHA

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.

CHELSEA RISK RATING	7
ANNUAL MANAGEMENT CHARGE	0.68%#
ONGOING CHARGES FIGURE (OCF)	0.78%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	SILVER
YIELD	3.01%
UNIT TYPE	ACC or INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 12 for more information.

For performance statistics please refer to pages 22-23.

All data sourced from FE Analytics, 15/01/2016.

* There is a 15% performance fee payable to the fund manager on outperformance of the benchmark.

†OCF: The cost includes the annual management charge and other fees such as registration, regulatory, audit and legal fees but does not include transaction costs and performance fees.

The annual management charge is paid to a fund management company for managing the fund. It is calculated as a percentage of the value of the fund. The annual management charge is less than the Ongoing Charges Figure (OCF).

Chelsea **Core Selection**© CONTINUED

EQUITY INCOME

ARTEMIS GLOBAL INCOME

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
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.84%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	4.00%
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 and Stuart predominantly invests in developed markets. Income is paid in March, June, September and December.

CHELSEA RISK RATING	6.5
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.91%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	SILVER
YIELD	3.73%
UNIT TYPE	ACC or 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
ANNUAL MANAGEMENT CHARGE	0.65%^#
ONGOING CHARGES FIGURE (OCF)	0.70%^†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	3.98%
UNIT TYPE	ACC or INC

STANDARD LIFE UK EQUITY INCOME UNCONSTRAINED SPOTLIGHT

Thomas Moore, the manager, looks for non-consensus ideas across the market-cap spectrum. He has a preference for companies whose earnings are growing faster than their dividends, increasing the likelihood that dividend growth can be sustained into the long term. He is free to move around the capitalisation scale to where he sees the best opportunities, and is not afraid to shun equity income stalwarts in the FTSE 100. This style has slightly higher volatility than some of the more mainstream funds in the sector. He also follows a strict sell discipline and cuts positions quickly if the fundamentals deteriorate. Income is paid in March and July.

CHELSEA RISK RATING	5
ANNUAL MANAGEMENT CHARGE	1.00%#
ONGOING CHARGES FIGURE (OCF)	1.15%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	–
YIELD	3.88%
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. Income is paid in January and July.

CHELSEA RISK RATING	5
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.88%†
FUNDCALIBRE	–
MORNINGSTAR RATING	BRONZE
YIELD	4.50%
UNIT TYPE	INC

WOODFORD EQUITY INCOME

This fund picks up exactly where his previous fund left off, with Neil looking for companies that offer sound balance sheets, resilience to a tough economic environment and earnings transparency, together with very attractive valuations. While the fund will be predominantly large cap, he will also invest in smaller companies. Neil is well known for getting right some big macroeconomic calls and famously sold out of banks before the financial crisis. He has made a flying start and the fund has been top quartile in its sector since launch, at the time of writing. Income is paid in April, July, October and January.

CHELSEA RISK RATING	5
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.75%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	3.30%
UNIT TYPE	ACC or INC

EUROPE

BLACKROCK EUROPEAN DYNAMIC

Alister Hibbert runs this fund with an aggressive mentality, being prepared to have big over and underweight positions at both the stock and sector level. The fund itself has a focus on large-cap companies and these tend to have growth, rather than value characteristics. The portfolio make-up can shift dramatically at times, which can lead to periods of volatility. However, during his tenure Alister has used this risk well. He is supported by BlackRock's well-resourced European equity team, which we consider to be one of the best around. The portfolio is reasonably concentrated with typically 50 holdings and turnover can be higher than other funds in the sector.

CHELSEA RISK RATING	7
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.93%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	SILVER
YIELD	0.44%
UNIT TYPE	ACC or INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 12 for more information.
For performance statistics please refer to pages 22-23.
All data sourced from FE Analytics, 15/01/2016.
* There is a 15% performance fee payable to the fund manager on outperformance of the benchmark.
†OCF: The cost includes the annual management charge and other fees such as registration, regulatory, audit and legal fees but does not include transaction costs and performance fees.
The annual management charge is paid to a fund management company for managing the fund. It is calculated as a percentage of the value of the fund. The annual management charge is less than the Ongoing Charges Figure (OCF).
^ Includes Chelsea discount. See page 37 for more details.

Chelsea **Core Selection**© CONTINUED

EUROPE (CONTINUED)

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.

CHELSEA RISK RATING	6.5
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	1.03%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	GOLD
YIELD	-
UNIT TYPE	ACC or INC

THREADNEEDLE EUROPEAN SELECT

Manager David Dudding focuses on buying companies with a competitive advantage, high quality defensible earnings and consistent growth rates. His approach is growth orientated, but other factors, such as brand loyalty or pricing power, are also key. Consequently, he favours certain sectors and may choose not to invest in some sectors altogether. David likes companies with strong market share in emerging markets. The fund is fairly concentrated and typically has around 40 holdings, of which around 80% are in large caps.

CHELSEA RISK RATING	7
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.83%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	0.80%
UNIT TYPE	ACC or INC

US

AXA FRAMLINGTON AMERICAN GROWTH

Manager Steve Kelly runs this fund within a stock-picking framework. He has a strong growth bias, focusing on companies that are able to exhibit genuine, organic growth through the strength of their brand. He also prioritises good management in their investment decisions, as he looks for companies whose management delivers their stated goals. The fund typically holds 65-75 stocks. The manager is currently overweight technology stocks as he feels they will benefit from a consumer recovery.

CHELSEA RISK RATING	7
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.82%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	-
UNIT TYPE	ACC or INC

FIDELITY AMERICAN SPECIAL SITUATIONS NEW ENTRY

Manager Angel Agudo takes a value approach to running this fund, aided by one of the largest US research teams in London, to create long-term capital appreciation for his investors. He looks for firms which are out of favour, but where the market has undervalued the potential for an improvement. This leads to a concentrated portfolio of 40-60 stocks which are in different stages of their turn-around, so that the portfolio has the potential to outperform through different macroeconomic environments. Once he has highlighted potential stocks, he invests at valuations where he believes there is a 50-100% upside. Angel uses scenario analysis to assess his stocks, including assessing how a stock should perform if the worst were to happen.

CHELSEA RISK RATING	7
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.95%†
FUNDCALIBRE	
MORNINGSTAR RATING	NEUTRAL
YIELD	-
UNIT TYPE	ACC

LEGG MASON CLEARBRIDGE US AGGRESSIVE GROWTH

The managers of this fund have a long and proven track record, with one of the co-managers, Richie Freeman, having been at the helm since 1983. Despite the name of the fund, the managers are conscious of valuations and we would describe it as a "growth at a reasonable price" type strategy, with a bias towards large-cap stocks. They take a very long-term view, with the average holding period being around 10 years. They see a huge amount of companies and carry out incredibly in-depth due diligence, with the intention of seeking out only the highest quality companies with the most competent management teams. This enables them to have a concentrated portfolio, take big deviations from the benchmark and have very low turnover. The process is labour intensive but they are ably supported by a team of 30 analysts, all of whom are based in the US.

CHELSEA RISK RATING	7
ANNUAL MANAGEMENT CHARGE	0.65%#
ONGOING CHARGES FIGURE (OCF)	1.13%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	SILVER
YIELD	-
UNIT TYPE	ACC

ASIA PACIFIC, JAPAN AND EMERGING MARKETS

INVESCO PERPETUAL HONG KONG & CHINA

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 focusing on the Chinese consumer theme. It favours investing in mid-cap stocks and over 55% of the value of the fund is currently in its top 10 holdings.

CHELSEA RISK RATING	10
ANNUAL MANAGEMENT CHARGE	0.89%#
ONGOING CHARGES FIGURE (OCF)	0.89%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	-
YIELD	0.77%
UNIT TYPE	ACC

JOHCM ASIA EX JAPAN SMALL AND MID CAP

Managers Cho Yu Kooi and Samhir Mehta have worked together for 15 years and are based in Singapore. This is a high conviction fund, which is willing to make big calls on which countries and sectors it invests in. The fund is a mix of core high quality companies (minimum 75% of the fund) and more cyclical stocks. It has historically been heavily exposed to the consumer. As its name suggests, the fund invests in small and mid-sized stocks and can be volatile as a result. Every stock in the portfolio is tested to see how it performed in previous down markets.

CHELSEA RISK RATING	9
ANNUAL MANAGEMENT CHARGE	0.75%^#*
ONGOING CHARGES FIGURE (OCF)	1.35%^†
FUNDCALIBRE	-
MORNINGSTAR RATING	-
YIELD	-
UNIT TYPE	ACC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 12 for more information.
For performance statistics please refer to pages 22-23.
All data sourced from FE Analytics, 15/01/2016.
* There is a 15% performance fee payable to the fund manager on outperformance of the benchmark.
†OCF: The cost includes the annual management charge and other fees such as registration, regulatory, audit and legal fees but does not include transaction costs and performance fees.
The annual management charge is paid to a fund management company for managing the fund. It is calculated as a percentage of the value of the fund. The annual management charge is less than the Ongoing Charges Figure (OCF).
^ Includes Chelsea discount. See page 37 for more details.

Chelsea **Core Selection**© CONTINUED

ASIA PACIFIC, JAPAN AND EMERGING MARKETS (CONTINUED)

JPM JAPAN NEW ENTRY

Tokyo-based manager Nick Weindling runs this domestic Japanese growth fund. When selecting stocks he incorporates a thematic approach, built on his on-the-ground knowledge and understanding of Japanese culture. Nick avoids the traditional 'old Japan' stocks, looking more for stocks that have improved corporate governance. He takes a long-term focus when highlighting opportunities, and ensures he meets company management in order to understand their business properly, aided by being fluent in Japanese. The portfolio will be checked to ensure it is aligned with the manager's macroeconomic views.

CHELSEA RISK RATING	10
ANNUAL MANAGEMENT CHARGE	0.75%*#
ONGOING CHARGES FIGURE (OCF)	0.93%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	-
UNIT TYPE	INC

MAN GLG JAPAN CORE ALPHA NEW ENTRY

This fund takes a contrarian look at the Japanese stock market with a strong focus on value investing. The team use a valuation model, which compares a stock's share price with the net assets on its balance sheet. This method has historically been a reliable measure of returns. The stocks they target are typically the large-cap, 'core' Japanese companies, the well known names that export their goods around the world. From this, they create a high-conviction portfolio of around 50 holdings, which may differ greatly from the benchmark.

CHELSEA RISK RATING	10
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.97%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	GOLD
YIELD	0.21%
UNIT TYPE	ACC or INC

MATTHEWS ASIA PACIFIC TIGER NEW ENTRY

Matthews is an American investment house which focuses exclusively on Asia. They are deliberately based in San Francisco to remove themselves from short-term market noise. However, they make regular visits to the region and undertake around 2,000 company meetings a year. Between them, the team speak 13 languages and many of them grew up in the region.
The fund aims to invest in the very best Asian businesses for the long term. It is almost entirely bottom-up and typically has a bias to domestic consumer orientated businesses. Lead manager, Sharrat Schroff, has managed the fund since 2010. The portfolio has around 60 to 70 holdings and is very different to the benchmark.

CHELSEA RISK RATING	8
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	1.29%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	SILVER
YIELD	-
UNIT TYPE	ACC

PFS SOMERSET EMERGING MARKETS DIVIDEND GROWTH NEW ENTRY

The team at Somerset have been together for 15 years, operating out of London and Singapore, with manager Edward Lam running this strategy since inception. Edward seeks quality companies which generate growing dividends. The fund is a highly concentrated portfolio of around 40, predominately large-cap stocks. Please note that Somerset charge a dilution levy of 0.4% on entry to, or exit from, this fund in order to protect existing investors on redemptions to the fund.

CHELSEA RISK RATING	9.5
ANNUAL MANAGEMENT CHARGE	1.00%#
ONGOING CHARGES FIGURE (OCF)	1.31%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	2.40%
UNIT TYPE	ACC or INC

SCHRODER ASIAN ALPHA PLUS

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

CHELSEA RISK RATING	8
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.96%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	SILVER
YIELD	0.60%
UNIT TYPE	ACC or INC

STEWART INVESTORS ASIA PACIFIC LEADERS

As of the 1st July 2016, long-standing fund manager Angus Tulloch will stand down from the day-to-day running of the fund and hand over responsibility to co-manager David Gait. Angus will remain in a research and consultation capacity. David also runs the highly successful Asia Pacific Sustainability. As such the fund will now have an even greater focus on corporate governance and social responsibility than it did before. The portfolio will remain around 40-60 stocks. The top ten holdings will typically make up 40% of the whole portfolio. This is predominantly a large cap fund, typically stripping out companies with a market-cap lower than typically $1bn, supporting a theme of 'stewardship' over their investors' money.

CHELSEA RISK RATING	7.5
ANNUAL MANAGEMENT CHARGE	0.85%
ONGOING CHARGES FIGURE (OCF)	0.90%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	-
YIELD	0.79%
UNIT TYPE	ACC

MISCELLANEOUS

ARTEMIS STRATEGIC ASSETS

Managers William Littlewood and Giles Parkinson assess the macroeconomic environment to help make their investment decisions. They aim to achieve long-term growth by investing in a range of assets, including UK equity, international equity, fixed interest, currency, commodities and cash. The fund aims to outperform equities when markets are favourable, and preserve capital when markets are poor. They often take advantage of shorting individual securities or currencies that they believe are overpriced.

CHELSEA RISK RATING	6
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.87%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	-
YIELD	-
UNIT TYPE	ACC

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

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 12 for more information.
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All data sourced from FE Analytics, 15/01/2016.
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Chelsea **Core Selection**© CONTINUED

MISCELLANEOUS (CONTINUED)

HENDERSON UK PROPERTY

The managers' primary concern of maintaining an attractive yield sets this fund apart from many of its peers. To sustain the yield Ainslie McLennan and Marcus Langlands Pearse focus on tenant strength and lease length. Strong tenants are those whose 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. Put into practice, this strategy has seen the fund have one of the highest occupancy rates in the sector.

CHELSEA RISK RATING	3
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.84%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	-
YIELD	3.10%
UNIT TYPE	ACC or INC

GLOBAL

FUNDSMITH EQUITY

Manager Terry Smith is one of the most outspoken and high profile personalities in the city. Terry founded Fundsmith in 2010 and has consistently proven himself over a long and glittering career. The fund invests in high quality well-established mega-cap companies. Terry buys businesses which have high returns on equity and are resilient to technological change. The fund typically has a big overweight to consumer staples and it will often avoid some sectors entirely. Valuation discipline is a key part of the process. The concentrated portfolio will typically hold just 20 to 30 stocks.

CHELSEA RISK RATING	6
ANNUAL MANAGEMENT CHARGE	0.90%#
ONGOING CHARGES FIGURE (OCF)	0.99%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	0.57%
UNIT TYPE	ACC or INC

JOHCM GLOBAL SELECT

Christopher Lees and Nudgem Richyal run this unconstrained fund of around 50 equally-weighted stocks. The global team generate ideas from the 500 stocks held by the JOHCM regional teams. They screen for companies with positive earnings momentum and improving returns on capital. The team perform country analysis, sector analysis and stock analysis. They then identify which of these factors has the biggest impact on the stock over time and build their portfolio accordingly. All stocks in the portfolio are high conviction ideas, but positions are equally-weighted to avoid any manager overconfidence. The fund will typically have a slight bias to growth.

CHELSEA RISK RATING	7
ANNUAL MANAGEMENT CHARGE	0.75%*#
ONGOING CHARGES FIGURE (OCF)	0.81%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	-
YIELD	-
UNIT TYPE	INC

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 he looks 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 market stocks.

CHELSEA RISK RATING	6.5
ANNUAL MANAGEMENT CHARGE	0.65%^#
ONGOING CHARGES FIGURE (OCF)	0.69%^†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	SILVER
YIELD	-
UNIT TYPE	ACC

FIXED INTEREST

HENDERSON STRATEGIC BOND

Long standing managers, Jenna Barnard and John Pattullo run this fund with up to 70% 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. Income is paid in March, June, September and December.

CHELSEA RISK RATING	3
ANNUAL MANAGEMENT CHARGE	0.60%#
ONGOING CHARGES FIGURE (OCF)	0.70%†
FUNDCALIBRE	-
MORNINGSTAR RATING	SILVER
YIELD	4.40%
UNIT TYPE	ACC or 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 manages 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
ANNUAL MANAGEMENT CHARGE	0.67%#
ONGOING CHARGES FIGURE (OCF)	0.67%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	SILVER
YIELD	5.17%
UNIT TYPE	ACC or INC

JUPITER STRATEGIC BOND

The manager, Ariel Bezalel, 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.
Income is paid in April, July, October and January.

CHELSEA RISK RATING	2.5
ANNUAL MANAGEMENT CHARGE	0.50%#
ONGOING CHARGES FIGURE (OCF)	0.73%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	-
YIELD	4.20%
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	2.5
ANNUAL MANAGEMENT CHARGE	0.79%#
ONGOING CHARGES FIGURE (OCF)	0.89%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	SILVER
YIELD	3.03%
UNIT TYPE	ACC or INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 12 for more information.
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^ Includes Chelsea discount. See page 37 for more details.

Chelsea **Core Selection**© CONTINUED

FIXED INTEREST (CONTINUED)

MAN GLG STRATEGIC BOND

Jon Mawby and Andy Li manage this fund with both an absolute and total return mindset. This means they aim to provide an absolute return over the credit cycle, and have the flexibility to move the fund into the areas of the credit spectrum where they see most value. They are also able to express their views on the direction of interest rates, which means the fund can differ significantly from its benchmark. Risk management is at the heart of the process, with the managers hedging known risks with derivatives and using the fund's cash weighting to protect against risks that can't be hedged using conventional methods. Income is paid in March, June, September and December.

CHELSEA RISK RATING	3
ANNUAL MANAGEMENT CHARGE	0.6%#
ONGOING CHARGES FIGURE (OCF)	0.81%†
FUNDCALIBRE	-
MORNINGSTAR RATING	BRONZE
YIELD	3.04%
UNIT TYPE	ACC or INC

PFS TWENTYFOUR DYNAMIC BOND SPOTLIGHT

TwentyFour was founded in 2008 by a group of leading bond managers and it specialises entirely in fixed income. This fund is their flagship product. There is no lead manager and asset allocation is decided by a ten-strong investment committee on a monthly basis. Portfolio managers are then responsible for managing their own parts of the portfolio. This is a flexible, high conviction fund managed by a very experienced and well resourced team. It typically has between 50 and 75 holdings. A significant portion of the fund is invested in asset backed securities (around 25%). This makes the fund quite different from some other strategic bond funds which lack the expertise to invest in this area of the market. The fund has a high yield and income is paid in March, June, September and December.

CHELSEA RISK RATING	3.5
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.81%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	-
YIELD	4.78%
UNIT TYPE	ACC or INC

TARGETED 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	3
ANNUAL MANAGEMENT CHARGE	0.85%# ^
ONGOING CHARGES FIGURE (OCF)	0.96%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	-
UNIT TYPE	ACC

HENDERSON UK ABSOLUTE RETURN

This is a stock-picking fund that aims to deliver 10% p.a. in all market conditions. The managers aim 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	4
ANNUAL MANAGEMENT CHARGE	1.00%§ #
ONGOING CHARGES FIGURE (OCF)	1.06%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	0.5%
UNIT TYPE	ACC

OLD MUTUAL GLOBAL EQUITY ABSOLUTE RETURN HEDGED

The fund is designed to offer a return of cash +6% on a rolling three-year basis, in all market conditions. The fund invests only in equities but is equity-market neutral, which means the fund's long positions will offset the short positions at all times. The process itself is essentially a sophisticated quantitative screen that scans the world's most liquid 3,500 companies for shares that exhibit certain characteristics. Suitable stocks are grouped into one of five buckets. As one bucket starts to outperform the managers will tilt the portfolio towards that bucket. What sets this fund apart from other equity long/short funds is the very deliberate and methodical way that the managers have designed the process to minimise style risk.

CHELSEA RISK RATING	5
ANNUAL MANAGEMENT CHARGE	0.75%§ #
ONGOING CHARGES FIGURE (OCF)	0.85%†
FUNDCALIBRE	ELITE
MORNINGSTAR RATING	-
YIELD	-
UNIT TYPE	ACC

STANDARD LIFE GLOBAL ABSOLUTE RETURN STRATEGIES

This multi-asset, multi-strategy fund invests in a wide remit of global asset classes in order to produce consistent positive returns during all market conditions. The fund 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	4
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.89%†
FUNDCALIBRE	-
MORNINGSTAR RATING	BRONZE
YIELD	0.96%
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, 15/01/2016.

Least risky

1

THE CHELSEA RISK RATING

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

We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest. See page 12 for further details.

Most risky

10

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 12 for more information.

For performance statistics please refer to pages 22-23.

All data sourced from FE Analytics, 15/01/2016

§ There is a 20% performance fee payable to the fund manager relative to the hurdle rate and high watermark.

†OCF: The cost includes the annual management charge and other fees such as registration, regulatory, audit and legal fees but does not include transaction costs and performance fees.

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^ There is a 15% performance fee payable to the fund manager on any outperformance of the benchmark subject to a high watermark.

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 **TwentyFour Dynamic Bond**

Elite Rated by FundCalibre

EOIN WALSH
Partner, TwentyFour Dynamic Bond

The TwentyFour Dynamic Bond fund is managed by six investment professionals, three of whom are founding partners of TwentyFour. All members are equally qualified to make investment proposals, however, we adopt a unanimous approach to decision making. I am one of the founding partners and portfolio managers.

Our fund aims to provide an attractive level of income, along with an opportunity for capital growth. The fund may invest in debt instruments from the whole spectrum of fixed interest. The main emphasis within the team is to focus on the risk of default and the likelihood of interest and capital payments being made on time.

The fund is managed as a high conviction portfolio with a concentrated number of issuers, rather than being broadly diversified. This stock-picking approach not only generates a significant amount of value, but also allows us to be truly dynamic. Due to this, we are able to run the portfolio in a truly tactical manner and are able to perform through various market conditions. The fund is not constrained by its size, unlike the other large funds which dominate the sector.

CURRENT POSITIONING

The enormous liquidity injection from the European Central Bank's (ECB) quantitative easing programme (QE) has been the major driver of markets over the past year and our Dynamic Bond fund has been well positioned to benefit. The main impacts of this policy were felt in sovereign markets, particularly in the peripheral countries, as these are still cheap when compared with German government debt. As such, the team have been taking good exposure to Spanish and Portuguese government debt, which we prefer to other areas of the eurozone due to these countries' improving fundamentals.

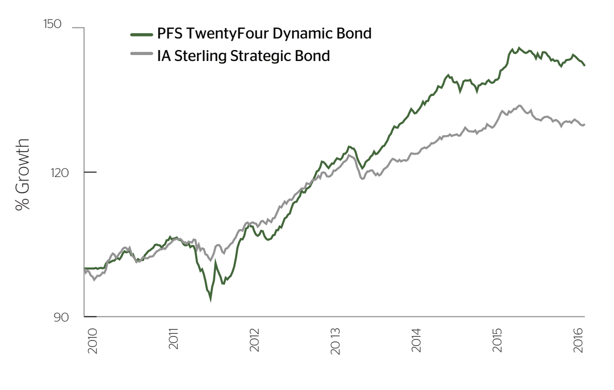
Due to the support provided by the ECB's QE, our house view is that the default rate in Europe will stay low. Within the fund, we have been increasing our allocation to euro-denominated bonds, which currently make up c. 50% of the overall portfolio. A bond that we liked in the European space was one from BUTSAS – a French retailer. The retail market exhibited improving fundamentals over the second half of 2015 and we were positioned to take advantage of this. We have recently sold the position, taking a large profit. Within the fund, we do not take currency exposure and therefore hedge all non-sterling bonds back to base currency.

Another theme within the portfolio is to run the fund with lower volatility and to increase predictability of returns. This means that the fund is being managed with shorter credit duration (a measure of how long it takes to repay a bond's purchase price) and interest rate duration (a measure of the sensitivity of the price to a change in interest rates).

Shorter overall credit duration is achieved by buying bonds with a short maturity date (0-5 years). One example is a bond from Lloyds of London, which the issuer can buy back from bond holders in June 2017. This bond is highly rated (A-) and yields 3.4%*.

Our allocation to asset-backed bonds (such as mortgages, car loans or credit cards) helps keep the interest rate duration low. These are floating rate securities, not fixed rate. This means they have no sensitivity to changes in interest rates, since if interest rates go up, the payout on these securities will go up by the same amount.

TWENTYFOUR DYNAMIC BOND



Source: FE Analytics 26/04/2010-20/01/2016

MARKET OUTLOOK FOR 2016

The team see the US Federal Reserve continuing to be the most active central bank in 2016. Having hiked rates in December 2015, we see them repeating this exercise twice more in 2016. The UK is more difficult to call, but on balance we think they will succumb to lifting rates later in 2016, resulting in the base rate at 0.75% at the year-end. We think the ECB is still anchored and a further rate cut is more likely. Therefore, we prefer European bonds rather than those in the US and UK.

Whilst 2016 will be a challenging year for all investors, actively managing portfolios should provide an opportunity to produce attractive returns. By keeping credit sensitivity and interest rate duration low, and continuing to be highly selective in the names that we hold, TwentyFour Dynamic Bond fund aims to provide a positive total return and a yield of around 5%.**

THE CHELSEA VIEW:

"TwentyFour are bond experts. They don't have any equity funds and we think that gives them an advantage. Unlike their peers they have the expertise to invest in asset-backed securities, which helps diversification and the yield of the fund. We particularly like the fund's high conviction and willingness to be different from the rest of the market."

*Source: Bloomberg, as at 6th January 2016
**Source: FE Analytics 15/01/2016

Spotlight on **Standard Life Investments UK Equity Income Unconstrained**

Elite Rated by FundCalibre

THOMAS MOORE
Fund manager,
SLI UK Equity Income Unconstrained

I have worked in the investment industry for 17 years and joined Standard Life Investments in 2002. In 2009, I became manager of the UK Equity Income Unconstrained fund.

When investing in UK equity income, it is prudent to scour the entire market. This approach has allowed me to deliver capital growth and a growing income stream, through a differentiated portfolio, compared to the usual large-cap income stocks traditionally held by UK equity income funds. I am confident that a conviction-led approach to income investing can deliver continued success, supported by the strength of Standard Life Investments' research capabilities.

FUND PROCESS

We deploy a high-conviction, bottom-up approach to identify stocks where we believe the consensus opinion is wrong. We call this our Focus on Change investment process. The key is to identify changes to companies before the market does. To do this, we examine a wide range of indicators, including company visits, quantitative research and traditional valuation measures.

Face-to-face meetings are at the heart of this process. Each year, the UK equity team holds more than 1,000 meetings with the senior management of companies in which we are considering investing or whose shares we already hold. We also use the UK Stock Matrix, our proprietary quantitative stock-ranking tool. It analyses 13 different factors linked to share-price performance and helps us to generate new ideas. Finally corporate governance checks are key. We invest in companies where management is incentivised to perform for shareholders.

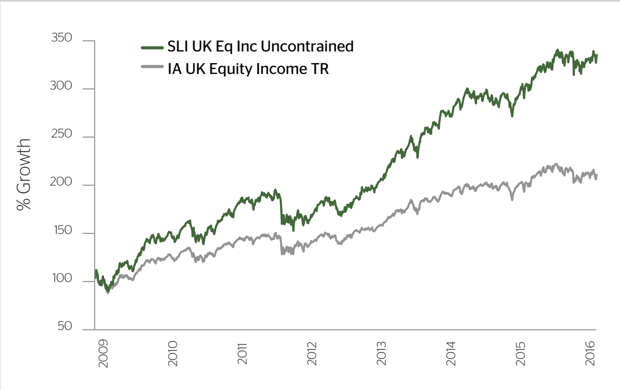
OUTLOOK FOR UK DIVIDENDS

Currently, the market seems to be providing the conditions for a truly active fund like UK Equity Income Unconstrained to help clients protect and grow their capital. Contrary to conventional wisdom, the FTSE 100 Index is turning out to be fraught with risks. An increasing number of household names, including Anglo American, Rolls Royce, Centrica, Tesco and Standard Chartered, have announced dividend cuts. By having the conviction to avoid these companies, I have been able to invest in what I believe to be winning ideas elsewhere in the UK market.

The oil price collapse is set to have major ramifications on profits and dividends in 2016. Oil majors such as Royal Dutch Shell and BP will continue to struggle to cut costs and capital expenditure rapidly enough to maintain profitability. This will inevitably lead to some heated boardroom discussions about the sustainability of dividends. I have avoided oil majors, instead deploying capital into beneficiaries of the falling oil price, such as retailers and travel stocks.

Elsewhere, I continue to favour domestically-orientated businesses that are set to benefit from the ongoing pick-up in disposable income. Dividend growth potential appears to be greatest in this area of the market, with many companies held within the fund recently announcing ordinary dividend hikes in excess of 20% and some announcing special dividends. One example is the online property site Rightmove, which grew its full year dividend by more than 25%. There is little reason to expect a reversal in these benign dividend trends given the strength of earnings, cash flows and balance sheets. By contrast, it is not possible to have the same confidence on dividends for the wider market. Falling earnings are causing dividend payout ratios (the ratio between earnings and dividends) to reach uncomfortably stretched levels across a range of large-cap sectors.

SLI UK EQUITY INCOME UNCONSTRAINED



Source: Standard Life 01/01/2009-18/12/2015

UK OUTLOOK

In 2016, I expect to see a continued gap between emerging market and developed market economies. Ongoing commodity price weakness will continue to act as a depressant on emerging market growth but a stimulant for developed markets via disposable income for consumers.

UK equities are set to remain volatile. The divergence in earnings trends across FTSE sectors appears set to persist, as global economic growth remains patchy. This plays to the strengths of a highly selective approach to income investing. Positioning the portfolio carefully at the stock and sector level should continue to provide the best protection in what is set to be a tougher year for corporate earnings. The current strength of fundamentals among our holdings is reflected in the improved pace of dividend growth. Backed by a robust research resource and process, the fund remains in strong shape, underpinned by strong dividend and capital growth prospects.

Throughout 2016, I will remain truly active, focusing on the highest-conviction ideas rather than worrying about index weightings. At Standard Life Investments, our view is that this relentless focus provides the best opportunity to drive forward the unit price and income stream in the years ahead. The portfolio is currently yielding 3.88%*.

THE CHELSEA VIEW:

"At a time when many large UK companies are distressed and in danger of cutting their dividends, we think it is particularly important for an income fund to focus on sustainable dividend growth. Thomas has an excellent record of growing the income distribution of this fund since he took over. We particularly like the fund's unconstrained high conviction approach."

*Source: FE Analytics 15/01/2016

the Chelsea **Selection**

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

Fund	Elite Rated	Chelsea Risk Rating	1 YEAR % Growth	1 YEAR Rank	3 YEAR % Growth	3 YEAR Rank	5 YEAR % Growth	5 YEAR Rank	10 YEAR % Growth	10 YEAR Rank	Yield %	Fund Size (m)
UK ALL COMPANIES												
Artemis UK Special Situations	⚑	6	5.24	116	34.15	117	45.39	109	93.56	70	1.60	1252.0
Ⓒ AXA Framlington UK Select Opportunities	⚑	6	8.28	80	39.78	86	54.13	78	125.95	31	1.25	4351.1
CF Lindsell Train UK Equity		6.5	11.48	39	61.82	16	98.65	8	-	-	2.21	1903.6
Franklin UK Managers' Focus		7	11.68	37	69.61	10	75.26	28	-	-	1.07	173.1
Franklin UK Mid Cap	⚑	6	14.32	22	60.43	20	92.21	11	266.20	3	1.95	1070.9
Investec UK Alpha	⚑	6	5.59	112	54.06	35	68.64	42	118.30	35	1.71	558.7
Ⓒ JOHCM UK Dynamic	⚑	6	-0.43	221	33.78	120	55.19	74	-	-	3.43	313.6
JOHCM UK Opportunities	⚑	5	7.50	88	34.96	112	56.19	69	120.84	33	2.80	1600.0
Ⓒ Jupiter UK Growth	⚑	7	6.71	95	53.00	36	76.05	27	132.22	21	0.60	1715.7
L&G UK Alpha	⚑	8	-6.72	262	32.63	127	22.55	218	171.39	9	-	166.6
Ⓒ Liontrust Special Situations	⚑	6	12.74	29	36.42	103	79.51	21	212.66	5	0.55	1544.8
Marlborough UK Multi-Cap Growth		7	14.91	19	52.55	37	66.39	44	169.13	10	0.69	104.1
Neptune UK Mid Cap	⚑	6	13.21	26	60.15	21	133.80	1	-	-	0.34	713.8
Ⓒ Old Mutual UK Alpha	⚑	7	-2.52	248	29.40	144	44.99	112	45.50	172	3.01	2357.8
Old Mutual UK Dynamic Equity NEW ENTRY		7	22.99	6	84.30	2	121.56	3	-	-	-	368.6
Schroder Recovery	⚑	7.5	-13.41	267	27.79	155	47.15	97	117.60	36	2.15	684.3
SECTOR AVERAGE			**4.85**	**267**	**33.19**	**260**	**42.45**	**247**	**77.60**	**193**	-	-
UK EQUITY INCOME												
Artemis Income	⚑	5	4.43	55	33.76	43	52.63	30	92.67	15	4.20	6970.8
Evenlode Income	⚑	5	7.92	26	46.52	12	67.53	8	-	-	4.02	373.0
Fidelity Enhanced Income	⚑	5	5.02	46	27.79	60	48.18	36	-	-	6.95	442.0
JOHCM UK Equity Income	⚑	6	0.52	73	31.32	55	55.09	27	110.20	6	4.30	2600.0
Liontrust Macro Equity Income	⚑	5	4.76	49	39.54	28	46.11	41	98.30	11	4.49	527.0
Marlborough Multi Cap Income	⚑	7	13.35	8	69.14	2	-	-	-	-	4.73	1499.8
Montanaro UK Income NEW ENTRY		8	20.07	1	64.44	4	73.71	5	-	-	-	123.0
Ⓒ Rathbone Income	⚑	5	8.53	23	42.77	19	63.84	12	85.38	21	3.98	1188.1
Royal London UK Equity Income	⚑	5	4.80	48	49.35	11	76.97	4	126.02	3	4.12	1832.5
Ⓒ St Life UK Equity Income Unconstrained SPOTLIGHT	⚑	5	11.69	13	63.59	6	82.22	3	-	-	3.88	1119.4
Ⓒ Threadneedle UK Equity Alpha Income		5	2.01	67	40.03	23	67.94	7	-	-	4.50	897.1
Ⓒ Woodford Equity Income	⚑	5	15.90	6	-	-	-	-	-	-	3.30	7939.1
SECTOR AVERAGE			**6.19**	**80**	**37.15**	**76**	**51.83**	**68**	**78.38**	**48**	-	-
UK SMALLER COMPANIES												
AXA Framlington UK Smaller Companies		8	21.87	8	85.89	4	127.62	4	147.35	23	0.07	261.8
Ⓒ Franklin UK Smaller Companies		8	25.61	3	89.54	3	64.45	39	106.85	28	1.15	208.5
Liontrust UK Micro Cap^ NEW ENTRY		8	-	-	-	-	-	-	-	-	-	-
Wood Street Microcap		8.5	18.97	15	101.83	1	149.85	1	-	-	0.66	40.6
Marlborough Special Situations	⚑	7.5	19.23	12	68.66	12	99.83	13	250.70	6	0.39	1026.1
Ⓒ Marlborough UK Micro Cap Growth	⚑	8	13.14	33	60.86	26	102.53	10	271.45	1	-	516.8
R&M UK Equity Smaller Companies	⚑	8	18.10	19	96.79	2	142.42	2	-	-	0.24	652.7
SECTOR AVERAGE			**14.83**	**50**	**54.96**	**49**	**72.81**	**48**	**135.91**	**36**	-	-
STERLING CORPORATE BOND												
Invesco Perpetual Corporate Bond	⚑	2	0.66	15	10.49	40	29.81	46	61.74	10	3.58	5356.7
Ⓒ Kames Investment Grade Bond	⚑	2.5	0.80	9	13.47	16	37.59	14	-	-	3.03	1019.8
Royal London Corporate Bond	⚑	2.5	-0.29	51	13.68	14	38.94	12	47.96	21	3.48	830.3
SECTOR AVERAGE			**-0.27**	**93**	**10.23**	**84**	**30.01**	**79**	**42.94**	**58**	-	-
STERLING HIGH YIELD												
Baillie Gifford High Yield Bond	⚑	4	-0.30	13	10.14	8	31.06	4	83.80	2	4.20	698.2
Kames High Yield Bond		3.5	-2.08	17	6.44	13	26.80	8	71.44	4	4.49	1494.1
SECTOR AVERAGE			**-0.66**	**30**	**7.59**	**25**	**23.45**	**21**	**61.29**	**19**	-	-
STERLING STRATEGIC BOND												
Artemis Strategic Bond		3	1.48	15	13.10	17	28.15	27	60.17	10	4.10	869.3
Baillie Gifford Corporate Bond	⚑	3.5	-1.24	59	11.49	25	41.23	5	61.90	7	3.90	525.8
Fidelity Strategic Bond	⚑	3	-1.34	62	8.44	40	27.80	29	67.32	4	3.00	1590.8
Ⓒ Henderson Strategic Bond		3	1.53	14	11.86	24	28.74	25	61.31	8	4.40	1431.2
Ⓒ Invesco Perpetual Monthly Income Plus	⚑	3.5	0.36	26	14.74	12	33.04	14	81.18	2	5.17	3644.4
Ⓒ Jupiter Strategic Bond	⚑	2.5	0.62	23	10.73	29	34.33	10	-	-	4.20	2605.0
Ⓒ Man GLG Strategic Bond		3	-4.58	76	7.26	46	-	-	-	-	3.04	527.7
Ⓒ PFS TwentyFour Dynamic Bond SPOTLIGHT	⚑	3	3.08	4	20.64	3	45.61	3	-	-	4.78	1439.7
SECTOR AVERAGE			**-0.20**	**77**	**8.81**	**69**	**26.72**	**55**	**45.34**	**35**	-	-
TARGETED ABSOLUTE RETURN**												
Aviva Inv Multi-Strategy Target Income		5	6.45	-	-	-	-	-	-	-	4.30	470.4
BlackRock European Absolute Alpha NEW ENTRY	⚑	3.5	8.93	-	14.02	-	26.76	-	-	-	-	75.4
BlackRock UK Absolute Alpha NEW ENTRY		4	8.61	-	17.88	-	9.88	-	57.37	-	-	203.5
Ⓒ BNY Mellon Absolute Return Equity	⚑	3	2.82	-	10.20	-	-	-	-	-	-	1865.6
Ⓒ Henderson UK Absolute Return	⚑	4	7.11	-	30.41	-	35.16	-	-	-	-	1004.3
Ⓒ Old Mutual Global Equity Absolute Return Hedged	⚑	5	3.60	-	32.32	-	48.99	-	-	-	-	3248.0
Premier Defensive Growth	⚑	3	1.77	-	9.70	-	17.89	-	-	-	-	345.9
Smith & Williamson Enterprise	⚑	5	3.21	-	24.64	-	22.03	-	-	-	-	117.8
Ⓒ Standard Life Investments Global Absolute Return Strategies		4	2.23	-	13.79	-	24.26	-	-	-	0.96	26702.2
SECTOR AVERAGE			**2.41**	**-**	**11.92**	**-**	**14.28**	**-**	**38.33**	**-**	-	-
EUROPE EXCLUDING UK												
Baring Europe Select***	⚑	8	18.11	13 / 19	56.68	10 / 17	60.76	9 / 16	204.82	4 / 12	0.60	1455.7
BlackRock Continental European	⚑	7	14.63	15	38.88	35	42.92	30	139.12	6	0.53	427.5
BlackRock Continental European Income	⚑	7	12.70	20	51.67	10	-	-	-	-	4.43	1198.0
Ⓒ BlackRock European Dynamic	⚑	7	15.13	13	44.90	18	50.55	15	191.46	3	0.44	1958.9
FP CRUX European NEW ENTRY		7	-	-	-	-	-	-	-	-	-	-
FP Argonaut European Alpha		8	14.97	14	54.75	7	55.18	10	142.39	5	0.18	388.0
Ⓒ Jupiter European	⚑	6.5	21.98	4	59.95	3	71.55	4	201.80	2	-	3520.6
Ⓒ Threadneedle European Select	⚑	7	11.22	29	42.96	23	64.11	5	137.79	7	0.80	3097.4
SECTOR AVERAGE			**9.28**	**101**	**36.52**	**89**	**37.20**	**84**	**78.20**	**66**	-	-

^This fund is expected to launch on 9th March subject to regulatory approval

Fund	Elite Rated ⚑	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	8.90	16	64.14	39	78.44	30	129.85	10	-	639.6
Brown Advisory US Flexible Equity*	⚑	7	-2.75	172 / 200	-	-	-	-	-	-	-	120.6
CF Miton US Opportunities		7	7.31	24	-	-	-	-	-	-	-	128.9
Dodge & Cox US Stock		7	0.48	89	62.65	44	78.59	28	-	-	-	272.3
Ⓒ Fidelity American Special Situations		7	7.85	19	79.53	7	94.15	6	114.36	22	-	775.1
Ⓒ Legg Mason ClearBridge US Aggressive Growth	⚑	7	0.27	91	63.34	43	81.80	24	115.13	20	-	2878.7
Neptune US Income NEW ENTRY		7	6.27	33	54.86	70	68.75	52	-	-	2.39	32.5
SECTOR AVERAGE			**4.20**	**115**	**60.57**	**99**	**68.99**	**92**	**99.87**	**65**	**-**	**-**
JAPAN												
Baillie Gifford Japanese	⚑	10	10.99	58	57.09	6	52.72	4	41.42	5	-	907.4
JOHCM Japan	⚑	10	10.43	59	36.67	53	31.00	29	23.82	14	-	642.0
Ⓒ JPM Japan		10	27.28	2	76.22	3	62.59	2	-1.92	34	-	147.0
Legg Mason IF Japan Equity		10	49.35	1	141.11	1	232.82	1	1.31	31	-	466.9
Ⓒ Man GLG Japan Core Alpha	⚑	10	17.29	17	54.91	8	29.53	34	67.74	2	0.21	1615.6
Neptune Japan Opportunities	⚑	10	-3.01	63	52.62	12	40.22	12	77.07	1	-	537.1
SECTOR AVERAGE			**15.72**	**63**	**46.48**	**58**	**33.76**	**56**	**15.24**	**39**	**-**	**-**
ASIA PACIFIC EXCLUDING JAPAN												
Invesco Perpetual Asian		8	-3.17	43	12.09	26	9.53	23	123.67	15	0.59	537.8
JOHCM Asia ex Japan NEW ENTRY		8	-1.31	34	17.40	18	-	-	-	-	-	445.9
Ⓒ JOHCM Asia ex Japan Small and Mid Cap		9	15.22	1	42.50	2	-	-	-	-	-	60.8
Ⓒ Matthews Asia Pacific Tiger	⚑	8	2.53	13	22.73	8	-	-	-	-	-	245.2
Ⓒ Schroder Asian Alpha Plus	⚑	8	-1.69	37	6.61	42	16.43	10	-	-	0.60	466.3
Schroder Asian Income	⚑	7.5	-3.24	44	9.54	34	22.74	6	128.40	13	4.63	685.1
Ⓒ Stewart Investors Asia Pacific Leaders	⚑	7.5	1.27	18	21.03	9	31.92	3	210.26	4	0.79	7709.0
SECTOR AVERAGE			**-3.33**	**92**	**7.78**	**79**	**3.95**	**70**	**110.98**	**48**	**-**	**-**
GLOBAL EMERGING MARKETS**												
Aberdeen Latin American Equity	⚑	10	-26.39	-	-45.87	-	-	-	-	-	1.10	105.6
Goldman Sachs India Equity Portfolio	⚑	10	8.42	-	58.12	-	43.35	-	-	-	-	1230.3
Ⓒ Invesco Perpetual Hong Kong & China	⚑	10	4.20	9 / 36	39.16	5 / 34	29.43	2 / 30	211.88	4 / 14	0.77	281.8
JPM Emerging Markets Income		10	-17.80	77 / 79	-16.53	59 / 71	-	-	-	-	5.78	262.0
Jupiter India		10	11.85	-	46.88	-	21.09	-	-	-	-	401.6
Lazard Emerging Markets	⚑	10	-15.62	73 / 79	-16.46	58 / 71	-19.96	36 / 55	68.04	8 / 26	2.10	682.2
M&G Global Emerging Markets	⚑	10	-11.42	54 / 79	-16.20	56 / 71	-21.01	38 / 55	-	-	1.08	1294.8
Newton Global Emerging Markets NEW ENTRY		10	-4.34	14 / 79	12.35	6 / 71	-	-	-	-	0.22	43.7
Ⓒ PFS Somerset EM Dividend Growth†	⚑	9.5	-6.39	23 / 79	-1.76	17 / 71	6.99	1 / 55	-	-	2.40	931.0
Schroder Small Cap Discovery		10	-2.87	-	26.59	-	-	-	-	-	1.03	127.7
GLOBAL												
Baillie Gifford Global Discovery NEW ENTRY	⚑	8	11.71	16	86.41	4	-	-	-	-	-	224.4
Fidelity Global Special Situations		7	10.04	24	60.14	15	47.09	59	-	-	-	1708.0
Ⓒ Fundsmith Equity	⚑	6	15.12	3	76.15	6	112.61	3	-	-	0.57	4490.6
Ⓒ JOHCM Global Select	⚑	7	-2.10	224	50.82	32	43.26	79	-	-	-	1900.0
Ⓒ Rathbone Global Opportunities	⚑	6.5	14.73	5	57.31	18	64.23	16	149.45	8	-	673.6
SECTOR AVERAGE			**2.77**	**253**	**33.87**	**230**	**32.91**	**200**	**67.90**	**134**	**-**	**-**
GLOBAL EQUITY INCOME												
Ⓒ Artemis Global Income	⚑	6.5	5.72	8	57.30	1	70.66	1	-	-	4.00	2798.5
Fidelity Global Dividend NEW ENTRY		6	8.10	4	49.86	2	-	-	-	-	2.84	266.0
Fidelity Global Enhanced Income		5.5	7.88	5	-	-	-	-	-	-	4.09	121.0
Legg Mason IF ClearBridge Global Equity Income	⚑	6	2.40	18	33.00	15	44.64	7	-	-	3.20	29.6
Ⓒ M&G Global Dividend***	⚑	6.5	-7.53	240 / 253	16.72	207 / 230	26.59	159 / 198	-	-	3.73	5882.7
Newton Global Income	⚑	6	9.63	2	36.87	9	54.84	3	135.86	1	3.63	4457.4
SECTOR AVERAGE			**1.57**	**33**	**30.40**	**28**	**40.16**	**20**	**80.17**	**5**	**-**	**-**
MISCELLANEOUS**												
Ⓒ Artemis Strategic Assets	⚑	6	-2.81	131 / 141	9.30	108 / 124	11.31	86 / 100	-	-	-	849.6
AXA Framlington Global Technology	⚑	10	12.35	6 / 14	64.70	5 / 14	62.78	7 / 13	179.88	3 / 9	-	283.8
BlackRock Gold & General	⚑	10	-18.69	-	-56.70	-	-68.78	-	-15.43	-	-	697.6
F&C Real Estate Securities	⚑	7	16.42	1 / 42	66.51	3 / 39	84.20	3 / 34	-	-	-	83.8
Guinness Global Energy		10	-23.95	251 / 253	-21.37	228 / 230	-33.66	198 / 200	-	-	-	171.4
Henderson Cautious Managed	⚑	3.5	-0.17	104 / 138	17.83	47 / 118	32.53	15 / 104	59.92	11 / 42	3.00	2140.0
Ⓒ Henderson UK Property	⚑	3	8.11	15 / 42	28.15	20 / 39	35.74	20 / 34	15.91	12 / 15	3.10	4170.2
Jupiter Financial Opportunities		8	7.51	-	38.85	-	23.74	-	71.26	-	0.60	449.1
Polar Capital Healthcare Opportunities	⚑	8	12.66	-	129.92	-	198.00	-	-	-	-	758.0
Premier Pan European Property	⚑	7.5	12.97	6 / 42	68.24	1 / 39	87.68	2 / 34	71.95	3 / 15	3.04	314.2
Schroder Global Property Securities		7	4.27	28 / 42	22.19	28 / 39	37.67	18 / 34	75.97	1 / 15	0.18	582.7
Standard Life Investments Emerging Market Debt	⚑	4	1.89	10 / 33	7.60	6 / 30	-	-	-	-	4.20	104.8

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

⚑ = Funds that are Elite Rated by FundCalibre – see fundcalibre.com for further details.

* This fund is domiciled offshore and therefore sits 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.

** Where there is multiple sector amalgamation, sector positions shown are within various different underlying sectors. Some funds aren't ranked as they are not comparable due to the diverse nature of the sector.

*** These funds fall within a different sector, hence the sector positions shown vary.

† This fund has a dilution levy of 0.4% when buying or selling.

Whilst every effort has been made to ensure the accuracy of this information, Chelsea Financial Services take no responsibility for any errors, omissions or inaccuracies contained therein. The funds within the Chelsea Selection are based on our proprietary research, which is both qualitative and quantitative. Please note this is not investment advice nor does it imply that you should invest in any of these funds. Please read the Important Notice on page 2. Past performance is not a guide to future returns. Correct at time of print, 01/01/2016, but subject to change. Source: FE Analytics, total return, IA universe, 01/01/2016. FundCalibre is an appointed representative under Chelsea Financial Services.

The RedZone

This time last year, the price of oil had fallen to a six-year low, Europe was having deflation issues, the UK government was trying to woo voters and Aberdeen was the worst offending company in the RedZone, with 10 funds making an appearance. Things only got worse over the course of the year and in the final RedZone of 2015, when all the funds Aberdeen had bought from Scottish Widows were added to the mix, they had no fewer than 43 underperforming funds. Total assets in the RedZone overall had also almost tripled in size to more than £100bn.

SAM SLATOR

"I'm monitoring Aberdeen carefully and have not yet given up hope."
Head of Communications, Chelsea

Today, the oil price is at a 15-year low, the government is about to start trying to convince us to stay in the eurozone, and Aberdeen hasn't had any luck turning things around. Assets in the RedZone have grown to almost £110bn and there are 259 funds in the table. That's a lot of underperforming investments.

THE BIG

Once again, the UK All Companies sector fared the worst with 50 funds and around a third of the assets (£33.7bn). As has been the case for some time, this sector is dominated by index-tracking funds. Global is again second with 40 funds (quite a significant increase) and £11.95bn, and North America is third with 16 funds and £2.76bn (the Sterling Corporate Bond sector is third in terms of assets, with £9.77bn but only six funds).

In terms of companies, as mentioned, Aberdeen's woes continue, with 46 funds and £30.75bn. I talked in detail about their troubles in the last Viewpoint magazine and, as only four months have passed, it is perhaps not surprising that a turnaround in fortunes is yet to occur. My opinion still stands: I am monitoring carefully, but have not yet given up hope. The next Viewpoint magazine will be make or break time.

Legal & General are second, with eight funds and £9.12bn and NFU Mutual is third, with seven funds and £1.13bn. PIMCO only has four funds in the RedZone but they are all very big, so in terms of assets, it is actually the second worst company with £15.98bn.

AND THE SMALL

A new trend I have noticed is that there are a large number of tiddlers amongst the RedZone funds (33). By tiddlers I mean funds which have £10m or less under management. They include a couple of 'ranges': Barclays Wealth Global Markets 1, 2, 4 and 5 (fund 3 is only slightly bigger at £15m) and PFS Momentum Factor 2, 3 and 4.

Funds of this size are generally more expensive for investors as they are not large enough to enjoy economies of scale and these costs can weigh heavily on performance. For the fund management company, they are also not a viable proposition as they don't generate enough income. Unless the fund management company believes they can gather new assets in a reasonably short period of time, they usually get wound-up or merged with other funds.

DROPZONE

I'm not being very fair with the DropZone this time. It should technically include no fewer than four energy/resources funds that sit in the global equity sector. Each has underperformed the sector average by more than 50%. However, they are very specialist funds so it's not really comparing like-for-like and their underperformance is due to their specific asset class underperforming as opposed to the fund managers underperforming.

For those reasons I have left them out and the DropZone instead has mainly familiar names. I will, however, discuss the energy/resources issue in a little more detail.

As mentioned at the start of this article, the price of oil has fallen to a 15-year low and, at the time of writing, is just over $28 per barrel. It has fallen 80% from its peak of $147 in July 2008, with most of the fall coming in the past 18 months. Some analysts have suggested it could fall as low as $10 per barrel, at which point oil would become cheaper than some bottled water!

Could the price of oil really fall that far? Quite possibly, especially in the short term. The momentum is in a downward direction and there is no catalyst in sight to stop it. But on the other hand, could the oil price recover to $60 in the next three to five years? Equally possible. And even if it only gets to $45, it would be a 50% return on your investment at today's price.

So rather than looking at the underperformance of these types of fund and wondering whether to stick or switch, the contrarian in me is actually itching to invest. If the oil price is near the bottom, the energy equity funds in the table may well enjoy a decent recovery in the coming months, in which case they won't be in the RedZone for long.

The table opposite consists of the most popular sectors amongst our clients. The full list of RedZone funds can be found at www.chelseafs.co.uk/redzone.

DropZone

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

		% underperformance from sector average**
1	SF Webb Capital Smaller Companies Growth	-78.38
2	HC FCM Salamanca Global Property 1	-67.68
3	SKAGEN KonTiki	-42.43
4	Elite Charteris Premium Income	-42.25
5	Aberdeen World Equity Income	-37.15
6	Scottish Widows UK Select Growth*	-36.69
7	Aberdeen European Smaller Companies Equity	-36.09
8	M&G Recovery	-35.35
9	TM Progressive UK Smaller Companies	-34.09
10	CF Richmond Core	-33.97

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

**Based on three-year cumulative performance

All data sourced from FE Analytics

IMPORTANT NOTICE

Past performance is not a reliable indicator of future returns. **Please note that the RedZone and DropZone do 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
Aberdeen Asia Pacific Equity	-7.93	4
Aberdeen Global Asia Pacific Equity	-7.98	4
AXA Rosenberg Asia Pacific Ex Japan	0.03	4
Halifax Far Eastern*	0.57	3
HSBC Asian Growth	-1.50	4
HSBC Pacific Index	0.34	4
L&G Pacific Index	-0.72	4
Natixis Emerise Pacific RIM Equity	-10.86	4
New Capital Asia Pacific Equity Income	-3.12	4
Scottish Widows HIFML Far Eastern Focus*	-6.71	4
Scottish Widows Pacific Growth*	-1.93	4
SECTOR AVERAGE	7.78	

CHINA/GREATER CHINA

	3 year % growth	Quartile position
Aberdeen Global Chinese Equity	-4.88	4
Guinness China & Hong Kong	7.60	4
Legg Mason IF Martin Currie China	15.33	4
Neptune Greater China Income	9.16	4
Templeton China	-6.97	4
SECTOR AVERAGE	20.48	

EUROPE EXCLUDING UK

	3 year % growth	Quartile position
Aberdeen European Equity	16.32	4
Aberdeen Global European Equity Ex UK	16.80	4
AXA Framlington European	29.55	4
AXA Rosenberg European	26.36	4
M&G European Select	28.99	4
MFS Meridian Continental European Equity	27.07	4
Neptune European Opportunities	19.99	4
Scottish Widows European Growth*	25.52	4
Scottish Widows European Select Growth *	18.80	4
Standard Life TM European	29.61	4
SECTOR AVERAGE	36.52	

EUROPEAN SMALLER COMPANIES

	3 year % growth	Quartile position
❶ Aberdeen European Smaller Companies Equity	17.73	4
SECTOR AVERAGE	53.82	

GLOBAL

	3 year % growth	Quartile position
Aberdeen Ethical World Equity	2.69	4
Aberdeen Global World Equity	7.26	4
Aberdeen World Equity	6.81	4
BlackRock NURS II Consensus 100	33.62	3
BlackRock NURS II Global Equity	33.81	3
CF Adam Worldwide	26.46	4
EdenTree Amity International	15.71	4
Fidelity Global Real Asset Securities	2.61	4
First State Global Agribusiness	-1.63	4
First State Global Resources	-46.02	4
FP Matterley UK & International Growth	30.74	3
Guinness Global Energy	-21.37	4
Henderson Multi-Manager Global Select	15.22	4
IWI Global Thematic Portfolio	15.56	4
JGF-Jupiter Global Equities	25.88	4
Jupiter Merlin Worldwide Portfolio	26.95	4
Kennox Asset Management Ltd Kennox Strategic Value	9.17	4
L&G Global Equity Index	31.50	3
Legg Mason IF Martin Currie Global Alpha	31.78	3
Legg Mason Martin Currie GF Global Resources	-16.65	4
M&G Global Recovery	30.56	4
Margetts International Strategy	28.17	4
Neptune Global Equity	31.81	3
NFU Mutual Global Growth	9.35	4
Old Mutual Global Best Ideas	29.40	4
PFS Thornbridge Global Opportunities	19.48	4
S&W Smithfield	30.70	3
Sanlam Global Best Ideas	4.14	4
Sarasin EquiSar Global Thematic	31.66	3
Schroder ISF Global Energy	-49.27	4
Scottish Widows Opportunities Portfolio*	34.86	3
SJP Ethical	2.78	4
SJP High Octane	18.41	4
SKAGEN Global	21.63	4
❶ SKAGEN KonTiki	-8.56	4
The 140 Investment Managers Broadway ICVC Balanced	15.37	4
TM UBS (UK) Global Equity	29.17	4
VT Turcan Connell Growth Portfolio	26.52	4
Waverton Equity	31.99	3

	3 year % growth	Quartile position
Wesleyan International	25.34	4
SECTOR AVERAGE	33.87	

GLOBAL EMERGING MARKETS

	3 year % growth	Quartile position
Aberdeen World Emerging Markets Equity	-15.27	3
FP Henderson Rowe FTSE RAFI Emerging Markets	-25.29	4
Legg Mason IF Martin Currie Emerging Markets	-20.75	4
Newton Emerging Income	-19.88	4
NFU Mutual Global Emerging Markets	-22.74	4
Pictet Emerging Markets High Dividend	-17.30	4
Scottish Widows Emerging Markets*	-15.77	3
Templeton Global Emerging Markets	-32.48	4
UBS Emerging Markets Equity Income	-20.35	4
SECTOR AVERAGE	-10.83	

GLOBAL EQUITY INCOME

	3 year % growth	Quartile position
❶ Aberdeen World Equity Income	-6.75	4
Lazard Global Equity Income	5.67	4
Legg Mason IF Martin Currie Global Equity Income	19.33	4
Veritas Global Equity Income	8.11	4
SECTOR AVERAGE	30.40	

JAPAN

	3 year % growth	Quartile position
CF Canlife Japan	34.72	4
JPM Japan Select Equity	38.04	4
Scottish Widows HIFML Japanese Focus*	18.52	4
SECTOR AVERAGE	46.48	

NORTH AMERICA

	3 year % growth	Quartile position
Aberdeen Global North American Equity	38.61	4
Aberdeen North American Equity	40.76	4
Aviva Inv US Equity Income	51.54	4
Candriam Quant Equities USA	51.60	4
Candriam Sustainable North America	47.25	4
Cavendish North American	47.41	4
CF Canlife North American	49.49	4
❶ CF Richmond Core	26.60	4
Franklin Mutual Shares	49.62	4
GAM North American Growth	37.13	4
GAM Star Gamco US Equity	36.34	4
Janus Perkins US Strategic Value **	45.01	4
Jupiter North American Income	49.48	4
Legg Mason IF Martin Currie North American	54.77	3
Natixis Harris Associates Concentrated US Equity	41.33	4
Scottish Widows HIFML US Focus*	55.31	3
SECTOR AVERAGE	60.57	

PROPERTY

	3 year % growth	Quartile position
First State Asian Property Securities	5.91	4
❶ HC FCM Salamanca Global Property 1	-41.74	4
Henderson Horizon Asia Pacific Property Equities	10.38	4
MGTS St Johns High Income Property*	17.43	4
Standard Life Investments Global Real Estate	10.72	4
SECTOR AVERAGE	25.94	

STERLING CORPORATE BOND

	3 year % growth	Quartile position
CF Canlife Corporate Bond	9.11	3
IWI Fixed Income Portfolio	2.39	4
Legg Mason IF Western Asset Retirement Income Bond	-2.52	4
Pimco GIS Global Investment Grade Credit	4.95	4
SJP Investment Grade Corporate Bond	4.49	4
UBS Corporate Bond UK Plus	3.42	4
SECTOR AVERAGE	10.23	

STERLING HIGH YIELD

	3 year % growth	Quartile position
Baring High Yield Bond	0.17	4
Fidelity Global High Yield	3.01	3
JPM Global High Yield Bond	-0.55	4
L&G High Income	4.19	3
SECTOR AVERAGE	7.59	

STERLING STRATEGIC BOND

	3 year % growth	Quartile position
Architas MM Strategic Bond	3.27	4
Franklin Strategic Bond	4.74	4
JPM Strategic Bond	1.75	4
Legg Mason IF Brandywine Global Income Optimiser	0.58	4
Old Mutual Voyager Strategic Bond	2.52	4

	3 year % growth	Quartile position
Pimco GIS Diversified Income	1.39	4
Pioneer SICAV Strategic Income	5.24	4
Threadneedle Strategic Bond	5.47	3
SECTOR AVERAGE	8.81	

UK ALL COMPANIES

	3 year % growth	Quartile position
Aberdeen Foundation Growth	18.39	4
Aberdeen Global UK Equity	11.78	4
Aberdeen Responsible UK Equity	10.54	4
Aberdeen UK Enhanced Equity	15.18	4
Aberdeen UK Equity	11.07	4
Allianz UK Growth	23.98	3
Allianz UK Index	20.90	4
Aviva Inv UK Equity Manager Of Manager 5	21.88	4
Aviva Inv UK Index Tracking	20.04	4
BlackRock 100 UK Equity Tracker	15.94	4
CF IM UK Growth	24.66	3
CF Purisima UK Total Return	20.14	4
Clerical Medical FTSE 100 Tracker*	14.41	4
Dimensional UK Value	8.08	4
F&C FTSE All Share Tracker	21.58	4
Family Asset	18.38	4
Family Charities Ethical	15.21	4
FP Matterley Equity	21.71	4
Halifax Special Situations*	1.47	4
Halifax UK FTSE 100 Index Tracking*	14.32	4
Halifax UK FTSE All Share Index Tracker*	19.71	4
Halifax UK Growth*	20.76	4
Henderson UK Tracker	14.22	4
HSBC FTSE 100 Index	16.91	4
HSBC Merit UK Equity	22.39	3
L&G (A&L) Capital Growth	17.58	4
L&G (N) Tracker Trust	19.05	4
L&G UK 100 Index	14.94	4
L&G UK Index	21.48	4
L&G UK Select Equity	26.99	3
Liontrust FTSE 100 Tracker	15.79	4
M&G Index Tracker	22.83	3
❶ M&G Recovery	-2.16	4
Marks & Spencer UK 100 Companies	15.39	4
MFS Meridian UK Equity	18.69	4
Mirabaud Equities UK High Income	20.11	4
NFU Mutual UK Growth	20.81	4
Royal Bank of Scot FTSE 100 Tracker	14.16	4
Royal London UK FTSE4Good Tracker Trust	20.50	4
Sanlam FOUR Active UK Equity	16.33	4
Santander Stockmarket 100 Tracker Growth	16.39	4
Schroder Core UK Equity	9.91	4
Schroder MM UK Growth	22.83	3
Scottish Widows UK Growth*	17.27	4
❶ Scottish Widows UK Select Growth*	-3.50	4
Scottish Widows UK Tracker*	14.69	4
Standard Life TM UK Equity General	23.09	3
Thesis TM Cartesian UK Opportunities	24.75	3
Virgin UK Index Tracking	17.12	4
VT Maven Smart Dividend UK	10.42	4
SECTOR AVERAGE	33.19	

UK EQUITY INCOME

	3 year % growth	Quartile position
Aberdeen UK Equity Income	13.54	4
❶ Elite Charteris Premium Income	-5.10	4
F&C UK Equity Income	17.10	4
Halifax UK Equity Income*	19.89	4
HSBC Income	26.20	4
Insight Equity Income Booster	18.55	4
Lazard Multicap UK Income	32.02	3
Neptune Income	24.89	4
NFU Mutual UK Equity Income	27.00	4
Scottish Widows HIFML UK High Income*	24.75	4
Scottish Widows UK Equity Income*	20.65	4
Vanguard FTSE UK Equity Income Index	22.91	4
SECTOR AVERAGE	37.15	

UK SMALLER COMPANIES

	3 year % growth	Quartile position
Aberdeen UK Smaller Companies Equity	40.58	4
Cavendish AIM	43.93	4
Octopus Investments CFIC Octopus UK Micro Cap Growth	30.72	4
❶ SF Webb Capital Smaller Companies Growth	-23.42	4
❶ TM Progressive UK Smaller Companies	20.87	4
SECTOR AVERAGE	54.96	

Please read the important notice on page 2. This is a purely statistical chart, featuring funds which have been 3rd or 4th quartile for three discrete consecutive years. All cumulative statistics % change bid to bid, net income reinvested, three years to 01/01/2016. 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 therein.

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

Protec

Financial markets have been heavily distorted by central bank intervention since the financial crisis and the macroeconomic outlook is more uncertain than ever. Given this difficult investing environment, many investors could benefit from some exposure to absolute return funds.

JAMES YARDLEY

"With worries over global growth, and bonds looking expensive, it is important to have other funds in your portfolio which have the ability to protect you in a down market."

Senior Research Analyst, Chelsea

WHAT ARE ABSOLUTE RETURN FUNDS?

Absolute return funds simply try to deliver positive returns in all market conditions (although this isn't guaranteed). It is a broad category of funds, which covers many different strategies, all with different targets and levels of risk.

WHY CONSIDER ABSOLUTE RETURN FUNDS?

Traditionally investors combine bonds and equities to diversify their portfolios. Whilst this is still beneficial, bonds and equities have become increasingly correlated in recent times. In 2008, many equity, bond and property funds lost more than 30% of their value. Even investors who thought they were well diversified suffered heavy losses. Absolute return funds have the ability to make money even when the wider stock and bond markets are falling.

Having a well-diversified, balanced portfolio can make investing easier and less stressful. When investing, it's particularly important not to panic out of your investments at the bottom of the market and miss the subsequent bounce.

There are also some absolute return funds which pay a good monthly income. The Aviva Multi-Strategy Income fund, featured on page 28, is one such example and currently has a yield of 4.3%*.

WHAT ARE THE DIFFERENT TYPES OF ABSOLUTE RETURN FUNDS?

Long/Short equity

These funds will buy the stocks they like (go long), and short-sell the stocks they don't (go short).

Some managers might also employ a pair trading strategy, which involves buying and short-selling stocks in the same sector. (See next page for an example)

Some funds, like Old Mutual Global Equity Absolute Return, are market neutral. This means they should have no correlation with the stock market. Others, like Henderson UK Absolute Return, may be either net long or net short versus the market, depending on their view.

Multi-asset/ Multi-strategy

These funds may take long or short positions around a large mixture of different assets from around the world. They may take a view on equities, fixed interest, currency, property or commodities. They will typically have a number of different ideas running through their portfolio and they will try to make a little bit from each of them. Fund examples include Standard Life GARS and Aviva Multi-Strategy Target Income.

Other

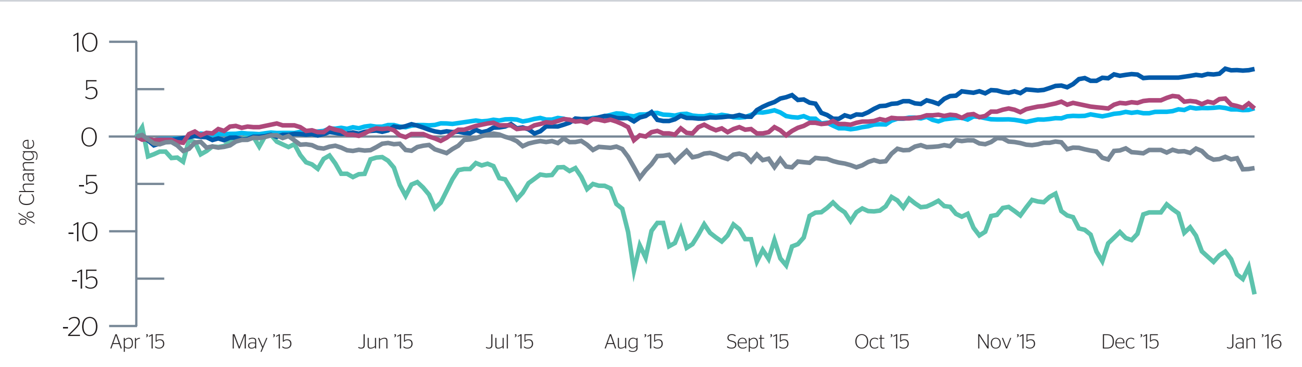
There are also absolute return bond funds; macro funds; and various other fund strategies. Of course, funds need to be judged on a case-by-case basis.

DOWNSIDE OF ABSOLUTE RETURN

They are likely to underperform a strongly rising market and can be complex. Some funds are much more risky than others, which is why the Chelsea risk ratings for these funds have a wide range, from 2 to 7 (See the Chelsea risk thermometer on page 12).

CHELSEA CORE SELECTION ABSOLUTE RETURN VS FTSE ALL SHARE SINCE 27/04/2015

Source: FE Analytics 27/04/2015-21/01/2016



- FTSE All Share
- BNY Mellon Absolute Return
- Old Mutual Global Equity Absolute Return Hedged
- Henderson UK Absolute Return
- Standard Life Global Absolute Return Strategies

Some, but not all, absolute return funds also charge a performance fee, typically around 20% on any performance above cash. This charge is irritating but it does firmly align your interests with the manager. All the funds on the Chelsea Selection also have a high water mark (HWM). This protects investors by ensuring no performance fees are charged until the fund surpasses its previous peak.

CONCLUSION

This asset class is currently under-utilised by most investors, but given the current environment, it is arguably the most important. Absolute return funds have the ability to make money when equities fall and that can be incredibly powerful for your portfolio as the chart above shows.

BENEFITS OF ABSOLUTE RETURN FUNDS

- Ability to make money when stock markets fall
- Can be much less volatile than the market (although each needs to be judged individually)
- Can add diversification to your portfolio and reduce risk
- Potential to protect you during a market crash

*Source: FE Analytics 21/01/2016

ct your portfolio

We have highlighted two examples of absolute return funds which may interest you. The fund below is an example of a long/short equity fund. It was strengthened in 2013 with the addition of Nigel Ridge, who has over 25 years' investing experience, and has now been added to the Chelsea Selection.

BlackRock UK Absolute Alpha

NICK OSBOURNE
Fund manager, BlackRock UK Absolute Alpha

NIGEL RIDGE
Fund manager, BlackRock UK Absolute Alpha

Even the most enthusiastic investors may become a little less optimistic as 2016 progresses. On the one hand, markets must contend with a shift in US interest rate policy and on the other, concerns over China will no doubt weigh heavily on investors' minds. Issues like these could have wide-ranging implications for stock markets and it is likely that swings in the value of shares will be an ongoing challenge.

VOLATILE RETURNS

In the UK in 2015, the FTSE All Share index was largely flat. The headline return masks large fluctuations throughout the year, which point to growing investor uncertainty. The market ups and downs were a healthy reminder of the importance of picking the right shares. While the oil and gas sector fell significantly, consumer services companies were relatively strong. There was also a meaningful difference between the best and worst performing shares. It is difficult to see this picture changing materially in 2016. How can investors help reduce the impact of this volatility on their portfolios?

Many prudent investors are increasingly reluctant to put all their eggs in one basket in the hope that markets will continue to rise. Instead, more and more investors are looking to identify investments that perform in different ways at different times, to help smooth their journey. Actively-managed funds are one such option, where the fund manager's stock selection is deemed more important than the market itself because he/she seeks to outperform it. Within this world, investors could also consider targeted absolute return funds, where managers aim to profit from falls in stock prices, as well rises.

OUR PROCESS

The BlackRock UK Absolute Alpha fund is one such absolute return strategy. We seek to deliver an absolute return – a return above zero over a rolling 12-month period (although this isn't guaranteed) – from investing in share prices moving in both directions. We aim to achieve this outcome whether the market is rising, falling or simply moving sideways.

BLACKROCK UK ABSOLUTE ALPHA

- Fund re-structured and strengthened with the addition of Nigel Ridge in 2013
- Nigel has 25 years' investing experience
- Long/short equity strategy that combines long and short positions with pair trading strategies
- Seeks to deliver a positive return over a rolling 12-month period
- High conviction but typically conservative net exposure to the market

Deep and rigorous research is at the heart of the investment approach. Our experienced team of 18 investment professionals constantly research the UK stock market universe. Analysis incorporates a thorough assessment of a company's likely future and we ask what might go wrong, as well as what we think could go right. We also draw on BlackRock's global investment insights and our in-house risk analytics to help try and build a better understanding of companies relative to the market.

We buy and hold individual shares we believe will rise over the longer term, but also look to sell-short stocks which are overvalued and where we believe the price is likely to decline. We combine these positions with a more conservative pair trading strategy. This strategy combines our positive and negative view on companies in the same sector, thereby 'neutralising' the effects of the sector performance and focusing solely on the difference between the underlying performance of the two companies involved. As such, even if, say, tobacco companies were to fall, we could benefit from the fact that the shares of one tobacco company fall more than another. For example, we might go long Imperial Tobacco and short British American tobacco, or vice-versa, depending on our view.

PORTFOLIO CONSTRUCTION

Portfolio construction, the way we combine and manage investment ideas collectively, is equally important as the stocks we choose. It is vital to look at the risk of the portfolio in aggregate, rather than looking at stocks individually. We continuously look to understand the overall composition of our investment ideas in partnership with our risk team. This is to make sure we are comfortable with any biases (to a particular industry or theme, for example) that exist as a result of our stock-picking approach.

BlackRock UK Absolute Alpha has two defining characteristics. Firstly it aims to dampen risk for investors, which means it can potentially act to reduce the overall vulnerability of an investor's portfolio to the swings in the stock market. Equally, it aims to generate returns solely from picking the right shares, rather than being dependent on the direction of markets. Both of these characteristics should hold significant appeal given signs of heightened nervousness from a growing number of investors.

CHELSEA RISK RATING:	|||●||||| 4
ANNUAL MANAGEMENT CHARGE:	0.75%*
ONGOING CHARGES FIGURE (OCF):	0.93%
PERFORMANCE FEE:	20% OF ANY RETURNS ABOVE 3 MONTH LIBOR, SUBJECT TO A HIGH WATER MARK

THE CHELSEA VIEW:

"Since Nigel joined, we think the fund's process has improved. It now has higher conviction but remains relatively uncorrelated to the wider market. We are also pleased that the fund no longer short-sells illiquid smaller companies, which can be difficult positions to get out of."

Continued overleaf...

*Source: FE Analytics 01/01/2015-31/12/2016

Protect your portfolio

Aviva Multi-Strategy Target Income

In today's distorted financial market we think it is especially important that investors look outside traditional stocks and bonds for their income.

PETER FITZGERALD
Fund manager, Aviva Multi-Strategy Target Income

Earning sufficient income, without taking an unacceptable amount of risk, is not straightforward in a world where bond yields and annuity rates are so low. While the US Federal Reserve raised interest rates for the first time since 2006 in December, we expect the trajectory of rate rises in America, and domestically, to be gradual. However, we believe that by securing income from diverse sources, while simultaneously taking steps to protect against capital losses, earning the income you need is achievable.

A SOLUTION FOR SUSTAINABLE INCOME

Aviva Investors Multi-Strategy Target Income aims to pay out steady, monthly distributions, while seeking to preserve capital, regardless of the investment climate. The fund targets an annual income of 4% above the Bank of England base rate before corporation tax (the yield is currently 4.3%*). The fund also aims to preserve capital, and to be less than half as volatile as global equities over any three-year period.

The fund receives income from diverse sources: dividends on equities and real estate investment trusts (REITs), coupons from government and corporate bonds, and option premia. There are pros and cons to using each of the above on their own as a potential source of income. But by combining them we believe the fund is better placed to meet its objective of paying out steady monthly income.

Shares, for example, tend to offer relatively high dividends compared with the income available from other asset classes. Furthermore, companies tend to increase their dividend payments over time. However, investing in shares is relatively risky. Dividend payments are not guaranteed, while fluctuations in share prices can put a fund's capital at risk.

Yields on corporate bonds tend to be lower, and on government debt lower still. But on the other hand, these are both typically lower-risk investments than equities and so help to boost diversification within the fund.

Investing in property can generate secure, long-term and relatively high income via rents, as well as providing the potential for capital growth. The asset class tends to be less volatile than either fixed interest or equities, and has attractive diversification benefits as part of a broader portfolio. We invest in the property market via REITs, which are listed companies that own a portfolio of real estate assets. Investors typically receive income in the form of dividends.

We also seek to earn additional income through the use of a covered call strategy. A covered call strategy is where you sell a call option on a stock that you own and in return you receive an income, called the option premium. The main risk of this strategy is that we limit the scope for capital gains if the price of the underlying share that the fund holds rises.

Individually, the financial assets described above can produce an irregular and sometimes volatile stream of income. But by gaining exposure to all of them we look to build a diversified portfolio capable of providing steady monthly income while preserving capital.

AVIVA MULTI-STRATEGY TARGET INCOME

- Targets an annual income of 4% above the Bank of England base rate before corporation tax
- Pays income monthly
- Multi-strategy, multi-asset approach
- Income comes from diverse sources
- Risk mitigation strategies aim to protect the fund when the team's view is wrong
- Experienced and well-resourced team

FUND STRATEGIES

We divide the strategies the fund adopts into three main categories: 'market', 'opportunistic' and 'risk-reducing'.

The first category is primarily designed to help the fund achieve its income objective, though the strategies may also lead to capital growth if stock and bond markets provide broadly positive returns.

The second group of strategies is designed to profit from market inefficiencies or the actions of non-profit-seeking groups such as central banks. These positions look to exploit the herd mentality you often find in the markets through short-term market moves that may go against our longer-term view.

The final category aims to preserve capital, especially during market sell-offs, for little overall cost if stock and bond markets fall. For example, we are positive on US growth prospects and believe risk assets are likely to do well. However, if such assets do badly we have positions to offset it. So, we have a 'long' position in Australian interest rates which we expect to profit from a surprising souring in global sentiment and slowing growth. With the Australian economy particularly susceptible to such an event given its high exposure to the mining industry, the Australian central bank is particularly likely to cut rates in response.

The Aviva Multi-Strategy Target Income fund may be an attractive option for those looking for alternative ways to earn income in a world of low interest rates.

CHELSEA RISK RATING:	4
ANNUAL MANAGEMENT CHARGE:	0.75%
ONGOING CHARGES FIGURE (OCF):	0.85%
PERFORMANCE FEE:	NONE
YIELD:	4.30%*

THE CHELSEA VIEW:

"This fund is one of very few absolute return funds that pays a decent income. Another advantage is that income is paid monthly. We particularly like the fund's emphasis on risk reduction and preserving capital during market sell-offs."

*Source: FE Analytics 15/01/2016

Funds**Update**

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.

L&G Dynamic Bond Trust

Chelsea Generic Rating: **BUY** / HOLD / SWITCH

Having been taken over by Omar Saeed in July 2015, we have returned the L&G Dynamic Bond Trust fund to a 'buy'. It was previously downgraded when former manager Dickie Hodges left. In the interim period, the fund experienced considerable outflows and performance suffered as a result.

The fund's flexible, top-down mandate requires a fund manager with a strong grasp of the macroeconomic environment, as well as the expertise to exploit it. We were very impressed with Omar when we met him, especially his strong, considered views and how he intends to maximise both the long-term trends and short-term opportunities that he highlights. This should enable him to capitalise on the fund's flexibility and leave him well positioned to outperform in the future.

Newton Global Income

Chelsea Generic Rating: **BUY** / HOLD / SWITCH

This fund is on the Chelsea Selection, though the manager, James Harries, has recently left. The management has now been passed to Nick Clay, who was the alternative manager on the fund, and managed the overseas version, which was a mirror of this fund. Despite this change, we have maintained our 'buy' rating. This is due to how Newton, as a company, manage their funds. They use their well-resourced research team to come up with investment themes, which the manager incorporates into the fund. In a recent meeting, Nick reiterated that the process will remain broadly the same, and he is only making minor changes to the strategy. As such, we believe the impact of James leaving will be limited by Nick's experience and the continued support of the excellent team around him.

AXA Framlington Health

Chelsea Generic Rating: BUY / **HOLD** / SWITCH

Since taking over the fund in August, manager Dani Saurymper has made a number of changes that we like, including making the fund more concentrated and less benchmark constrained. This enables him to avoid some stocks altogether, even if they are a large part of the benchmark. We also like the focus on picking stocks that generate a good return on the invested capital. Stock turnover is low, which is an important factor for the long-term nature of the healthcare sector. As well as the strategy, we were also impressed with Dani, who has a good knowledge of both the medical and financial elements of the stocks he invests in. Our only reservation on the fund is that Dani has yet to demonstrate a strong track record, and we have therefore only upgraded the fund to a 'hold' for now..

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

Chelsea offers an execution-only service. If you require individual investment guidance you should seek expert advice. Please see the important notice on page 2.

Micro-caps are a very interesting part of the market, which most investors overlook. We have highlighted two funds for you. Liontrust UK Micro Cap, a new fund set to launch in March, is run by the same team behind the highly successful Liontrust Special Situations fund. This team rarely launch a new fund (the last one was over 10 years ago) and we have added it to the Chelsea Selection. You should be aware that micro-caps are less liquid, and can be more risky than large-cap stocks.

Liontrust UK Micro Cap

NEW FUND LAUNCH

ANTHONY CROSS
Fund manager, Liontrust UK Micro Cap

VICTORIA BATES
Fund manager, Liontrust UK Micro Cap

MATT TONGE
Fund manager, Liontrust UK Micro Cap

More than £11bn is currently invested in UK smaller companies funds. It is less common for investors to look for a specific allocation to micro-cap stocks, the very smallest companies on the market. Yet by overlooking micro-caps, investors have been missing out on compelling earlier stage growth opportunities.

The investment returns of these companies have a long track record of outstripping those of their larger counterparts. The Numis 1000 index, which covers the smallest 2% of the UK market by capitalisation, has outperformed the FTSE All Share by more than 13 times over the past 60 years.

Despite this, many investors remain cautious about moving down the market cap scale, automatically assuming smaller means higher risk.

FUND PHILOSOPHY AND PROCESS

For the Liontrust UK Micro Cap fund, set to launch in March 2016, investee companies will be selected using our proprietary Economic Advantage process, which has been developed over 18 years of investing in smaller companies. The process has been honed over years of investing for our Special Situations, UK Growth and UK Smaller Companies funds and seeks out stocks with hard-to-replicate intangible strengths.

In our experience, the hardest characteristics for competitors to reproduce are intellectual property, strong distribution channels and significant contracted recurring business. These assets deliver pricing power and protect margins, thus driving sustained profitability over the long term.

We believe that by analysing the investment universe using a highly selective lens, it is possible to mitigate some of the risk of investing in micro-caps and find companies with the potential to outperform strongly over the long term. We focus exclusively on profitable businesses headquartered in the UK, which are generating real financial returns and are subject to UK laws and corporate governance. This discipline means the fund will be more likely to avoid investment "bubbles", which have been responsible for significant excess volatility in micro-cap stocks over the years.

The fund will invest in companies worth less than £150m at the point of purchase and will look to exit holdings once they grow past £250m market cap. This is a vast source of opportunity for investors who are willing and able to spend time analysing the micro-cap end of the markets, which includes more than 2,800 securities currently listed on UK exchanges.*

We have bought a number of companies under the £150m level for the Liontrust Special Situations and UK Smaller Companies funds over the years, and have seen them generate powerful returns.

RWS, for example, we bought as a micro-cap for the UK Smaller Companies fund following its admission to AIM in 2003. RWS is the world's leading provider of patent translations and also provides high-level technical, medical, commercial, legal and financial translation services. We first bought this company when it was a £48m business in 2003 and today it is approaching the £400m mark. The stock has been one of the ever-present positions in the Special Situations fund since launch in 2005.

LIONTRUST UK MICRO CAP

- The fund is launching in March 2016. There will not be an offer period
- Invests in profitable companies headquartered in the UK
- Stocks must have either intellectual property, strong distribution channels or significant recurring revenue
- Companies have a market cap of less than £150m at the point of purchase
- Company management must own a 3% stake
- Same team that runs Liontrust Special Situations and Liontrust UK Smaller Companies

THREE REASONS INVESTORS SHOULD CONSIDER INVESTING IN MICRO-CAPS

The first is their superior growth prospects. As evidenced by the outperformance of the Numis 1000 index shown earlier, micro-cap businesses are readily able to generate above-average returns over a long time horizon, whether by taking market share from established competitors in mature markets or creating truly innovative products and services.

The second reason is the exposure to businesses run by some of the UK's most talented and driven entrepreneurs. Another of the key selection criteria for the Economic Advantage process for smaller companies is to invest solely in companies where directors hold over 3% of the equity. A high level of management ownership is more common among smaller companies and we believe it acts as a strong motivator, as well as creating a more conservative attitude towards acquisitions and debt.

Finally, one of the most compelling reasons to invest in micro-caps is the very fact that others shy away from this area. The average stock in the Liontrust UK Growth fund, which is predominantly a large-cap focused vehicle, is covered by 16 analysts. By contrast, the average stock in the Liontrust UK Smaller Companies fund is covered by just two analysts, and this effect is magnified even further down the market cap scale, creating real opportunity for those willing to spend the time required to analyse micro-cap companies.

For all these reasons we are very excited to launch our new fund.

CHELSEA RISK RATING:	8
ANNUAL MANAGEMENT CHARGE:	1.25%
ONGOING CHARGES FIGURE (OCF):	1.40%

THE CHELSEA VIEW:

"The fund's Economic Advantage process, which focuses on intangible assets, is grounded in academic fundamentals and has been honed and proven over several years. The process is the same as the Liontrust Special Situation fund, which has been on the Core Selection for many years. We have tremendous confidence in this team and their process and we are excited to support this fund from launch."

Source: Bloomberg

K micro-caps

Wood Street Microcap is run by Livingbridge, the same company behind the highly regarded Baronsmead range of VCTs. They are specialists in this part of the market and the strong performance of the fund since launch can be seen on the graph below. We have secured a special discount on this fund for Chelsea clients – see page 37 for more details.

Wood Street Microcap (managed by Livingbridge)

KEN WOTTON
Fund manager,
Wood Street Microcap

I have been a fund manager at Livingbridge for almost nine years. Previously I qualified as a Chartered Accountant with KPMG and then spent six years as an equity research analyst for investment banks. I've been the lead manager of the Wood Street Microcap fund since its inception in 2009. I'm also responsible for the quoted investments within the Baronsmead VCT funds managed by Livingbridge.

Micro-caps are companies with a market capitalisation below £250m. This is a less well understood segment of the IA UK smaller companies sector, which also includes many funds that invest in much larger companies. At Livingbridge we specialise in micro-cap growth companies. At this end of the market there are a large number of stocks to choose from so I can afford to be very selective. Valuations are typically lower than those of larger companies because stocks are under the radar for most investors. The ability to uncover an undervalued hidden gem provides the opportunity for attractive investment returns. I aim to pick niche innovative businesses with good quality management teams that can grow their profits even when wider economic conditions are less favourable.

WOOD STREET MICROCAP (managed by Livingbridge)

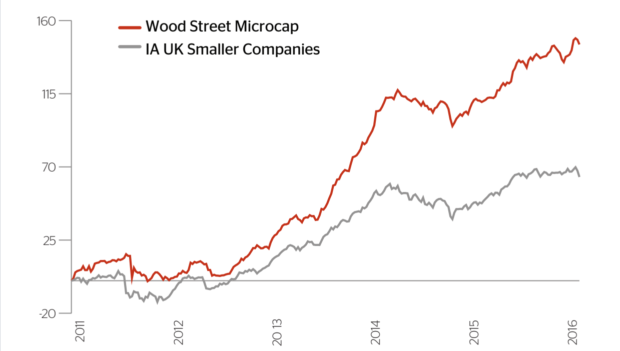
- 20 years' experience investing in unquoted and smaller companies
- Runs the successful Baronsmead VCT range
- Highly concentrated with just 39 holdings
- Ignores oil and gas and mining
- Experienced fund manager who is also a qualified accountant
- Only invests in sectors in which they have expertise
- Unrivalled experience and resources in this part of the market

ABOUT LIVINGBRIDGE

At Livingbridge our heritage is long-term investing in small UK growth businesses – both unquoted and publicly listed. We have been active investors in the AIM market for 20 years and are well known for running the Baronsmead range of VCTs. We have a large team of 40 investment professionals organised across four core sectors: technology, media & telecommunications; healthcare & education; business services; and consumer. We avoid higher-risk sectors such as mining and oil & gas, which are typically the most volatile at the smaller end of the market. We focus on small but established businesses, avoiding loss makers and early stage companies with unproven business models. These strict filters have helped me to avoid some of the potential pitfalls of micro-cap investing and to deliver strong risk-adjusted returns over the life of the Wood Street fund.

Livingbridge's extensive platform enables us to undertake detailed research on target sub-sectors and companies. We have a long-established network of advisers, sector experts and functional specialists to draw upon. We collectively meet many hundreds of public and private company management teams each year. Our proprietary database of thousands of companies and people we have met over many years is a valuable resource I can use to help appraise and reference new investment opportunities.

WOOD STREET MICROCAP



Source: FE Analytics 21/01/11-15/01/16

FUND PROCESS

A great example of the Livingbridge process in action is our successful investment in Staffline, a blue-collar recruitment agency. After researching its niche sub sector, Livingbridge first backed Staffline as an unquoted company in 2000 through a Baronsmead VCT. We subsequently recruited the current CEO, Andy Hogarth, into the business. We supported the AIM IPO in 2004 at a share price of 80 pence and have remained meaningful shareholders ever since. During that time Andy has led a business that has grown revenues more than 10-fold over 10 years, and delivered a share price that has appreciated more than 17 times. I invested in this company for Wood Street in 2014, using the knowledge and relationship we had built up over the past 14 years. The growth prospects and ambitions of the company today remain as exciting as ever.

Within Wood Street I manage a concentrated portfolio of 39 high-conviction growth stocks. The fund is positioned conservatively, with cash available to allow me to take advantage of opportunities that arise from market volatility and from an active IPO market in micro-caps. I place a lot of emphasis on our own fundamental research, and gaining a deep understanding of our companies and their management teams. I believe our rigorous approach helps to mitigate some of the risk of investing in smaller and sometimes less liquid companies. Whilst no company is totally immune to the wider macro economy, I believe we have a portfolio of businesses that can offer a resilient growth profile through the economic cycle. Looking ahead, I am confident our distinctive approach to sourcing and evaluating potential investments will enable us to find attractive opportunities within micro-caps which can deliver attractive long-term returns.

CHELSEA RISK RATING:	8.5
ANNUAL MANAGEMENT CHARGE:	0.85% (AFTER CHELSEA DISCOUNT)
ONGOING CHARGES FIGURE (OCF):	0.95% (AFTER CHELSEA DISCOUNT)

THE CHELSEA VIEW:

"This is a proven, well-resourced team. We like the highly concentrated nature of the fund, which is unusual for a smaller companies fund. The higher stock and sector concentration will make the fund more risky but also increases the potential for strong returns."

RYAN LIGHTFOOT-BROWN

Investors behaving badly

Do you act irrationally?

Here at Chelsea, we try to provide the best information to help your investment decisions, but what is the psychology behind these decisions? We'd all like to think we are considered, balanced and rational, but in fact there are common traps into which investors often fall. Here we look at this developing area, known as behavioural finance, and see what the pitfalls are and how you can avoid them.

"When we review funds, we critique them on multiple factors and question each other's thinking to avoid behavioural finance traps."
Research Analyst, Chelsea

Firstly, it is important to understand why we make these errors. A lot of our behaviour is based on instincts developed thousands of years ago. Back then, we needed to make decisions quickly to survive and our brains evolved to develop shortcuts. These shortcuts are not always best suited to our modern technological world and investing in particular. At Chelsea, we take all of this into consideration when doing our research, and here is what to look out for yourself.

Take the test – how well do you use the logical side of your brain?

The following questions appear in James Montier's excellent book, The Little Book of Behavioral Investing*, and were originally developed by Professor Shane Frederick and published in his paper, "Cognitive Reflection and Decision Making"**. They are designed to test how well you use logic versus instinct.

1. A bat and a ball together cost $1.10 in total. The bat costs a dollar more than the ball. How much does the ball cost?
2. If it takes five minutes for five machines to make five widgets, how long would it take 100 machines to make 100 widgets?
3. In a lake there is a patch of lily pads. Every day, the patch doubles in size. If it takes 48 days for the patch to cover the entire lake, how long does it take to cover half the lake?

Answers at the end of this article

ANCHORING

A lot of behavioural finance factors are based on how we perceive and treat information. One very common, albeit often misunderstood factor, is called anchoring. This is, in essence, treating some pieces of information as better than others. It is the investing equivalent of following old wives' tales, such as the Santa rally, which proposes that the markets generally trend up towards Christmas as people are in better moods and more positive. The problem with this is that you end up sleepwalking into potential losses. Looking again at the Santa example, had you invested at the beginning of December expecting a rally, you would have most likely been wounded by the volatility at the beginning of the month. To avoid anchoring, it is best to look at a broad range of fundamentals and make a well-rounded decision.

HERDING

Another behavioural factor is herding. This is, quite simply, where investors follow the crowd, and invest in what is popular. It plays on our instinctive 'safety in numbers' assumption and reassures people – 'if other people are buying, it must be a good investment'. However, as we have seen most recently in the Chinese stock market, herd buying can over-inflate prices and create bubbles, which is bad for investors when they eventually burst. Try to look at the fundamentals of an investment and use your own analysis rather than the consensus of the market. There are clusters of similar stocks bought when people don't want to feel left out of the crowd. Ignoring herds is a difficult thing to do, but it is important to take information out of context and consider it rationally.

CONFIRMATION BIAS

Taking information out of context is a key trick to avoiding our next pitfall, confirmation bias, where investors form an opinion first and select the subsequent information just to confirm their own beliefs. Supposedly, most of our opinions of people are formed in

the first seven seconds of meeting them, but research has shown that investors may also do this with their investment choices. An investor may see something about a fund, whether it is an historic name, good branding or fantastic one-year numbers, then, when they study it further, only cherry-pick facts to back up this information, even though the fund may have other underlying issues. Investors may overlook facts and crucial details that would affect their investment, in order to sustain their preconceived ideas. Fortunately, simply being aware of this problem makes it easier to avoid. Be mindful to look at a fund rationally, and be prepared to critique and question it, not just confirm your preconceptions. Also, be conscious of what drove past performance. A fund may have had a stellar period, but driven by tailwinds of a good economy or currency strength, rather than manager skill. Similarly, a fund may have had a good period but the manager has since changed.

OVERREACTION AND AVAILABILITY

A well-known investment adage is 'buy low sell high'. However, in reality it is common to see money coming out of funds when markets go down sharply. It's understandable, as these are often important savings, but taking your money out after a fall is a common investor overreaction. Overreaction and availability, is when investors treat new news with more weight than older news. It is easy to do, but knee-jerk reactions often lead to hasty decisions that could cause severe regret later. Furthermore, you could miss out on a 'bounce' as the markets recover from previous, panicked losses. Thinking long term and avoiding current market noise is key. A good way of protecting yourself from this tendency is to consider different scenarios of what could happen before you invest, and be braced for volatility and some potential periods of loss over the life of your investment.

PROSPECT THEORY

Discounting market noise takes a lot of discipline and isn't helped by another behavioural factor, prospect theory. This is where investors fear losses more than they value gains. Let's take an example of two funds over two weeks. One goes from £1,000 to £2,000 in the first week, but then falls to £1,500 the week after. The other climbs to £1,250 over the first week, then climbs to £1,500 by week two, therefore having the same result. However, it would be common for investors to feel like they had lost out had they held the first fund, because they lost some money from the fund's peak. On the other hand, investors in the second fund would be happier with the result and less likely to sell, as their returns would have steadily risen. The lesson is to think long term and not jump on short-term movements, as well as keeping in mind the broader market. The market may have had a large sell-off, and actually your fund may have lost less than its peers.

6 questions to ask yourself before you make a decision?

1. What is my attitude to risk?
2. Am I investing in this for the long term and am I prepared to wait to realise the results?
3. Have I critiqued the information properly or am I following the herd in trading this?
4. What will I do if the market falls 20%? Will I sell as I have lost money short-term, buy more as the fund is now cheaper or hold on, backing my initial decision?
5. Have I fully understood the fund, the manager and their strategy? From where was my research gleaned? Have I been objective with the information?
6. What was my initial reaction to the fund, how has that changed and why?

HINDSIGHT BIAS

What doesn't help with the previous situation is how we typically respond afterward. Had the £1,000→£2,000→£1,500 scenario happened, for example, investors typically will – besides lamenting the loss – start to say soon after that they knew the drop was coming and that they kick themselves for not selling after week one. In reality, they may have spared a thought that their investment could potentially fall, but if they were convinced by that, they would have sold. When we look back, we typically remember the thoughts that were prophetic, rather than the ones that were incorrect. This is known as hindsight bias. The problem this leads to is that investors start believing their own hype and trading on their hunches because they have had correct thoughts in the past. They also tend to rush a subsequent decision without fully researching because they feel they missed out before and don't want to do that again. As we have mentioned, it is always best to do considerable, fundamental research when making an investment decision, and treat each fund in isolation before also analysing it against its peers and benchmark.

CONCLUSION

The good news is that while many of these patterns are easy to fall into, you have already taken the first steps by simply being aware of them. It is worth being cynical when it comes to investments, and at Chelsea we critically review all of our choices when selecting funds for our buy lists.

Questioning ourselves and justifying our rationale is hugely important. It's why we visit over 400 managers a year and grill them on all aspects of their philosophy and process.

Answers to Test Questions

This is a classic behavioural test that measures how well you are using the logical side of your brain. Each of these questions has an obvious but incorrect answer. Out of 600 professional investors only 40% got all three questions right when asked so don't feel bad if you got some, or all of them wrong.*

Question 1

The obvious answer is $0.10 which is incorrect.
The correct answer is $0.05.

$$\left.\begin{array}{l}1\text{ bat} + 1\text{ ball} = \$1.10\\ 1\text{ bat} - 1\text{ ball} = \$1\end{array}\right\}\ 1\text{ bat} + 1\text{ bat} + 1\text{ ball} - 1\text{ ball} = \$2.10$$

2 bats = $2.10
1 bat = $1.05
Therefore 1 ball = $0.05

Question 2

The gut reaction is to say 100 minutes but the output is one widget per machine per five minutes. Therefore 100 machines take five minutes to make 100 widgets.

Question 3

A common error is to halve 48 and say 24 days. However, if the patch doubles every day, it must have covered half the lake the day before so the answer is 47 days.

*The Little Book of Behavioral Investing by James Montier
**Journal of Economic Perspectives – Volume 19, Number 4 – Fall 2005 – Pages 25-42

VCTs: venture into tax-efficient investing

No longer considered as just an investment for very high net worth individuals, VCTs are increasingly being purchased by the more mainstream 'well-off' investor, who sees the tax benefits of investing into pensions being eroded and so looks elsewhere to plan for the future. Investors with high risk tolerances, and longer time horizons, are especially well-suited to VCTs.

Venture Capital Trusts (VCTs) are tax-efficient investment vehicles which invest into small, often unquoted companies and those quoted on AIM (Alternative Investment Market). The HMRC gives tax incentives to encourage investment into smaller companies and start-ups

VCTs are becoming increasingly popular. Most recently, this is due to the changes in the lifetime pension allowance an individual may have (this has fallen from £1.8m in 2010, and will be £1m as of April 2016), leading to a need to find other ways to plan for retirement. There are other factors which have generated increased attention, including income-tax relief when purchasing into VCTs, tax-free dividends, and evidence of long, consistent track records and good returns from many of these companies.

As long as you have made relevant income tax payments, you are eligible for 30% income tax relief. The effect of this is illustrated here:

TAX RELIEF EXAMPLE	
Initial investment	£10,000
30% income tax relief	(£3,000)
Effective investment cost	£7,000

HOW TO INVEST

- Choose a VCT which you understand and are comfortable investing into
- We can send you forms in the post or you can download them online from Chelsea
- Choose an amount which you are happy to be locked away for at least five years
- Once your shares have been allotted, you will be issued with a tax certificate. With this you can reduce the future tax payments you make, either by changing your PAYE code, or completing a self-assessment tax return

VCT	5-YEAR PERFORMANCE EXCLUDING TAX RELIEF %
Albion VCT Top-Up (across 6 VCTs)	68.9
Amati VCTs Top-Up Offers	3.7
Downing ONE	13.7
Foresight VCT	67.6
Hargreave Hale VCT 1 & 2 (equal investments)	39.4
Maven Income & Growth VCT	70.9
Octopus Apollo VCT	34.5
Octopus Titan VCT	110.7
Pembroke VCT	N/A
ProVen VCT	62.2

Source: FE Analytics 28/01/2016

IMPORTANT NOTICE Please be aware that VCTs are long-term investments. VCTs invest in small, unquoted companies and therefore carry a greater risk than many other forms of investment. In addition, the level of charges are often greater than unit trusts and OEICs. Past performance is not necessarily a guide to the future. The value of investments, and the income from them, can fall as well as rise, due to market and currency fluctuations and you may not get back the amount originally invested. All our featured products should be regarded as medium to long-term investments. Chelsea Financial Services offers an execution-only service. If you require investment advice you should contact an expert adviser. Tax assumptions are subject to statutory change and the value of tax relief (if any) will depend upon your individual circumstances.

CHRIS MORRIS

"The initial income tax relief, along with tax-free dividends and no capital gains tax upon disposal, make VCTs a very attractive proposition."
Head of VCTs, Chelsea

You must hold your investment for at least five years otherwise you will have to pay back the tax reief.

VCT FEATURES

- 30% income tax relief
- Tax-free dividends
- No capital gains tax
- Invest up to £200,000 every tax year

VCTs can be broken down into different categories depending on your personal circumstances and what you want from your investment.

PLANNED EXIT VCT'S

If your motivation for investing is purely to shelter your income from tax, then you would most likely be looking at a planned exit (also known as limited life) VCT.

Planned exit VCTs aim to wind up soon after the five-year investment time is up. They invest into relatively lower risk, asset-backed companies, which will own collateral, such as freehold property or land that can be sold to cover losses to some degree should the business fail.

PLANNED EXIT – DOWNING TWO VCT (NEW ISSUE)

Downing TWO is an example of a very well-run planned exit VCT. It invests into companies which will provide it with a predictable revenue stream.

WHAT WE LIKE ABOUT DOWNING TWO VCT

- Targets a return to investors of £1.10 per net 70p invested (after 30% income tax relief).
- At the end of the five-year term, Downing aims to buy back the shares at a nil discount to net asset value (NAV). This is a better deal than for investors with other non limited-life VCT shares, which are generally purchased at 5% or 10% discount to NAV.

Performance after charges, includes income reinvested, not initial tax relief.

OTHER VCTS

If you are in a financial situation where you can leave your money invested for longer than the five years and would like to take advantage of the tax-free dividends which VCTs offer over a longer period of time, then you could think about investing in an evergreen VCT. The main categories of VCTs are generalist and AIM.

The objective of AIM VCTs is to invest into smaller UK companies, predominantly listed on the AIM stock market. Generalist VCTs will invest into both AIM and unquoted companies.

Both will invest into companies in almost any sector, providing they offer a good potential return on investment and qualify as a company into which a VCT house is allowed to invest. To reduce single company risk, the VCT manager will construct a portfolio of roughly 30-40 companies.

One of the big benefits of investing into an existing evergreen VCT is that many have 'top-up' offers which will allow you to invest into an established portfolio and so be eligible for dividends from the day you are invested.

GENERALIST – PROVEN VCT (TOP-UP)

ProVen VCT was launched in April 2000 and has returned £1.72 for every £1 invested since launch*, equating to 8.5% p.a. when initial income tax relief is included.

ProVen has a target yield of 5% p.a. as well as potential for special dividends.

WHAT WE LIKE ABOUT PROVEN:

- Investors buy into a mature portfolio of 41 companies, therefore giving good diversification. Some investments within the portfolio are nearing maturity and new investors will be able to benefit from this.
- The ProVen team has years of experience in finding good investment opportunities which can offer a solid potential return to investors.
- ProVen has a buyback policy of 5% discount to NAV once the five-year period is up (which is equal to the best which generalist VCTs offer).^

AIM – HARGREAVE HALE VCT (TOP-UP)

Semi-annual dividend

The Hargreave Hale VCTs 1&2 were established in August 2004 and September 2006 respectively and are co-managed by Giles Hargreave and Oliver Bedford.

Giles Hargreave is the highly regarded fund manager of Marlborough Special Situations fund, which has returned over 2,000%** since the beginning of his tenure in 1998."

WHAT WE LIKE ABOUT HARGREAVE HALE:

- Both VCTs pay a semi-annual dividend and aim to return to investors a tax-free dividend yield of 5% per annum.
- The buyback policy targets a 5% discount to NAV.^ This is very close to being achieved, with the average buyback over the past three years of VCT 1 at 5.1% and VCT 2 at 5.2%.
- VCT investments get quick exposure to smaller companies by being invested into the Marlborough Special Situations fund, pending investment into qualifying companies. In other VCTs it can take a while for the cash to be invested.

GENERALIST – ALBION VCTS (TOP-UP)

Monthly dividend

Albion run a collection of six VCTs, each one paying a dividend semi-annually. When investing, there is the choice to split your investment between these six VCTs and therefore take a tax-free monthly dividend. The target dividend yield when taking all of the payments into account is 8.5% p.a (tax relief included).

WHAT WE LIKE ABOUT ALBION

- Albion have a high level of diversification with 60 companies in the portfolio, if an investment is split over the six VCTs.
- WIthin the individual VCTs are assets which can no longer be purchased under new VCT rules - such as care homes and renewable energy investments, which remain profitable investments.
- Albion have a targeted share buyback policy of 5% discount to NAV.^

*Source: ProVen securities note 3rd December 2015
**Source: Hargreave Hale Limited, 31 October 2015

NAME OF VCT	TYPE OF VCT	MINIMUM INVESTMENT	INITIAL CHARGE	CHELSEA DISCOUNT	CHARGE AFTER DISCOUNT	CLOSURE DATE***
Albion VCT Top-Up	Generalist	£6,000	3%	0.5% †	2.5%	05/04/2016
Amati VCTs Top-Up Offers	AIM	£3,000	3%	2%	1%	30/03/2016
Downing ONE	Generalist	£5,000	4%	2.75% up until 26th February ††	1.25%	05/04/2016
Downing TWO	Limited Life	£5,000	4%	2.75% up until 26th February ††	1.25%	05/04/2016
Foresight VCT	Generalist	£3,000	5.5%	3%	2.5%	05/04/2016
Hargreave Hale VCT 1 & 2	AIM	£5,000	4%	1.0%	3%	05/04/2016
Maven	Generalist	£5,000	5%	3.25% +		01/04/2016
Octopus Apollo	Generalist	£5,000	5%	2.5% ‡	2.5%	05/04/2016
Octopus Titan VCT	Generalist	£5,000	5.5%	2.5% ‡	2.5%	05/04/2016
Pembroke VCT	Generalist	£3,000	5%	3%	2%	05/04/2016
ProVen VCT	Generalist	£5,000	5.5%	3.75% ‡‡	1.75%	05/04/2016
Puma VCT	Limited Life	£5,000	3%	2%	1%	05/04/2016

For brochures, application forms and more information about what VCTs are open at the moment, please visit our website: **https://www.chelseafs.co.uk/products/vct**, or speak to our experienced and helpful staff on **020 7384 7300.**

THE DOWNSIDE OF VCTS

VCTs invest into very high-risk, smaller companies which may fail. They are also very illiquid and you may have to hold them for longer than the minimum five-year investment period. There is a risk that you will get back less than your original investment.

**Including unquoted companies
*Source FE Analytics 27/01/2016
† 1% for existing investors
†† 2.25% thereafter

‡ 3% for existing investors
+ 3.5% for existing investors
‡‡ 4.75% for existing investors
*** Offer will close earlier if fully subscribed.

^ Keep in mind that there is no guarantee that the VCT house will offer to buy back your shares at any given time, meaning the holding can be illiquid.

Paying dividends – the Asia Pacific income investment story

Many of you will remember Jason from when he ran the Newton Asian Income fund. That fund was on the Chelsea Core Selection for four and a half years until Jason left Newton to join Jupiter. During that time the fund returned 53%, comfortably beating the average Asia Pacific ex Japan fund, which returned 30%*. Jason is now preparing to launch his new fund with Jupiter. There will be a fixed offer price of £1 per unit available from 1st February 2016. The fund launches on 2nd March 2016.

JASON PIDCOCK
Fund manager, Jupiter Asian Income

I've been investing in Asian stock markets since 1993. As we launch the new fund, Jupiter Asian Income (on 2nd March 2016), I hope this experience stands me in good stead to make sense of a difficult, exciting investment environment and identify the themes and companies that, in my view, are best placed to thrive into the future.

Perceptions change pretty slowly, so I wouldn't be surprised if many people are still unaware that the Asia Pacific region can be a good place for investing when seeking income. Historically, there have been relatively few companies which pay dividends[1], but over the past ten years that has changed and the potential income on offer now competes with that found in stock markets such as the UK. Investors who have all their income-seeking portfolio invested in the UK stock market might consider looking overseas to the Asia Pacific region for an element of diversification.

EQUITY INCOME INVESTMENT OPPORTUNITIES IN ASIA

As well as being able to take one's pick from a broad range of companies paying attractive dividends, the region is home to so many countries at different stages of economic development, and with varying degrees of risk (developing countries, for example, tend to carry higher risk). As an income-seeking investor, I've always paid more attention to the more developed stock markets in the region. This is partly a result of the natural bias towards the higher-yielding stocks that are typically found in these more mature economies.

JUPITER ASIAN INCOME FUND

- Experienced manager with a strong track record
- Bias to the more domestic parts of Asia
- Targets a yield at least 20% higher than the index
- Concentrated portfolio of 40-50 holdings

I like the Australian economy a lot, and I see its stock market as less risky than many others across the Asia Pacific region. This is because it has the advantage of being a stable, English-speaking country that lacks the government debt problems of some of its peers. Australia is one of the few countries in the world which still retains a triple AAA credit rating. Its political stability also compares favourably with that of other commodity-rich countries, for instance in the Middle East or Russia.

Australia is far from just a natural resources story, though. Crucially, I think Australia is also host to some fantastic companies and it is its domestic-oriented businesses, rather than the mining companies, which I generally consider the most attractive.

Elsewhere in the region there is Singapore, a place that in my view is relatively safe with a good rule of law, and offers a pleasant environment for ex-pats to bring up their families. As such, it's an attractive location for multi-national companies to have their Asian headquarters, and therefore might be a good place for me to find property companies in which to invest.

The Philippines I like for different reasons, particularly its excellent demographics, domestic consumer spending and strong

NEW FUND LAUNCH

growth in GDP per capita. It is also a positive story in terms of its national finances, with a current account surplus, falling inflation and the scope to reduce interest rates in future if required.

THE WAY I INVEST

When it comes to my investment process I make a point of not over-complicating things. Good fund management need not rely on gimmicks, so when I'm analysing a company as a potential investment I'm looking for a few key factors. Each company must be well-managed and be well-positioned within its own industry, it must have a scalable business model, and it must have management who are committed to sharing the company's profits with its shareholders through dividends. Finally, I must be satisfied that the current market price of the shares represents good value for money as an investment.

This analysis into specific companies happens within the context of my views on the economic and political trends affecting the region. This means that my overall strategy can take into account each country's individual strengths and hopefully avoid their specific weaknesses. This may result in me holding very little, or nothing at all, in some of the Asia Pacific region's largest companies, sectors or even countries, if I feel the balance of risk versus potential reward doesn't stack up.

CHELSEA RISK RATING:	7.5
ANNUAL MANAGEMENT CHARGE:	0.75%
ONGOING CHARGES FIGURE (OCF):	0.99%
EXPECTED YIELD:	4%

THE CHELSEA VIEW:

"We are confident Jason can repeat his process at Jupiter. The new fund will be slightly more concentrated and not quite as strict with its yield requirements, giving Jason a little bit more flexibility. We think both these changes are positive."

[1] Meaning, paying out part of the profits they have generated to their shareholders
*Source FE Analytics 01/10/2010-30/04/2015

Special **Offers**

We thought we would highlight a few funds where we have negotiated with some fund managers to attain special discounts for you, with lower Annual Management Charges (AMC) than are typically levied. Whilst charges should be a consideration in your investment, they should not be the deciding factor. It is important to look at a fund's strategy and whether or not it fits in with your personal circumstances and investing goals. It is always important to look at a fund's performance after charges as that is what really matters.

We would never add a fund to our buy list or model portfolios because of a discount. Hopefully, this is demonstrated by the fact that all the funds below have beaten the market over one, three and five years (with the exception of Crux European, Neptune US Income and Neptune Global Income which are relatively new funds)*. Nevertheless, if we like a fund and we can get a lower charge for you, we will try and do so. As usual, all the funds below have a 0% initial charge.

HOW WILL I GET MY DISCOUNT?

You will receive your discount in the form of extra units which will automatically be re-invested into your highest value fund. This will show up in your transaction history on a monthly basis. Please note; you will only receive your rebate when it reaches at least £2.50.

N.B. Please note these discounts are only available via the Chelsea FundStore.

Special Discounts to Chelsea:

JOHCM ASIA EX JAPAN, SMALL & MID CAP

Standard AMC - 0.90% | **AMC - 0.75% after discount**
Chelsea Discount - 0.15% | **OCF - 1.35% after discount**

Singapore-based fund manager Cho-Yu Kooi targets quality businesses, with a maximum market cap of $US4bn at purchase, that can consistently deliver solid returns over the long term. The resulting portfolio is a high-conviction, benchmark-agnostic one with low turnover. The majority of the portfolio is invested in companies that are quality, secure growth stories, with the remainder invested in cyclical stocks, i.e. sectors that have been disproportionately sold off in her opinion. The fund has 15%-20% commonality with the JOHCM Asian ex Japan fund.

RATHBONE INCOME

Standard AMC - 0.75% | **AMC - 0.65% after discount**
Chelsea Discount - 0.10% | **OCF - 0.70% after discount**

Manager Carl Stick's multi-cap approach distinguishes the fund from many of its peers. He aims to invest in quality companies with above average yields at the right price. Carl has been running this fund for over 15 years. He is one of the longest serving and most consistent UK fund managers.

RATHBONE GLOBAL OPPORTUNITIES

Standard AMC - 0.75% | **AMC - 0.65% after discount**
Chelsea Discount - 0.10% | **OCF - 0.69% after discount**

The Rathbone Global Opportunities fund is a global growth fund looking to buy innovative companies in their early stages built on upcoming worldwide themes. It uses a truly active unconstrained mandate, run by long standing experienced manager James Thomson. James' high conviction, contrarian strategy has created one of the strongest track records in its sector. He is not afraid to admit his weaknesses or past errors, a refreshingly honest approach which allows him to concentrate on his core strengths.

CRUX EUROPEAN*

Standard AMC - 0.75% | **AMC - 0.70% after discount**
Chelsea Discount - 0.05% | **OCF - 0.77% after discount**

The new CRUX European fund is managed by Richard Pease, with whom many of you invested in the Jupiter European fund in the 1990s and, more recently, Henderson European Growth (formerly New Star). Richard aims to identify high quality businesses that are cash generative and have the ability to dominate their niche. It has a concentrated portfolio of 40 to 50 stocks, with a large-cap bias and the flexibility to invest up to 10% in global stocks. Richard does not have strict investment rules to follow and is allowed to make decisions based on his own knowledge and vast experience.

WOOD STREET MICROCAP

Standard AMC - 0.90% | **AMC - 0.85% after discount**
Chelsea Discount - 0.05% | **OCF - 0.95% after discount**

Livingbridge are best known for running the Baronsmead VCT range. They have a very large resource of 33 investment professionals. Ken Wotton has managed the fund since its inception in 2009. This is a growth fund which aims to invest in companies which will double their earnings over the next five years. It is quite different from most of its peers because it is highly concentrated and only holds around 40 stocks. It also invests right down into micro-cap companies, because of this the fund has historically had quite a low correlation to the UK smaller companies sector. See p31.

NEPTUNE US INCOME

Standard AMC - 0.75% | **AMC - 0.65% after discount**
Chelsea Discount - 0.10% | **OCF - 0.91% after discount**

James Hackman took over this fund in the middle of 2014 and radically altered its style and philosophy. It is now a high conviction dividend growth fund. This means James is not forced into buying distressed high yield companies which may cut their dividends in the future. The fund looks to buy future dividend aristocrats (companies which will grow their dividends for many years to come) but which haven't been fully appreciated by the market yet. Following a meeting with the manager, the fund has been added to the Chelsea Selection. Income is paid quarterly.

Other Special Rates:

NEPTUNE GLOBAL INCOME

AMC - 0.25% (until 2018) | **0.25% OCF (until 2018)**

This fund's main focus is on dividend growth. The manager, George Boyd-Bowman, looks for at least four years dividend visibility in a company before he invests. The fund is very willing to deviate from traditional geographic benchmark weightings. Currently 25% of the fund is in Japan, an area which traditionally pays very low dividends. However, recent changes to corporate culture mean Japanese companies are likely to grow their dividends at some of the fastest rates in the world.

MONTANARO UK INCOME

AMC - 0.25% | **0.34% OCF (total)**

Manager Charles Montanaro already invests about £3bn for institutions, but this is his first venture into the retail space. This fund invests in mid and small-cap companies which makes it very different from the average UK equity income fund. He takes a long-term approach with a concentrated portfolio of 40-50 holdings. Charles focuses on meeting companies in order to form a view, though only those whose business models they can understand, before running them through a thorough 'checklist'. This is all aided by the largest small-cap team in Europe, doing all their own research on their stocks to assess their quality and future outperformance.

*Source FE Analytics 20/01/2016

Chelsea SIPP^ Questionnaire

PLEASE COMPLETE ALL APPLICABLE FIELDS.

Once completed, please email to: **info@chelseafs.co.uk**, or post to **Chelsea Financial Services, St James Hall, Moore Park Road, London SW6 2JS.**

Please be aware, there is a minimum initial investment of £5,000 from a lump sum and/or transfer.

Your details

Mr/Mrs/Ms/Miss/Other

First name

Surname

Email address

Telephone number

Date of birth

Address

Postcode

Marital status

National Insurance number

Country of residence

Selected retirement age

Over 55?

Do you want to take your tax-free cash now? ☐ Yes ☐ No

Do you want to take an income? ☐ Yes ☐ No

Financial information

Your annual earnings (please tick one):

- £0 – £14,999 ☐
- £15,000 – £29,999 ☐
- £30,000 – £59,999 ☐
- £60,000 – £99,999 ☐
- £100,000 – £149,999 ☐
- £150,000+ ☐

Source of wealth (please tick one):

- Income from employment ☐
- Income from savings/investment ☐
- Other (please state)

Employment status and occupation

Employer's name and address

Contributions

This can be by you and/or your employer. Please ensure that you have read the Key Investor Information Documents for the funds before investing.

Will you be making a lump sum payment?*
If yes, how much? £

How much will you be investing, on a monthly basis?*
(If applicable) £

Will your employer be making a lump sum investment?
If yes, how much? £

How much will your employer be investing, on a monthly basis (if applicable)? £

*Personal contributions should be paid net (less 20% of the full amount).
For example, to contribute £1,000, write £800 in the box and on any cheques.
Cheques must be made payable to **Cofunds Ltd**.

To be invested in 2014/15 ☐ or 2015/16 ☐ tax year

Transferring to the Chelsea SIPP*

Remember, you will need to contact your current provider to request a **discharge form**.

Full name of transferring pension scheme

Type of scheme to be transferred (please tick one): Personal pension ☐ Self Invested Personal Pension ☐ Other (please state)

Is this pension already in drawdown? ☐ Yes ☐ No

^Self Directed Cofunds Pension Account

If you have more than one pension to transfer, please email us at **info@chelseafs.co.uk** or attach a separate sheet

INVEST, MONITOR AND MANAGE YOUR PORTFOLIO WITH

the Chelsea **FundStore**

POWERED BY cofunds

'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 2,500 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

MONITOR YOUR PENSION
Hold your pension within FundStore and benefit from free switching, competitive charges and low-cost drawdown.

FundStore benefits

- 24/7 ACCESS TO YOUR FUNDSTORE ACCOUNT
- FREE SWITCHING
- FANTASTIC DISCOUNTS
- COMPETITIVE PENSION CHARGES
- 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
- INVEST IN A SIPP
- 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 'Sign in/out' on the home page

Select 'Create a new account' on the right-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 cofunds – an independent regulated company, and one of the UK's leading investment platforms.

Would you **recommend** Chelsea?

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 when they invest or transfer over £25,000
- £25 worth of Marks & Spencer vouchers when they invest or transfer over £5,000

Investments must be retained with us for at least 12 months. Terms and conditions apply. Just complete this form and return it to us. You can recommend as many people as you like – there's no limit.

YOUR DETAILS

Title: First name:

Surname:

Address:

Postcode:

Telephone:

FRIENDS DETAILS

Title: First name:

Surname:

Address:

Postcode:

Telephone:

FRIENDS DETAILS

Title: First name:

Surname:

Address:

Postcode:

Telephone:

"I have never met a more friendly or competent company than Chelsea."

Mr Graham Gunby, CORNWALL

"The Chelsea staff are always so helpful and reliable. The service is simply fantastic."

Mrs Beth Vamvakas, CAMBRIDGE

Dual Tax Year Investment ISA

(STOCKS AND SHARES) 2015/2016 & 2016/2017 TAX YEAR

The Chelsea **FundStore**

This form is to be used for Self-directed clients only, on Explicit Pricing.
The ISA allowance for all investors is £15,240 for the 2015/2016 tax year and £15,240 for the 2016/2017 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

CODE: CH.DTYISA2016

Cofunds Intermediary Authorisation Code 7 7

1 Personal details (please complete this section in full)

Existing Cofunds Client Reference

Email

Mr/Mrs/Ms/Miss/Other

Surname

Full first name(s)

Telephone

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

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

If you **don't** have a National Insurance Number, please tick here ☐

Please read the following sentence and confirm by ticking the box if applicable. If you can't confirm and tick the box, please complete the Individual FATCA Self-Certification Form that can be issued to you by your intermediary.
I confirm that I am solely UK resident for tax purposes and not a US citizen ✔

Permanent residential address

Postcode

If at current address for less than two years, please supply previous address

Postcode

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)

STANDARD SELF-DIRECTED SEGMENT (Only apply if client is not already segmented)

3 Funding your investment (tick all that apply)

If you're investing in both tax years, please include **two separate** cheques.

☐ **Cheque(s)** Amount £ for the **2015/2016** tax year Amount £ for the **2016/2017** tax year

☐ **Cofunds Cash Account** Amount £ ☐ **Monthly Direct Debit** (please ensure you complete the Investment by Direct Debit instruction on page55

Cheque payment

Cheques must either be drawn on your own account or a 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.

4 Nominated bank account

Complete this section to set up a new nominated bank account. We'll use the details below to pay any future income/withdrawals to.

Name of account holder

Bank/Building Society Account Number

Branch Sort Code __ __ – __ __ – __ __

Building Society Roll Number

5 Investment selection

For further details about the available funds, please refer to the Key Investor Information Documents (KIIDs) and/or Fund Key Features Document.

Fund name(s) or Easy ISA Portfolios	Type of unit/share (delete as appropriate)[1]	2015/2016 tax year: Lump sum £50 per fund (minimum)	2015/2016 tax year: New monthly saving £50 per fund (minimum)[2]	2016/2017 tax year: Lump sum £50 per fund (minimum)	2016/2017 tax year: New monthly saving £50 per fund (minimum)[2]
☐ Cautious Growth EasyISA ☐ Balanced Growth EasyISA ☐ Aggressive Growth EasyISA ☐ Income EasyISA (please complete income payment section overleaf) ☐ Global Income EasyISA (please complete income payment section overleaf) (Tick one option only)		£	£	£	£
	ACC/INC	£	£	£	£
	ACC/INC	£	£	£	£
	ACC/INC	£	£	£	£
	ACC/INC	£	£	£	£
	ACC/INC	£	£	£	£
	ACC/INC	£	£	£	£
	ACC/INC	£	£	£	£
Cash Reserve		£	£	£	£
TOTAL AMOUNT		£	£	£	£

[1]**ACC/INC –** if you don't specify ACC or INC in this column, and don't complete Section 6, Cofunds will invest into accumulation units/shares where available.
[2]**New monthly saving –** if you'd like to set up a new monthly saving, please ensure you attach a completed **Investment by Direct Debit** with this application.

6 Income (please tick one of the following options)

The option you choose will be applied to all income units/shares you hold within this product.

Retain in fund (default) – reinvest any income back into the fund ☐

Consolidated monthly income – pay any income to my bank account on a monthly basis ☐

Cofunds Cash Account – pay any income into my Cofunds Cash Account ☐

If you already hold income units/shares within this product and you don't tick one of the boxes above, we'll apply your existing income option.

7 Service charge (for intermediary use only)

Service charge model name: STANDARD SELF-DIRECTED SEGMENT	Annual service charge: 0.40%* %

*This is an annual charge taken on a monthly basis

8 Declaration and authorisation

8A. I declare that
I am aged 18 years or over.

The information contained in this application form is correct to the best of my knowledge and belief.

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

All investment subscriptions made now and in the future belong to me.

I am applying to subscribe to a stocks and shares ISA for the 2015/2016 and 2016/2017 tax year and each subsequent year until further notice.

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, 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.

8B. 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.

If required, undertake searches with a reference agency for the purposes of verifying my identity. To do so, I understand that 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. I understand that a record of the search will be retained as an identity search.

8C. I confirm that
I have viewed the Terms and Conditions of the Cofunds Platform (Self-directed) and by signing this application form I agree to be bound by them.

I have viewed the relevant product Key Features and fund specific information and/or Key Investor Information Documents (KIIDs) relating to my investment. A copy of the KIIDs can be found via the following link: **www.cofunds.co.uk/investorsreportsandaccounts**

8D. 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 and Conditions of the Cofunds Platform (Self-directed).

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

My signed application form (once accepted by Cofunds) together with the Terms and Conditions of the Cofunds Platform (Self-directed) form my Customer Agreement with Cofunds Limited.

The commencement of my ISA may be delayed or rejected if this application form is not complete in all respects.

I am entitled to cancel my application in accordance with the Investment ISA Key Features and that if I choose 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.

8E. 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.

8F. Service charge
I confirm that I have received my Fees and Charges Schedule and understand which fees and charges are applicable to my investment.

I instruct Cofunds to pay my intermediary the service charge specified in Section 7 of this form, and in my Fees and Charges Schedule, from my relevant Cofunds payment account.

If I have an active Sale for Regular Payment, 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 my relevant payment account, I authorise Cofunds to sell enough of my platform assets to pay the service charge in accordance with the relevant Terms and Conditions of the Cofunds Platform or Customer Agreement applicable to my investments/assets.

8G. Notes
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 download reports and accounts, you can do so at:
www.cofunds.co.uk/investorsreportsandaccounts

If you wish to receive paper copies of reports and accounts, product Key Features, other fund-specific information and/or KIIDs, please write to us at:
Cofunds Limited, PO Box 1103, Chelmsford, CM99 2XY.

A copy of the Terms and Conditions can be found at: **www.cofunds.co.uk/selfdirectedterms**

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 ✗	Date

This form will be returned if it's not signed and dated.

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.
CA51SDUB 12/15

Investment ISA transfer form
SELF-DIRECTED, EXPLICIT PRICING

The Chelsea **FundStore**

CODE: CH.ISAT2016

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

Mr/Mrs/Ms/Miss/Other

Surname

Full first name(s)

Email

Telephone

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

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

If you don't have a National Insurance Number, please tick here. ☐

Permanent residential address

Postcode

If at current address for less than two years, please supply previous address

Postcode

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.

Please read the following sentence and confirm by ticking the box if applicable. **I confirm that I am solely UK resident for tax purposes and not a US citizen.** ✔
If you can't confirm and tick the box, please complete the Individual FATCA Self-Certification form that can be issued to you by Chelsea.

2 Segmentation (for intermediary use only)

STANDARD SELF-DIRECTED SEGMENT (Only apply if client is not currently segmented)

3 Nominated bank account

Complete this section to set up a new nominated bank account. We'll use the details below to pay any future income/withdrawals to.

Name of account holder

Bank/Building Society Account Number

Branch Sort Code – –

Building Society Roll Number

4 Income

The option you choose will be applied to all income units/shares you hold within this product.

☐ **Retain in fund (default)**
reinvest any income back into the fund

☐ **Consolidated monthly income**
pay any income to my bank account on a monthly basis

☐ **Cofunds Cash Account**
pay any income into my Cofunds Cash Account

If you already hold income units/shares within this product and you don't tick one of the boxes above, we'll apply your existing income option.

5 Service charge (for intermediary use only)

Service charge model name: STANDARD SELF-DIRECTED SEGMENT

Annual service charge*: 0.4%

*This is an annual charge taken on a monthly basis

CHELSEA Investment Intelligence™ powered by cofunds

6 Declaration and authorisation

6A. I declare that
I am aged 18 years or over.

The information contained in this application form is correct to the best of my knowledge and belief.

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

All investment subscriptions made now and in the future belong to me.

I am applying to subscribe to a stocks and shares ISA for the 2016/2017 tax year and each subsequent year until further notice.

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, 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.

6B. 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.

If required, undertake searches with a reference agency for the purposes of verifying my identity. To do so, I understand that 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. I understand that a record of the search will be retained as an identity search.

6C. I confirm that
I have viewed the Terms and Conditions of the Cofunds Platform (Self-directed) and by signing this application form I agree to be bound by them.

I have viewed the relevant product Key Features and fund specific information and/or Key Investor Information Documents (KIIDs) relating to my investment. A copy of the KIIDs can be found via the following link:
www.cofunds.co.uk/investorsreportsandaccounts

6D. 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 and Conditions of the Cofunds Platform (Self-directed).

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

My signed application form (once accepted by Cofunds) together with the Terms and Conditions of the Cofunds Platform (Self-directed) form my Customer Agreement with Cofunds Limited.

The commencement of my ISA may be delayed or rejected if this application form is not complete in all respects.

I am entitled to cancel my application in accordance with the Investment ISA Key Features and that if I choose 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.

It's Cofunds normal business practice to process my conversion following receipt of my assets from my previous Fund/Plan Manager. The instruction to convert is then passed to the Fund/Plan Manager who will convert and confirm back to Cofunds upon completion. Cofunds upon receipt of confirmation will then reflect the change(s) to my accounts. This process is subject to change dependant on volumes and individual Fund/Plan Manager processing procedures. I authorise Cofunds to convert on my behalf as outlined above.

Cofunds will convert commission-included share class funds to their commission-free share class equivalent where available to my intermediary.

Cofunds will convert commission-free share class funds to commission-free exclusive share class funds where available to my intermediary.

Cofunds will convert any funds re-registered that are not available to me through my intermediary to the commission-free share class equivalent that is available to my intermediary.

6E. 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.

6F. Service charge
I confirm that I have received my Fees and Charges Schedule and understand which fees and charges are applicable to my investment. I instruct Cofunds to pay my intermediary the service charge specified in Section 5 of this form, and in my Fees and Charges Schedule, from my relevant Cofunds payment account.

If I have an active Sale for Regular Payment, 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 my relevant payment account, I authorise Cofunds to sell enough of my platform assets to pay the service charge in accordance with the relevant Terms and Conditions of the Cofunds Platform or Customer Agreement applicable to my investments/assets.

6G. Notes
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 download reports and accounts, you can do so at:
www.cofunds.co.uk/investorsreportsandaccounts

If you wish to receive paper copies of reports and accounts, product Key Features, other fund-specific information and/or KIIDs, please write to us at:
Cofunds Limited, PO Box 1103, Chelmsford, CM99 2XY.

A copy of the Terms and Conditions can be found at:
www.cofunds.co.uk/selfdirectedterms

Number of attached Transfer Authority Forms ☐

Signature ✗	Date

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. CM.CHE010215

ISA Transfer Authority

This transfer authority should only be used for either the transfer of a Stocks and Shares ISA or a cash ISA into a Cofunds Stocks and Shares ISA. Please note that a separate authority will be required for each Plan/Account Manager. If transferring from more than one Plan/Account Manager, please request more Transfer Authority Forms from your intermediary. Please ensure that you have signed both the Transfer Application Form and the Transfer Authority Form.

Existing Cofunds Client reference

Please complete all details requested

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

Address

Postcode

I hereby instruct my current ISA Manager to either transfer my holdings to Cofunds Nominees Limited or liquidate the assets within my ISA with immediate effect, and forward the proceeds as specified below to my new Plan/Account Manager at **Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY. This transfer should include, where relevant, all former ISA and PEP investments.** I confirm that the re-registration of the funds listed will not change the beneficial ownership from the current holder. I confirm that this transaction is exempt from SDRT by virtue of paragraph 6 of Schedule 19 of the Finance Act 1999.

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Signature ✗ Date

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

Please list all funds that you hold with the above Plan/Account Manager that you wish to retain when you transfer your investment to Cofunds.
Please note that the funds you re-register will be moved into the clean share class.

Fund name	Account or plan numbers (*this must be completed*)	Type of unit/share (*delete as appropriate*)*
		ACC/INC
		ACC/INC
		ACC/INC
		ACC/INC
		ACC/INC

2 Funds that you wish to sell (stocks and shares cash transfer)

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

Fund name	Account or plan numbers (this must be completed)

3 Cash ISA transfer

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

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

Sort Code – –

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

Account or plan numbers (this must be completed)

4 Transfer investment choices (please refer to the fund charge schedule and complete in full)

I wish to transfer the proceeds of my existing ISAs into the Chelsea EasyISA (please tick one of the portfolios below). Minimum Transfer of £2,100. See chelseafs.co.uk/products/isa/easy for details.

Existing Cofunds Client ref

See page 6-7 of your recent Viewpoint for details on the EasyISA portfolios.

	(✓)
Cautious Growth EasyISA	
Balanced Growth EasyISA	
Aggressive Growth EasyISA	
Income EasyISA (please complete income section on previous page)	
Global Income EasyISA (please complete income section on previous page)	

Or select your own funds and complete this section below:

Fund name	Type of unit/share (delete as appropriate) [1]	Transfer %
	ACC/INC	
	ACC/INC	
	ACC/INC	
	ACC/INC	
	ACC/INC	
Cash Reserve (if required)		
		Total 100%

1 **ACC/INC**
If you do not specify ACC or INC in this column, and/or have not completed Section 4 of the Transfer Application form, Cofunds will invest into accumulation units/shares where available.

Investment Funds application

The Chelsea **FundStore**

The disclosure documentation applicable to this transaction is: | 0 | 4 | 1 | 5 | S | D | E |

Cofunds Authorisation Code | 7 | 7 |

This form is to be used for Self-directed Explicit Pricing clients only.
Please complete this application form using black ink in BLOCK CAPITALS and return to:
Chelsea Financial Services, St James Hall, Moore Park Road, London SW6 2JS

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

Personal/Company Investor(s) primary holder. *Please see Section 4 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

Telephone

Email

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

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.

For corporate investors please ensure you have completed all the signatory requirements in Section 10.

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 two years, please supply previous address and time there

Postcode

Time at this address yrs mths

Please read the following sentence and confirm by ticking the box if applicable. I confirm that I am solely UK resident for tax purposes and not a US citizen. ✔

If you can't confirm and tick the box, please complete the Individual FATCA Self-Certification form that can be issued to you by Chelsea.

1A. THIRD PARTY DETAILS (PLEASE COMPLETE IF RELEVANT)

Please complete this section if the person funding all or part of this investment is not the applicant listed in Section 1. A Confirmation of Verification of Identity (CVI) will also be required.

Mr/Mrs/Ms/Miss/Other

Surname

Full first name(s)

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

Current permanent residential address

Postcode

2 Segmentation (For intermediary use only)

Please enter the name of the segment in full using BLOCK CAPITALS: STANDARD SELF-DIRECTED SEGMENT (Only apply if client is not currently segmented)

3 Designations (You can designate an account here using a maximum of eight alphanumeric 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 Cofunds Cash Account.

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4 Joint Holders

Please include the full name and address of each holder. All correspondence will be sent to the primary holder. Joint holders must have the same investment service as 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 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.

Third 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 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.

5 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 on page 55)

6 Nominated Bank Account

Complete this section if you have not provided us with your nominated bank account details. Please note: you will need to verify this bank account before it can be used in conjunction with your Cofunds account. If you are paying by cheque then no action is required. For all other funding options you can send a void signed cheque or a bank statement issued within the last three months with this application. 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

7 Income

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

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

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, future investment or charges.

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

If you do not already hold income units/shares within this product and you do not tick one of these boxes we will select the 'Retain in fund' option by default. If you already hold income units/shares within this product and you do not tick one of these boxes we will apply your existing income option to all funds within this product.

8 Investment Selection

Minimum investment £50 per fund (lump sum) or £50 per month per fund (monthly savings). For further details about the available funds, please refer to the Key Investor Information Documents (KIID) and/or Fund Key Features Document.

Please ensure the funds are available through Cofunds. 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 your intermediary has 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	Type of unit/share *(delete as appropriate)**	Lump sum (£50 per fund minimum)	New monthly saving (£50 per fund minimum)**
	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 7, Cofunds will invest into accumulation units/shares where available.

Cheque payment
Cheques must either be drawn on your own account, joint account or the account of the person detailed in Section 1A (third party details). 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. For other methods of funding your investment please see Section 5.

**** 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.

9 Service Charge (To be completed by the intermediary)

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

*This is an annual charge taken on a monthly basis.

10 Declaration and Authorisation

I confirm that:
I have not received investment advice from Chelsea for this transaction.
I have viewed 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 viewed the relevant product key features and fund specific information and/or Key Investor Information Documents (KIID) relating to my investment.
A copy of the KIID can be found via the following link:
https://www.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx
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 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.
I understand and accept that I am entitled to cancel my application in accordance with the relevant Key Features 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.
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 is a registered Data Controller and a fully owned subsidiary of Legal & General Group Plc.
Cofunds Limited will use your information for the administration and servicing of your investments and all other related activities. We may disclose your information to our agents and service providers for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements.
With the exception of the above provisions, we will not pass on your details to any other third party without your permission, but we will disclose information concerning your investment to your nominated intermediary.
Cofunds may transfer your information to countries outside the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act.
If you require a fund prospectus, please contact your intermediary or Fund Manager directly.

Service 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 specified in Section 9 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 (please check with Chelsea if you're not sure) 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 in accordance with the relevant Terms and Conditions of the Cofunds Platform or Customer Agreement applicable to my investments/assets.

Primary holder signature ✗	Date
Capacity (if applicable)	

Second holder signature	Date
Capacity (if applicable)	

Third holder signature	Date
Capacity (if applicable)	

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

Issued and approved by Cofunds Limited, 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. CM.CHE010215

Dual Tax Year Junior Investment ISA

(STOCKS AND SHARES) 2015/2016 & 2016/2017 TAX YEAR

The Chelsea **FundStore**

CODE: CH.DTYJISA2016

This form is to be used for Self-directed clients only, on Explicit Pricing.
The Junior Investment ISA allowance for all investors is £4,080 for the 2015/2016 tax year and £4,080 for the 2016/2017 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 Intermediary Authorisation Code 7 7

1 Child details (please complete this section in full)

Existing Cofunds Client Reference

Mr/Mrs/Miss/Other

Surname

Full first name(s)

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

Permanent residential address

Postcode

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

If the child **doesn't** have a National Insurance Number, please tick here ☐

2 Applicant details – Registered Contact* (please complete this section in full)

Existing Cofunds Client Reference

Mr/Mrs/Ms/Miss/Other

Surname

Full first name(s)

Telephone

Email

Permanent residential address

Postcode

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

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

3 Third party details (please complete this section if you're not the child or Registered Contact but are funding the Junior Investment ISA)

Existing Cofunds Client Reference **(if applicable)**

Mr/Mrs/Ms/Miss/Other

Surname

Full first name(s)

Telephone

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

Permanent residential address

Postcode

Relationship to applicant

4 Segmentation (for intermediary use only)

STANDARD SELF-DIRECTED SEGMENT (Only apply if client is not already segmented)

5 Funding your investment (tick all that apply)

If you're investing in both tax years, please include **two separate** cheques.

☐ **Cheque(s)** Amount £ for the **2015/2016** tax year Amount £ for the **2016/2017** tax year

☐ **Monthly Direct Debit** (please ensure the person funding the investment completes the Investment by Direct Debit instruction on page 55.)

The subscribed is a gift to the child and can't be repaid to the subscriber if at a later date they change their mind.

Cheque payment
Cheques must either be drawn on your own account or joint account. Please make the cheque 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.

6 Investment selection

For further details about the available funds, please refer to the Key Investor Information Documents (KIIDs) and/or Fund Key Features Document.

Fund name(s) or Junior EasyISA portfolio	Type of unit/share (delete as appropriate)[1]	2015/2016 tax year: Lump sum £50 per fund (minimum)	2015/2016 tax year: New monthly saving £50 per fund (minimum)[2]	2016/2017 tax year: Lump sum £50 per fund (minimum)	2016/2017 tax year: New monthly saving £50 per fund (minimum)[2]
☐ Core Equity Portfolio ☐ Balanced Equity Portfolio ☐ Aggressive Equity Portfolio		£	£	£	£
	ACC/INC	£	£	£	£
	ACC/INC	£	£	£	£
	ACC/INC	£	£	£	£
	ACC/INC	£	£	£	£
	ACC/INC	£	£	£	£
	ACC/INC	£	£	£	£
Cash Reserve		£	£	£	£
TOTAL AMOUNT		£	£	£	£

[1]**ACC/INC –** if you don't specify ACC or INC in this column, Cofunds will invest into accumulation units/shares where available.

[2]**New monthly saving –** if you'd like to set up a new monthly saving, please ensure you attach a completed **Investment by Direct Debit** with this application.

7 Income

☑ **Retain in fund**
Income generated from this investment will be retained in the fund. We don't pay income from a Junior Investment ISA.

8 Declaration and authorisation

8A. I declare that

I am aged 16 years or over.

The information contained in this application form is correct to the best of my knowledge and belief.

I am the child/I have parental responsibility for the child.

I/The child does not have a Child Trust Fund account.

I will be the Registered Contact for this Junior Investment ISA.

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

The child will be the beneficial owner of the investments.

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 am applying to subscribe to a stocks and shares Junior Investment ISA for the child for the 2015/2016 and 2016/2017 tax year and each subsequent year until further notice.

I have not subscribed and will not subscribe to another stocks and shares Junior Investment ISA for this child.

I am not aware that this child has another stocks and shares Junior Investment ISA within this tax year.

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.

8B. I authorise Cofunds Limited to

Hold my the child's subscriptions, Junior Investment ISA investments, interest, dividends and any other rights or proceeds in respect of those investments and any other cash.

Make on the child's behalf any claims to relief from tax in respect of my Junior Investment ISA investments.

8C. I confirm that

I have viewed the Terms and Conditions of the Cofunds Junior Investment ISA and by signing this application form I agree to be bound by them.

I have viewed the relevant product Key Features and fund specific information and/or Key Investor Information Documents (KIIDs) relating to my investment. A copy of the KIIDs can be found via the following link: **www.cofunds.co.uk/investorsreportsandaccounts**

8D. I understand that

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

My signed application form (once accepted by Cofunds) together with the Terms and Conditions of the Cofunds Junior Investment ISA form my Customer Agreement with Cofunds Limited.

The commencement of my Junior Investment ISA may be delayed or rejected if this application form is not complete in all respects.

I am entitled to cancel my application in accordance with the Junior Investment ISA Key Features and that if I choose 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.

8E. Notes

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 download reports and accounts, you can do so at:
www.cofunds.co.uk/investorsreportsandaccounts

If you wish to receive paper copies of reports and accounts , product Key Features, other fund-specific information and/or KIIDs, please write to us at:
Cofunds Limited, PO Box 1103, Chelmsford, CM99 2XY.

A copy of the Terms and Conditions can be found at: **www.cofunds.co.uk/juniorisaterms**

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.

Applicant signature (Registered Contact) ✗	Date

This form will be returned if it's not signed and dated.

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. JCA51SDUB 12/15

Child Trust Fund to Junior Investment ISA

TRANSFER APPLICATION

The Chelsea **FundStore**

The disclosure documentation applicable to this transaction is: J I S A 0 4 1 5 S D E

Cofunds Intermediary Authorisation Code 7 7

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

This application form is to be used to transfer assets/money from an existing Child Trust Fund (CTF) to a Cofunds Junior Investment ISA. On receipt of any assets re-registered from your previous provider it will be Cofunds normal business practice (and by signing this application, you agree to such practice) to convert to the commission-free share class equivalent available to your intermediary. If a commission-free share class is not available, we will be unable to transfer the assets to Cofunds.

The Junior Investment ISA allowance is £4,080 for the 2015/2016 tax year. The minimum investment in to a Cofunds Junior Investment ISA is £500.

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.

1 Child 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/Miss/Other

Surname

Full first name(s)

Current permanent residential address

Postcode

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

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

Existing Cofunds Client Reference

Mr/Mrs/Ms/Miss/Other

Surname

Full first name(s)

Telephone number

Email

Current permanent residential address

Postcode

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

3 Segmentation (For intermediary use only)

STANDARD SELF-DIRECTED SEGMENT (Only apply if client is not already segmented)

4 Income

✓ **Retain in fund -** Income generated from this investment will be retained in the fund. We don't pay income from a Junior ISA

5 Declaration and Authorisation

I declare that:
I am 16 years of age or over.
I am the child /I have parental responsibility for that child.
I am the Registered Contact for the Junior Investment ISA.

I authorise Cofunds to:
Hold the child's subscriptions, Junior Investment ISA, interest, dividends and any other rights or proceeds in respect of those investments and cash, and;
Make on behalf of the child any claims to relief from tax in respect of Junior Investment ISA.

I confirm that:
I have not received investment advice from Chelsea for this transaction
I have viewed the Terms and Conditions of the Cofunds Junior Investment ISA (Self-directed Explicit Pricing) and by signing this application form I agree to be bound by them.
I have viewed the relevant product Key Features and Fund specific information and/or Key Investor Information Documents (KIID) relating to my investment.
A copy of the KIID can be found via the following link (if you have difficulty locating your fund, please contact your intermediary):
https://www.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx
I understand that it's Cofunds normal business practice to process my conversion following receipt of my assets from my previous Fund/Plan Manager. The instruction to convert is then passed to the Fund/Plan Manager who will convert and confirm back to Cofunds upon completion. Cofunds upon receipt of confirmation will then reflect the change(s) to my accounts. This process is subject to change dependant on volumes and individual Fund/Plan Manager processing procedures. I authorise Cofunds to convert on my behalf as outlined above.
I understand that Cofunds will convert commission-included share class funds to their commission-free share class equivalent where available to my intermediary.
I understand that Cofunds will convert commission-free share class funds to commission-free exclusive share class funds where available to my intermediary.
I understand that the Terms and Conditions of the Cofunds Junior Investment ISA (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 and Conditions of the Cofunds Junior Investment ISA (Self-directed Explicit Pricing) form my customer agreement with Cofunds Limited.

I understand and accept that I am entitled to cancel my application in accordance with the Key Features of the Cofunds Junior Investment ISA 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.

Data Protection
Cofunds Limited is a registered Data Controller and a fully owned subsidiary of Legal & General Group Plc. Cofunds Limited will use your information for the administration and servicing of your investments and all other related activities.
We may disclose your information to other companies within the Legal & General group of companies, future owners of our business, and suppliers we engage to process data on our behalf for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements.
With the exception of the above provisions, we will not pass on your details to any other third party without your permission.
Cofunds may transfer your information to countries outside of the EEA for the administration and 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 or any legislation that may be enacted to replace that 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://www.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.

Signature ✗ Date

Please note: this form will be returned if it's not signed and dated.

Child Trust Fund to Junior Investment ISA Transfer Authority

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

This transfer authority should only be used to transfer a Child Trust Fund (CTF) into a Cofunds Junior Investment ISA.

Existing Cofunds Client reference

Please complete all details requested

Name of existing Child Trust Fund provider

Address

Postcode

I hereby instruct my current Child Trust Fund provider to either transfer my holdings to Cofunds Nominees Limited or liquidate the assets within my Child Trust Fund with immediate effect, and forward the proceeds as specified below to my new Plan/Account Manager at Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY. I confirm that the re-registration of the funds listed will not change the beneficial ownership from the current holder. I confirm that this transaction is exempt from SDRT by virtue of paragraph 6 of Schedule 19 of the Finance Act 1999.

Type of Child Trust Fund with current provider to be transferred:

- Cash
- Stocks and Shares
- Stakeholder CTF

CTF Unique Reference Number __ __ / __ __ / __ __ / __ __ / __

1 Child Details (Please complete this section in full)

Existing Cofunds Client Reference

I apply to open a Junior Investment ISA for

Mr/Mrs/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

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

If the child does not have a National Insurance Number, please tick here.

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

Existing Cofunds Client Reference

Mr/Mrs/Ms/Miss/Other

Surname

Full first name(s)

Telephone number

Email

Current permanent residential address

Postcode

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

Signature ✗ Date

2A. TRANSFERRING A STAKEHOLDER CTF (Only complete if relevant)

The following stakeholder CTF features will **NOT** be included in a Junior ISA:

- Lifestyling from age 15
- Minimum subscriptions of £10 allowed
- Annual charge cap of 1.5%

I confirm that I understand the above and wish to proceed.

3 Funds that you wish to KEEP via re-registration (Stock transfer)

Please list full names of the funds that you hold with the Child Trust Fund provider, that you wish to keep when you transfer your investment to Cofunds.

Please ensure the funds you choose are available on Cofunds. All funds held in the CTF must be transferred to a Cofunds Junior Investment ISA at the same time.

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

*If you do not specify ACC or INC in this column, Cofunds will not be able to process your application.

4 Funds that you wish to SELL (cash transfer) Please also complete section 6

Please list full names of the funds you'd like to sell and transfer the proceeds to Cofunds.

Fund Name(s)	CTF A/C or plan nos. (*This must be completed*)

5 Declaration and Authorisation

I declare that:

I am the Registered Contact for the Child Trust Fund.

I am the child /I have parental responsibility for that child.

I authorise my existing Child Trust Fund provider (as specified above) to:

Transfer the Child Trust Fund which the Unique Reference Number listed refers to, to Cofunds.

Provide Cofunds with any information, written or non-written, concerning the Child Trust Fund and to accept any instruction from them relating to the Child Trust Fund being transferred.

I authorise Cofunds to:

Hold the child's subscriptions, Junior Investment ISA, interest, dividends and any other rights or proceeds in respect of those investments and cash, and;

Make on behalf of the child any claims to relief from tax in respect of Junior Investment ISA.

I understand:

Where I must give notice to close or transfer part of the existing Child Trust Fund, or the existing Child Trust Fund contains an investment which is designed and intended to be held for full terms and has yet to reach redemption, I instruct my existing Child Trust Fund provider to either (please tick one box):

☐ Wait for the full notice to end, or wait until redemption (whichever is relevant) before going ahead with this transfer.

☐ Carry out the transfer as soon as possible, depending on the terms and conditions. I accept any consequential loss of income, capital or charges that may be applied.

Applicant's Signature ✗ Date

(Registered Contact)

6 Transfer Investment Choices - Junior ISA

I wish to transfer the proceeds of any investments sold, in accordance with the Transfer Authority into the following investments, within a Cofunds Junior Investment ISA.

See page 10 of your recent Viewpoint for details of the Junior EasyISA.

Fund Name(s) or Junior EasyISA portfolio	Type of Unit/Share (*delete as appropriate*)	Transfer %
☐ Core Equity Portfolio ☐ Balanced Equity Portfolio ☐ Aggressive Equity Portfolio (Tick one option only)	ACC/INC	
	ACC/INC	
	ACC/INC	
	ACC/INC	
	ACC/INC	
	ACC/INC	

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JCA117SDUB 04/15

Re-registration form

THE EASY WAY TO CONSOLIDATE YOUR PORTFOLIO

The Chelsea **FundStore**

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

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

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

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

ISA investments – Please complete in block capital letters

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

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

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

Please photocopy this form if you require additional space.

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

CFSFLF 08.03

cofunds

Instruction to your Bank or Building Society to pay Direct Debits

DIRECT Debit

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

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.

DIRECT Debit

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.

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 a little extra help or guidance, you can call us on **020 7384 7300** or email us at **info@chelseafs.co.uk**

Follow us:

www.chelseafs.co.uk

youtube.com/chelseafstv

@DariusMcDermott

www.facebook.com/InvestChelsea

CHELSEA
Investment Intelligence™