

Viewpoint

THE MAGAZINE FOR CHELSEA INVESTORS

ISSUE 40 OCTOBER 2015

Market-beating returns

China conundrum

Rate rise impact

Pension changes

Welcome to Viewpoint

Welcome to our Autumn 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.

We are very excited about how well our research has performed. See page 26 for more details.

And we answer some of your questions on the conversion to the new charging structure on page 5.



"We open up the active vs passive debate with some interesting results on page 35."
Chairman, Chelsea

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Market View

Since I last wrote, back in June, both the weather and markets have taken a turn for the worse. As the summer turned into a damp squib, clouds gathered over markets, as they drifted downwards. After a spell of 10 successive down days, the FTSE 100 finally capitulated on August 24th, falling over 10% in one day to 5,898*, a long way from the year's high of 7,104* on April 27th. Unfortunately, the caution we voiced on equities in the previous Market View was warranted.

Although, in 'glass half full' mode, we should acknowledge that we have enjoyed a lengthy period of strong returns, with the FTSE 100 up over 142%* since March 2009. So, you could argue we were due for a setback. The Greek situation having eased, it was actually the Chinese who put the brakes on the bull market. Fears of slowing growth in China gripped markets. Particularly hard hit were commodity-producing companies and countries and of course the FTSE 100 suffered, with its large weighting in oil and mining. Volatility is now back with a vengeance, as markets are buffeted by good and bad news alike, but, don't forget, this can produce good opportunities for active managers.

Furthermore, it's as well to bear in mind that index performance does not necessarily correlate with your own portfolio. The majority of our Core and Selection funds have held up well during the recent downturn. My colleague, James, expands on the vast difference in returns that you can receive by investing with a good active manager on page 26.

GLOBAL IMPACT

As globalisation continues apace, it is really very difficult to talk about economies in isolation. Although we are all at different stages in terms of economic cycles we are, for good or ill, quite intertwined. This was clearly illustrated by the global reverberations felt by the slowdown in China. I could write the whole column on China, but instead we asked one of our Core managers to give you an update on page 28. Suffice it to say, China is struggling with its transition towards a more domestic-orientated economy. So, whilst service spending and retail sales are increasing, industry is declining and, with it, demand for power and commodities. Real estate investment is also in the doldrums. Consequently, this doesn't bode well for GDP growth.

The US is going strong, with unemployment declining and the collapse in oil capex largely already behind them. In fact, at current levels, the Fed should have raised rates already, but they are renowned for raising too late and then having to

compensate by raising more swiftly - plus ça change! More on that on page 29. Yes their exporters are being hit by the stronger dollar, but the US economy is reasonably well insulated from the rest of the world, with only 13%† of its GDP reliant on exports and those exports being more to Europe than to China. Whereas in the UK, exports account for 30% of our GDP and in Germany over 50%† of GDP is down to exports. Furthermore, the US consumer is now spending its saving on fuel prices, and retail sales are on the up.

In Europe the Greek situation is reasonably contained and, whilst it is very likely to resurface, I don't believe it has the capacity to cause any major disruption to other European economies. My concerns for the long-term durability of the European model remain, but QE and periphery recovery make it look more promising in the short term. A note of caution though, with regard to China; if the slowing growth has a strong impact on the Chinese consumer, Europe will certainly feel the pain (see Germany's export percentage above).

I'm afraid emerging markets are in something of a perfect storm, with the combination of a strengthening dollar and the slowdown in China (many of them are commodity producers). A US rate hike, which will happen sooner or later, will impact them too. Brazil is really hitting the rocks - down over 33%* year to date, but there you have corruption and political issues heaped on for good measure. Emerging markets' managers that I meet are saddened to note that, largely, EM companies are not adjusting their businesses to cope with the change in climate.

In the UK, we pointed out last time that micro-caps looked attractive and, in fact, they held up remarkably well in the recent sell off. The UK economy remains relatively robust, but sterling's strength is impacting exporters and the uncertainty surrounding European exit will not aid growth.

INVESTMENT OPTIONS

I feel I've said enough on bonds to last a lifetime. To recap, I am wary of them in this time of imminent rate hikes and reduced liquidity. I would only own a strategic bond fund, which



"These funds can provide some welcome ballast as we navigate stormier seas"

Managing Director, Chelsea

has more levers at its disposal to cope with the changing outlook for fixed interest.

Whilst the US economy looks strong, valuations still reflect that, despite the recent setback. I prefer exposure to the domestic economy than to those larger exporters exposed to the pain felt by a strengthening dollar.

For investment in the UK, as in the US, I prefer domestic-focused smaller companies, which are not impacted by the strength of our currency.

As before, I see the European and Japanese markets as beneficiaries of their QE programmes. They are also further behind the curve in terms of recovery than the US, so we may see improvement continue. Japanese companies, as a result of reforms, are improving their return on equity and the Nikkei 225 is one of the best-performing markets year-to-date, up over 7%*.

It could be time to stick a toe in the water with EMs, if we see the next leg down, which is expected on the first US rate hike, but for the time being I'm keeping my powder dry.

All of the above points to the necessity for active management over index weightings in these more turbulent times and indeed active managers have, on the whole, held up better. For more on this, see page 35.

However, my focus is more strongly on absolute return funds in this time of uncertainty. I think many investors are wary of them, but the risk article on page 12 may help to explain these funds. There is no doubt that we are in a period of strong volatility and for those of you who are of a nervous disposition, these funds can provide some welcome ballast as we navigate stormier seas.

*Source: FE Analytics 10/09/15

†Source: Quandl 10/09/15



Your **charging structure** questions answered



“The charges are now clear to see and cheaper.”

Research Assistant, Chelsea

The process of converting our clients' portfolios into the new charging structure has meant a lot of change for both ourselves and our clients. So inevitably there have been many questions raised, some of which we have highlighted below. If there's anything we don't cover, please don't hesitate to give us a call.

HOW CAN I PAY MONEY INTO MY CASH ACCOUNT?

You can pay in a lump sum, either by cheque or online by BACS transfer. Or you can pay a regular amount, by setting up a Standing Order with your bank. You will need the following information to make a transfer from your bank (lump sum or regular):

Account name: Cofunds Ltd
Account number: 22563044
Sort code: 15-10-00

You will also need to quote your platform reference number as the payment reference (see below).

WHERE DO I FIND MY PLATFORM REFERENCE NUMBER?

You can find it when you log in online. It's in the top right-hand corner of your valuation page, below the date and your Cofunds reference number. If you don't have access online, you can find it under the Cofunds Cash Account heading in the Details of Transactions section.

ON WHICH DAY ARE THE CHARGES CALCULATED AND TAKEN?

The charges are taken one month in arrears. Cofunds calculate, on the third or fourth business day of the month, how much is owed in charges for the previous month. Then, on the fifth business day, if there is enough money in your Cash Account to cover charges, they will ring-fence that money. If there is not enough in the Cash Account, Cofunds will need to sell units from one of your funds (which they do on the ninth business day of the month). The charges will then be collected from your Cash Account two business days before the last Thursday of the month.

WHEN DO I NEED TO FUND MY CASH ACCOUNT?

You will need to ensure that any money you pay into your Cash Account is cleared by the third business day of each month in order for it to be used to pay for charges.

HOW MUCH DO I NEED TO PAY INTO MY CASH ACCOUNT?

You will need to pay in enough money to cover both Chelsea's (service charge) and Cofunds' (platform charge) annual charges, which amount to 0.6% per annum of the value of your portfolio. The monetary amount you pay will fluctuate in line with your portfolio's valuation.

WILL YOU CONTACT ME WHEN THE MONEY IN MY CASH ACCOUNT RUNS OUT?

We won't, but you can keep an eye on your balance online, or when your biannual statement arrives, and top up accordingly.

WHY ARE UNITS BEING SOLD TO PAY FOR CHARGES?

If you do not have enough money in your Cash Account each month, enough units will be sold to cover the charges.

CAN I CHOOSE A FUND FROM WHICH UNITS ARE SOLD TO PAY FOR CHARGES?

Yes, you can nominate a fund to pay for charges. If you do not nominate a specific fund, the charges will be taken from the highest valued fund. Units will only be sold to cover charges if you have insufficient money in your Cash Account. To nominate a fund, please let us know in writing or by phone.

I HAVE CONVERTED MY FUNDS BUT STILL HAVE SMALL AMOUNTS LEFT IN THE OLD FUNDS. WHY?

This could be due to a dividend being paid after the conversion took place. Cofunds will periodically sweep up such amounts and convert them.

WHY ARE THE PRICE AND NUMBER OF UNITS IN MY FUNDS NOW DIFFERENT?

Different share classes of the same fund carry different prices. So when you convert from the old share class to the clean share class, the price of the units you hold will be different and consequently the number of units you hold will be different. The important thing to remember is the valuation will remain the same.



WHY DO I NOW HAVE TO PAY FOR MY CHARGES?

You always did, but the charges were not transparent. The Annual Management Charge (AMC) levied by the fund manager (1.5% on a typical fund) was calculated within the price of the unit, therefore you never actually saw the charge coming out of your account. Chelsea's service charge and Cofunds' platform charge were paid out to both parties from that AMC, rather than being taken directly from your account as they are now. The charges are now clear to see and, most importantly, are cheaper.

DOES IT MATTER IF UNITS ARE SOLD TO COVER CHARGES?

No, it doesn't. It comes down to personal choice - would you prefer to pay money into your Cash Account to cover charges or leave Cofunds to sell enough units instead? The choice is yours.



"Investing early can build a substantial nest egg, for your child's future"
Operations Director,
Chartered Financial Planner, Chelsea

Chelsea Junior ISA

Transfer your CTF and benefit from **0% service charge**

Many of our investors have already taken advantage of our special deal and transferred their Child Trust Fund to the Chelsea Junior ISA.

Finally, after lengthy campaigning, it is possible to transfer CTFs to Junior ISAs.

Child Trust Funds (CTFs) were launched 10 years ago to encourage parents to save tax efficiently for their children's future. However, a combination of limited product choice, expensive charging and low contribution limits led to limited success. In 2011 the government replaced CTFs with the much improved Junior ISA.

More than six million children could now benefit from wider investment choice, lower costs and potentially greater returns. What's more, for at least 12 months, Chelsea are offering the **Junior ISA at a 0% annual service and 0% platform charge***. This deal is not only for CTF transfers, but also for new, and existing, Junior ISA accounts.

WHY TRANSFER A CTF TO THE CHELSEA JUNIOR ISA?

- The same tax advantages are available on a much wider choice of funds (2,500 on the Chelsea FundStore) with no trading costs or hidden charges
- 0% service charge for at least 12 months
- The Junior ISA is automatically rolled into an 'adult' ISA when the child reaches 18
- CTFs are now a dormant product and will eventually cease to exist
- Free transfer

HOW DO I TRANSFER A CTF TO A JUNIOR ISA?

Simply complete and return the transfer form on page 51.

UNSURE WHERE TO INVEST?

- You can choose from any of the 2,500 funds on the Chelsea FundStore, all at 0% initial charge.
- Or, you could look at the Chelsea Selection (pages 22-23) or Core Selection (pages 14-19) for inspiration.
- Alternatively, our research team has produced three Junior EasyISA portfolios for your consideration. You can read more about these on the opposite page.

Lucy Garbutt, London: "The Chelsea Junior EasyISA is such an easy way to select investments for my grandchildren and it's currently free. So it really is the best present I could give them!"

James Brack, Worcester: "With the Chelsea Junior EasyISA, I can pick one product and know my investment will grow in the long term for my children."



*Standard Service and Platform Charge = 0.60%. Junior ISA Service and Platform Charge for at least 12 months = 0%

THE CHELSEA Junior EasyISA

The Junior ISA is a version of the long-standing and popular ISA but aimed at parents, guardians and grandparents who wish to save for a child's future. The Junior ISA has the advantage of no capital gains tax and no further liability to income tax. The Junior ISA limit is £4,080 for the 2015/16 tax year.

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	0.71%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.76%

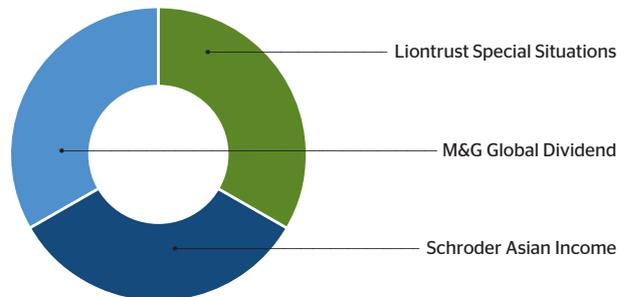
The core portfolio is designed to provide capital growth through investment in equities in a variety of regions and some fixed interest, with the aim of reducing volatility. The resulting portfolio holds over 80% in equities, so there is still potential for capital loss.



Balanced Equity Portfolio

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

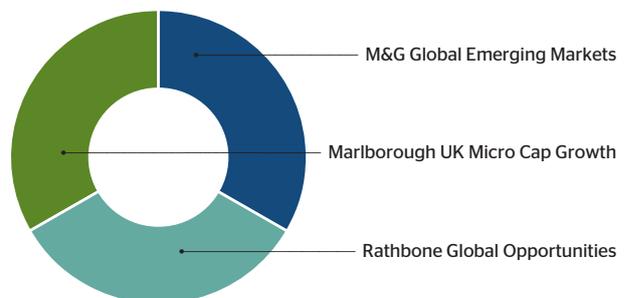
Those investors prepared to take a balanced level of risk and aiming to generate a return on capital through a mix of growth and income should opt for the balanced portfolio. The portfolio primarily invests in developed Asia and UK equity markets, although it is exposed to other regions such as the US, 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)	0.83%

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

Core Equity Portfolio: Henderson UK Absolute Return replaces Henderson Cautious Managed

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

INVESTING MADE EASY, WITH 0% INITIAL CHARGE:

the Chelsea EasyISA

When it comes to considering funds for your ISA, the range is vast and the task of choosing just a few for your portfolio can be daunting.

That's why we've 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 tax year.

Please note that the minimum lump sum payment is £50, or £25 monthly, 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!



"We are very excited by how much our research has enabled your investments to outperform; see pages 26 & 27."

Research Director, Chelsea

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

Balanced Growth EasyISA: Liontrust Special Situations replaces JOHCM UK Opportunities (see page 33)

Aggressive Growth EasyISA: JOHCM Global Select replaces M&G Global Emerging Markets

Income EasyISA: PFS TwentyFour Dynamic Bond replaces Jupiter Strategic Bond; Standard Life UK Equity Income Unconstrained replaces RWC Enhanced Income

Global Income EasyISA: Fidelity Global Enhanced Income replaces Legg Mason US Equity 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	0.68%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.80%
BENCHMARK	1/3 STRATEGIC BOND (SECTOR AVERAGE) 2/3 MIXED INVESTMENT 20-60% (SECTOR AVERAGE)

FE Analytics data as of 01/09/2015, compiled by Chelsea



	PORTFOLIO	BENCHMARK	MIXED INVESTMENTS 20-60% SHARES**
PERFORMANCE OVER 1 YEAR	7.40%	0.79%	0.86%
PERFORMANCE OVER 3 YEARS	26.26%	15.74%	17.14%
PERFORMANCE OVER 5 YEARS	43.24%	27.33%	28.49%

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)



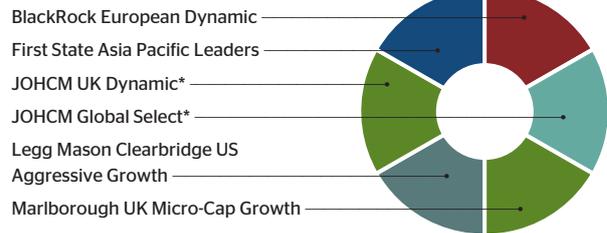
	PORTFOLIO	BENCHMARK	MIXED INVESTMENTS 20-60% SHARES**
PERFORMANCE OVER 1 YEAR	6.28%	1.43%	1.54%
PERFORMANCE OVER 3 YEARS	33.91%	29.31%	24.38%
PERFORMANCE OVER 5 YEARS	57.56%	47.58%	39.48%

FE Analytics data as of 01/09/2015, 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	0.76%*
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.91%
BENCHMARK	MSCI WORLD INDEX



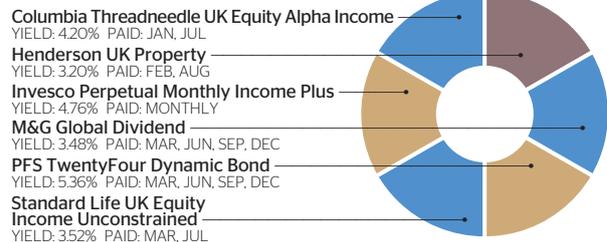
	PORTFOLIO	BENCHMARK	GLOBAL RETAIL**
PERFORMANCE OVER 1 YEAR	0.38%	3.52%	1.50%
PERFORMANCE OVER 3 YEARS	35.61%	41.04%	33.26%
PERFORMANCE OVER 5 YEARS	58.92%	68.88%	51.27%

FE Analytics data as of 01/09/2015, 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)



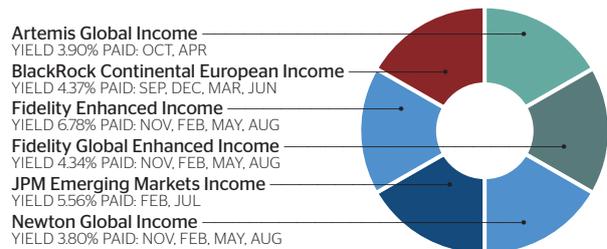
	PORTFOLIO	BENCHMARK	MIXED INVESTMENTS 20-60% SHARES**
PERFORMANCE OVER 1 YEAR	1.29%	1.49%	0.86%
PERFORMANCE OVER 3 YEARS	25.91%	26.65%	17.14%
PERFORMANCE OVER 5 YEARS	46.87%	46.53%	28.49%
AVERAGE YIELD FOR THE PORTFOLIO	4.11%	-	-

FE Analytics data as of 01/09/2015, 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 19% 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	0.75%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.92%
BENCHMARK	GLOBAL EQUITY INCOME



	PORTFOLIO	BENCHMARK	GLOBAL RETAIL**
PERFORMANCE OVER 1 YEAR	0.42%	0.75%	1.50%
PERFORMANCE OVER 3 YEARS	30.73%	31.99%	33.26%
PERFORMANCE OVER 5 YEARS	N/A	N/A	N/A
AVERAGE YIELD FOR THE PORTFOLIO	3.89%	-	-

FE Analytics data as of 01/09/2015, compiled by Chelsea. **Sector average

the **DIY** portfolio

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

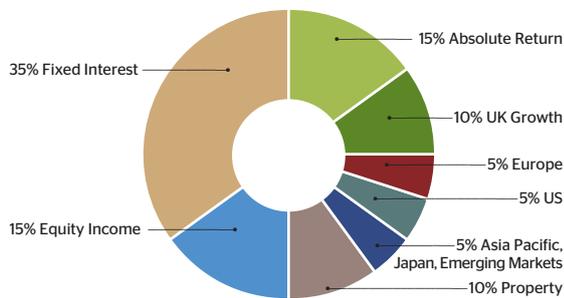
By diversifying by asset class and geography your portfolio should have a better chance of producing more balanced returns with lower overall volatility. For example, when your equity funds are struggling this might be offset by better performance from your bond funds or vice versa. The number of funds 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.

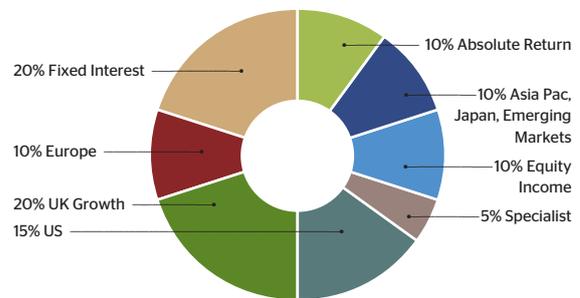
Cautious Growth DIY portfolio

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.



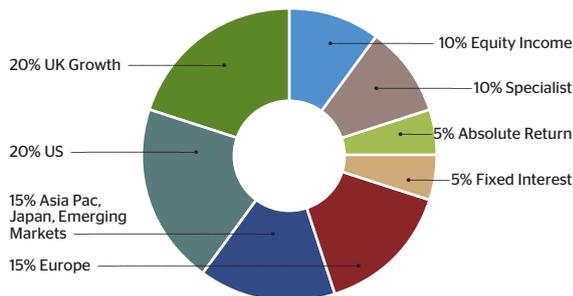
Balanced Growth DIY portfolio

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



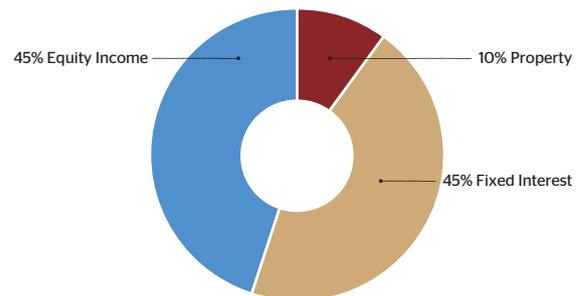
Aggressive Growth DIY portfolio

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 DIY portfolio

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 **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'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



Risk: protect your portfolio

In this edition we thought it would be useful to consider risk in the context of a whole portfolio. The Chelsea risk ratings give you an idea of the relative risk of each fund, but you can also manage and potentially reduce your risk in the way you build your portfolio.

DIVERSIFICATION

Diversification is one of, if not the most important investment concept. Very simply, it means not putting all your eggs in one basket.

The easiest way to make a mistake with your savings is to get greedy and put everything into one investment. The great thing about investing in funds, like those offered via the Chelsea FundStore, is they provide you with an instant level of diversification. Rather than investing in one stock or one bond, the fund manager will make a range of different investments. This means if one of the holdings does poorly it won't cost you your whole investment.

However, you can improve your diversification further. You can diversify by geography. You can also invest in different types of asset classes. Having a range of equity, bond, absolute return, specialist and property funds will improve your diversification. Don't forget, you can also buy small or mid-sized company (mid-caps) funds. At certain times, different types of assets will be in and out of favour, so having a mix could help smooth out returns.

COMMON DIVERSIFICATION ERRORS

1. Only holding one or two funds.
2. Having too much of your portfolio concentrated in volatile specialist sectors. You should think very carefully before you have more than 10% of your portfolio in biotech, technology, commodity, oil or gold funds.
3. Not considering your own risk tolerance and failing to build an appropriately diversified portfolio which includes many different assets.
4. Holding lots of different funds but having more than half your portfolio's value concentrated in just one or two.
5. Holding too many funds. It is possible to over-diversify. For example, if you hold 40 funds they will be difficult to keep track of and you are likely to dilute your best performers.

CORRELATIONS - HOW TO DIVERSIFY

To maximise the benefits from diversification it's important that the different funds in which you invest aren't all correlated with one another. If funds are strongly correlated they will go up and down together.

Ideally your portfolio will include funds which are lowly or even negatively correlated. If funds are negatively correlated to one another, as one goes down the other should go up. This will help to smooth out your returns. Traditionally a safe haven, like government bonds, was negatively correlated to the equity market. You may have heard of the terms 'risk on' and 'risk off'. On a 'risk on' day equities would go up and government bonds would go down. On a 'risk off' day the opposite would happen.

Unfortunately in recent times, partly as a result of central banks' policies such as quantitative easing, asset classes have become increasingly correlated. Bonds and equities now often move in tandem with one another. This has made constructing a well balanced portfolio extremely difficult.

During the 2008 financial crisis it was very apparent how correlated everything had become. Not only did the stock market fall by over 30%, but so did many bond and property funds. Even investors who thought they were well diversified suffered heavy losses. It always pays to think about the next crisis before it happens and, worryingly, the market is arguably even more correlated now. So, is your portfolio prepared?

HOW TO DEFEND AGAINST INCREASED CORRELATIONS

Absolute return funds

Absolute return funds are a relatively new type of fund but they are an important weapon for investors in the fight against increasing correlations. An absolute return fund is one that is focused on not losing clients'

money over a certain period. The basic idea behind them is to deliver a solid return in all market conditions with lower risk than equities. If you can find funds which achieve this, they can act as a solid rock within your portfolio, even in times when the wider equity and bond market are falling.

WHAT TYPES OF RETURN ARE THEY TARGETING?

They all have slightly different targets but aim to give a return above cash, usually between 3% and 10% pa.

WHAT EXACTLY ARE THEY?

They basically employ various 'hedge fund strategies' that have now been made available to the retail public. Previously, hedge fund strategies were only available to wealthy private individuals, but the regulations changed in 2002, giving the general public access to these types of strategies for the first time.

HOW ARE THEY DIFFERENT FROM HEDGE FUNDS?

Hedge funds typically employ leverage (borrowing money to enhance returns). This increases risk and can cause them to get into difficulty, particularly in times of market stress. Absolute return funds are governed by strict regulations and limited in how much leverage they can use. Although this does not mean some are not higher risk than others, there is a big difference between some of the strategies; each needs to be judged on a case-by-case basis.

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

WHAT ARE THE TYPES OF ABSOLUTE RETURN FUND?

Long/short equity

These use the fund manager's ability to make money on both shares that go up (long) as well as making money on shares that go down (short). A manager can also employ a pair trading strategy where, for example, he buys BP and shorts Shell. Some funds, like the Old Mutual Global Equity Absolute Return fund, are market neutral. This means it should have no correlation with the stock market.

Others, like the Henderson UK Absolute Return fund, may be either net long or net short depending on their view.

Multi-asset/multi-strategy

These funds may take long or short positions around a large mix of equities, fixed interest, currencies, property, commodities, private equity and cash. They may also have a high number of smaller positions in place trying to make small profits from each. Fund examples of this strategy include Standard Life GARS, Aviva Multi Strategy Income and Premier Defensive Growth.

PERFORMANCE FEES

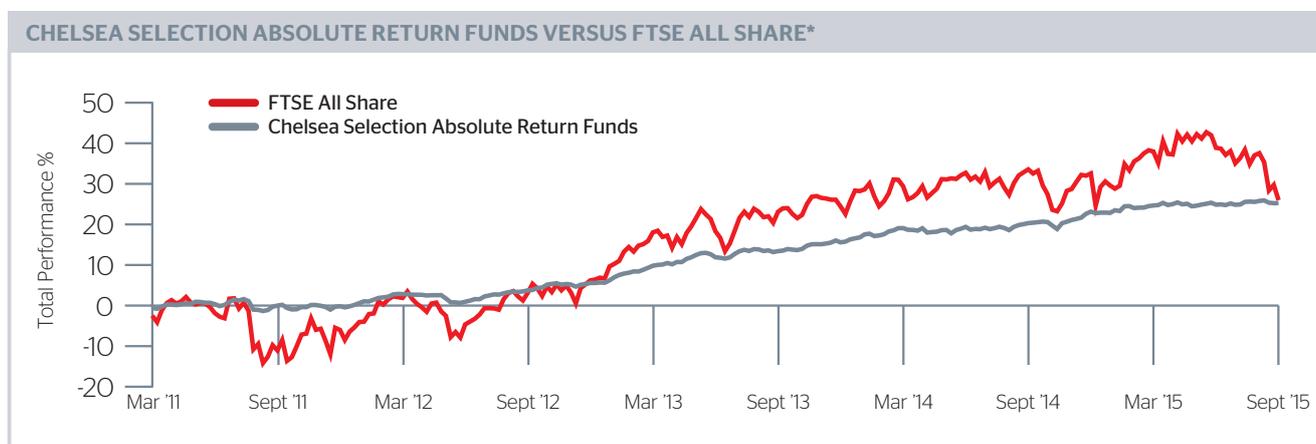
Some absolute return funds charge a performance fee. A typical performance fee might be 20% on any returns above LIBOR (the rate at which banks lend to each other). Whilst this is something to be aware of, it is not something of which to be afraid.

Firstly, all funds with performance fees have a high water mark. This means if a fund loses money it does not charge any performance fee until the fund's value is above its previous peak. Secondly, a performance fee firmly aligns your interests with the fund manager's. The key thing is to look at the return after charges.

If you don't like the idea of a performance fee there are still absolute return funds available which don't have one. Premier Defensive Growth and Standard Life GARS don't charge performance fees.

WHY SHOULD YOU BUY ONE?

This asset class is currently under utilised by most investors, but given the current environment, it is arguably the most important. I feel absolute return funds can form a part of all investors' portfolios but they can be particularly useful for those with a low threshold for losing money. Given equity markets have had such a strong five-year run, the Chinese economy is slowing badly and bonds look extremely expensive, we think at this time it is especially important to have absolute return funds in your portfolio, which have the ability to protect you in a downmarket.



The benefits of absolute returns funds can clearly be seen on the chart above. Absolute return funds on the Chelsea selection have generated the same returns as the UK stock market but with much less volatility.

* TYPE	AVERAGE ANNUAL RETURN (%)	AVERAGE ANNUALISED VOLATILITY	CORRELATION VS FTSE ALL SHARE	PERFORMANCE FEE
BNY Mellon Absolute Return Equity	3.62	2.02	0.26	15% a year of any returns the fund achieves above 1 month libor, above high water mark
Henderson UK Absolute Return	5.41	4.11	0.8	20% on any returns above the fund's high water mark
Old Mutual Global Equity Absolute Return	7.75	5.06	-0.09	20% of any returns above the Bank of England base rate, above high water mark
Premier Defensive Growth	3.86	1.70	0.64	None
Smith & Williamson Enterprise	3.24	6.56	0.62	20% on any returns above the fund's high water mark
Standard Life Investments GARS	5.17	4.62	0.53	None
FTSE All Share	5.24	14.43	1	

The table above shows data since March 2011 for the absolute return funds on the Chelsea Selection. You will notice the funds are quite different. BNY Mellon Absolute Return Equity and Old Mutual Global Equity have almost no correlation to the UK stock market.

The volatility number is one measure of the riskiness of a fund. On this basis all the funds are significantly less risky than the market. BNY Mellon Absolute Return Equity and Premier Defensive Growth have particularly low volatility. However, please note that whilst absolute return funds aim to deliver a positive return regardless of market conditions, returns are not guaranteed. They are also very likely to underperform the market when equities do well.

*Source FE Analytics 03/03/2001 - 24/08/2015

Chelsea Core Selection[©]

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

UK GROWTH

ARTEMIS UK SPECIAL SITUATIONS

Derek Stuart defines special situations as including companies in transition, in recovery, requiring re-financing or simply suffering from investor disinterest. However, he has a preference for companies that can “self-help” by cutting costs or replacing management. He employs a bottom-up approach and stock selection criteria favour growth characteristics, although not at the expense of traditional value-based disciplines. The fund has an unconstrained multi-cap mandate, but in general there will be about 40% large-cap and the remainder in small and mid-caps. The fund usually has around 60-90 holdings.

CHELSEA RISK RATING	● 6
ANNUAL MANAGEMENT CHARGE	0.75% [#]
ONGOING CHARGES FIGURE (OCF)	0.81% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	GOLD
YIELD	1.74%
UNIT TYPE	ACC or INC

AXA FRAMLINGTON UK SELECT OPPORTUNITIES

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

CHELSEA RISK RATING	● 6
ANNUAL MANAGEMENT CHARGE	0.75% [#]
ONGOING CHARGES FIGURE (OCF)	0.83% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	GOLD
YIELD	1.54%
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% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.75%
UNIT TYPE	ACC or INC

JUPITER UK GROWTH NEW ENTRY

Manager Steve Davies has a long history with this fund, having started as an analyst in 2007, through deputy and co-manager positions, before taking full control in May 2015, when this fund was merged with Jupiter Undervalued Assets. This change has not altered the style though. The fund holds a concentrated portfolio of 30-35 stocks that should 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 [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.5%
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% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.74%
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% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	-
YIELD	0.24%
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	0.75% [#]
ONGOING CHARGES FIGURE (OCF)	0.85% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	2.58%
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, 01/09/2015.

* There is a 15% performance fee 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 SPOTLIGHT

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% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	3.30%
UNIT TYPE	ACC or INC

COLUMBIA 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% [†]
FUND CALIBRE	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	3.90%
UNIT TYPE	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% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	3.09%
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	0.75% [#]
ONGOING CHARGES FIGURE (OCF)	0.80% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	3.42%
UNIT TYPE	ACC or INC

STANDARD LIFE UK EQUITY INCOME UNCONSTRAINED

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% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	-
YIELD	3.51%
UNIT TYPE	ACC or 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 first 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% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	-
YIELD	4.00%
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, 01/09/2015.

* There is a 15% performance fee 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

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. This fund replaced BlackRock Continental European on the Core Selection. It is worth noting that we remain firm admirers of the Continental European fund, but feel European Dynamic may be better placed to capitalise from a European recovery.

CHELSEA RISK RATING	● 7
ANNUAL MANAGEMENT CHARGE	0.75% [#]
ONGOING CHARGES FIGURE (OCF)	0.93% [†]
FUNDALIBRE	🏆 ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	0.42%
UNIT TYPE	ACC or INC

COLUMBIA 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 currently has 41 holdings, of which around 80% are in large caps.

CHELSEA RISK RATING	● 7
ANNUAL MANAGEMENT CHARGE	0.75% [#]
ONGOING CHARGES FIGURE (OCF)	0.88% [†]
FUNDALIBRE	🏆 ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.90%
UNIT TYPE	ACC or INC

JUPITER EUROPEAN

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

CHELSEA RISK RATING	● 6.5
ANNUAL MANAGEMENT CHARGE	0.75% [#]
ONGOING CHARGES FIGURE (OCF)	1.03% [†]
FUNDALIBRE	🏆 ELITE
MSTAR OBSR FUND RATING	GOLD
YIELD	-
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% [†]
FUNDALIBRE	🏆 ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	ACC or INC

LEGG MASON CLEARBRIDGE US AGGRESSIVE GROWTH SPOTLIGHT

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% [†]
FUNDALIBRE	🏆 ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	-
UNIT TYPE	ACC

ASIA PACIFIC, JAPAN AND EMERGING MARKETS

FIRST STATE ASIA PACIFIC LEADERS

As of 1st July, there have been some changes to the First State Asia and emerging markets team. Though the lead manager on this fund remains the same, the team has been split in two. The Edinburgh-based office, under the moniker of Stewart Investors, and the Hong Kong office as FSS Asia still come under the First State banner, but are allowed to compete with each other as smaller, more flexible businesses. The philosophies of each team will not change. They make company meetings an essential tool in stock selection and hold a portfolio of 50-120 mid/large-cap undervalued stocks, generated from the ideas of regional analysts. There is a limitation of 10% exposure to companies with a lower market cap of \$US500m with Australia and India as the largest country weightings.

CHELSEA RISK RATING	● 7.5
ANNUAL MANAGEMENT CHARGE	0.85% [#]
ONGOING CHARGES FIGURE (OCF)	0.90% [†]
FUNDALIBRE	🏆 ELITE
MSTAR OBSR FUND RATING	GOLD
YIELD	1.18%
UNIT TYPE	ACC or INC

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% [†]
FUNDALIBRE	🏆 ELITE
MSTAR OBSR FUND RATING	-
YIELD	1.45%
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, 01/09/2015.

* There is a 15% performance fee 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

ASIA PACIFIC, JAPAN AND EMERGING MARKETS (CONTINUED)

JOHCM ASIA EX JAPAN SMALL AND MID CAP NEW ENTRY

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	0.9% [#]
ONGOING CHARGES FIGURE (OCF)	1.50% [†]
FUND CALIBRE	-
MSTAR OBSR FUND RATING	-
YIELD	-
UNIT TYPE	ACC

JOHCM JAPAN

The managers of this multi-cap, high-conviction Japan fund follow a pragmatic approach to identify both growth and value opportunities through bottom-up analysis. The managers also require a catalyst to spur a re-rating, such as a restructuring, a corporate action or an earnings surprise. The portfolio will usually feature 40-60 holdings and the managers have an active trading approach, which can lead to high turnover at times. Typically they tend to avoid mega-cap stocks. Currently they are overweight financials.

CHELSEA RISK RATING	● 10
ANNUAL MANAGEMENT CHARGE	0.75% ^{**}
ONGOING CHARGES FIGURE (OCF)	0.84% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	INC

M&G GLOBAL EMERGING MARKETS

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

CHELSEA RISK RATING	● 10
ANNUAL MANAGEMENT CHARGE	0.75% [#]
ONGOING CHARGES FIGURE (OCF)	1.00% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	1.46%
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)	0.94% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	0.83%
UNIT TYPE	ACC or INC

MISCELLANEOUS

ARTEMIS STRATEGIC ASSETS

Managers William Littlewood and Giles Parkinson assess the macroeconomic environment to help make their investment decisions. They aim to achieve long-term growth by investing in a range of assets, including UK equity, international equity, fixed interest, currency, commodities and cash. The fund aims to outperform equities when markets are favourable, and preserve capital when markets are poor. They 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% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	-
YIELD	0.47%
UNIT TYPE	ACC

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)	0.85% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	-
YIELD	3.30%
UNIT TYPE	ACC or INC

GLOBAL

FUND SMITH 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% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	1.05%
UNIT TYPE	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, 01/09/2015.

* There is a 15% performance fee 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.

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Chelsea Core Selection[®] CONTINUED

GLOBAL (CONTINUED)

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%†
FUND CALIBRE	ELITE
MSTAR OBSR FUND 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 and its largest regional weighting is currently in North America, with over 58% invested in the region.

CHELSEA RISK RATING	● 6.5
ANNUAL MANAGEMENT CHARGE	0.65%‡
ONGOING CHARGES FIGURE (OCF)	0.70%†
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	0.11%
UNIT TYPE	ACC

FIXED INTEREST

HENDERSON STRATEGIC BOND

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

CHELSEA RISK RATING	● 3
ANNUAL MANAGEMENT CHARGE	0.60%‡
ONGOING CHARGES FIGURE (OCF)	0.70%†
FUND CALIBRE	-
MSTAR OBSR FUND RATING	SILVER
YIELD	4.90%
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%†
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	4.49%
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%†
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	-
YIELD	5.00%
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	0.75%‡
ONGOING CHARGES FIGURE (OCF)	0.89%†
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	3.47%
UNIT TYPE	ACC or INC

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%†
FUND CALIBRE	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	3.44%
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, 01/09/2015.

* There is a 15% performance fee 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

FIXED INTEREST (CONTINUED)

PFS TWENTYFOUR DYNAMIC BOND NEW ENTRY

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% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	-
YIELD	5.36%
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	4
ANNUAL MANAGEMENT CHARGE	0.85% [#]
ONGOING CHARGES FIGURE (OCF)	0.96% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND 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	5
ANNUAL MANAGEMENT CHARGE	1.00% ^{#*}
ONGOING CHARGES FIGURE (OCF)	1.06% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.20%
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	6
ANNUAL MANAGEMENT CHARGE	0.75% ^{#*}
ONGOING CHARGES FIGURE (OCF)	0.98% [†]
FUND CALIBRE	ELITE
MSTAR OBSR FUND 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	5
ANNUAL MANAGEMENT CHARGE	0.75% [#]
ONGOING CHARGES FIGURE (OCF)	0.89% [†]
FUND CALIBRE	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	1.36%
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, 01/09/2015.

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

Least risky
THE CHELSEA RISK RATING
Most risky

1 ● |||||

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.

||||| ● 10

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.

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, 01/09/2015.

[§] There is a 20% performance fee 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.

[#] 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).

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.

C Spotlight on **Artemis Global Income**

Elite Rated by FundCalibre



JACOB DE TUSCH-LEC
Fund manager,
Artemis Global Income

MY GLOBAL HUNT FOR INCOME

I began my career in investment management in 1998 at Copenhagen-based BankInvest, subsequently joining Merrill Lynch's global equity macro research department as vice president of pan-European equity strategy. I have a BA and an MSc in economics from the University of Copenhagen; and an MBA from the Stern School of Business at New York University (NYU), specialising in international economics and finance. I joined Artemis in 2005, managing Artemis Capital from

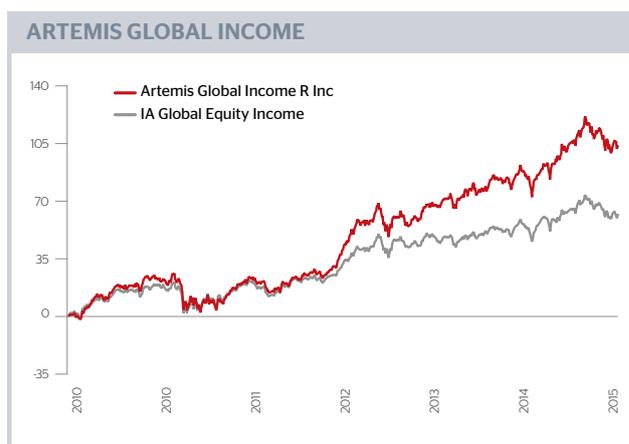
January 2006 until June 2010, the Artemis Global Income fund since its launch in July 2010 and the Artemis Global Equity Income fund since its launch in June 2015. I have also managed, with James Foster, the Artemis Monthly Distribution fund since its launch in May 2012.

Dividend payments in the UK are incredibly concentrated, coming from just a handful of large companies. When we launched the Artemis Global Income fund five years ago, it was in recognition of the fact that many of our potential clients already had significant exposure to UK stocks, in particular those in the FTSE 100. We believed that by investing in dividend-paying companies worldwide, we could offer UK investors genuine diversification and complement - rather than replicate - our investors' existing holdings.

LOOKING FOR INCOME OPPORTUNITIES

So, where do I find income opportunities? It depends. Economic factors matter. Given the global remit of the fund, I believe that differences in monetary policy, growth and exchange rates across the different economies of the world cannot be ignored. I combine analysis of individual companies alongside consideration of the wider economic situation to ensure the fund's holdings are in those regions and sectors of the global economy that are most favourable to income-seeking investors. Detailed research into companies' financial standing is equally important. I focus on 'free cashflows' - broadly, the revenue a company earns over and above what it needs to operate. After all, this is the foundation on which dividend payments will rest. This research often leads me towards medium- and larger-sized stocks and away from the huge 'mega-cap' companies on which many global funds rely. The net result is a rather contrarian portfolio, distinctive from the fund's stock-market index and its peers.

So much for the theory. Where is this process of research and analysis leading us today? As risk-averse investors have moved out of bonds and into equities, they have tended to buy the very big, high-quality dividend-paying stocks, also known as 'dividend aristocrats'. These are good, reliable companies, but my concern is that they have become expensive. There is a risk they have become over-popular - what we call 'crowded trades' - and that their popularity could leave them vulnerable to any shift in market sentiment. In particular, when interest rates do finally rise in the US, pushing up bond yields,



Source: Lipper

it could provoke a rush to sell, as income investors make the move back to bonds. At times like this, we are conscious that owning the same stocks as everyone else can hurt; comfortable positions rapidly become uncomfortable. So I am careful not to over-commit to any one type of share. I want to derive income and growth from a range of companies in different markets with different characteristics.

Today, that willingness to be different is reflected in my fund's holdings in a number of 'cyclical' stocks (companies whose fortunes are dependent on the wider economy). To explain: the economic environment we are leaving behind was one of a fragile recovery supported by record-low interest rates. That represented a favourable backdrop for high-quality, defensive stocks - companies whose earnings you can depend on almost regardless of how the wider economy performs (think Johnson & Johnson or the drinks company, Diageo). But that is changing. Now, economic growth in the developed world seems to be accelerating and interest rates in the US and UK are about to start creeping higher. Reflecting this, my fund's largest holdings include a number of banks such as Mitsubishi UFJ (banks generally do well in an environment of stronger economic growth and rising interest rates), a French hotel group, which is well positioned to benefit from Europe's budding recovery, and a US truck hire and maintenance company. Trucking companies drive more miles when the economy is growing and we expect the US economy to continue along its recovery path. The net result is a portfolio yielding 3.7%*.

THE CHELSEA VIEW:

"We like Jacob's contrarian approach, which leads him lower down the cap scale. His focus on the sustainability of dividends is vital for those investors seeking income."

* Historic yield, class I distribution units as at 31 July 2015. Source: Artemis.



C Spotlight on **Legg Mason ClearBridge US Aggressive Growth**

Elite Rated by FundCalibre



EVAN BAUMAN
Fund manager, Legg
Mason ClearBridge US
Aggressive Growth

I graduated from Duke University with a BSc in Mathematics; joining a predecessor organisation to ClearBridge Investments in 1996 as an intern. I now co-manage ClearBridge's Aggressive Growth, Multi-Cap Growth and All-Cap Growth strategies. ClearBridge is a wholly-owned subsidiary of Legg Mason, operating with investment independence.

This fund is managed in the same way as ClearBridge's Aggressive Growth strategy, which has a strong track record stretching back more than 30 years to October 1983.

Richie Freeman, co-manager of Legg Mason

ClearBridge US Aggressive Growth, has been managing the strategy since launch. I have been running the fund since May 2000 alongside Richie. Between us, we have on average 29 years' investment experience here at ClearBridge.

Our equity strategies generally start with the same fundamental principle; namely, that the key to long-term success lies in selecting high-quality companies via rigorous research and analysis.

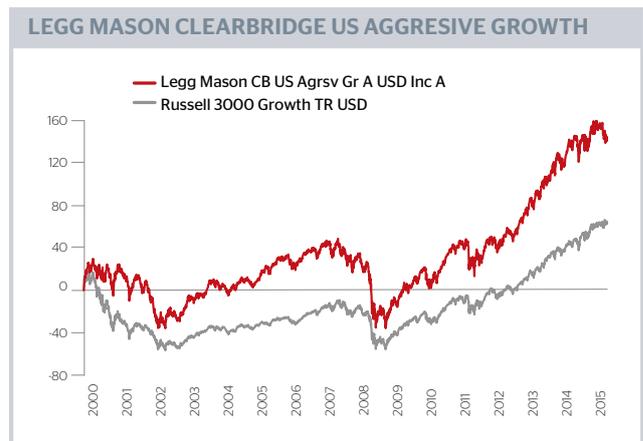
The Legg Mason ClearBridge US Aggressive Growth fund focuses on holding US companies with sustainably strong revenue and cashflow growth. Right now, in a global environment where GDP growth is muted, finding true, sustainable growth stories is at a premium. In this fund, we seek to buy these all-weather growers at good valuation points and try to limit downside risk by buying companies that have great balance sheets, generate a lot of cash and are attractively valued. Talking of valuations, it may surprise some people that areas of the S&P 500 Index we think are overvalued on an historical basis include those defensive, dividend-paying stocks (bond proxies) - the slower growth, higher yielding areas.

SUSTAINABLE GROWTH STORIES ARE SCARCE

With valuations in the US equity market more mixed now, we feel this fund has a particular appeal. The "aggressive growth" in the title is not meant to suggest riskiness. Rather, it refers to companies that can grow revenues aggressively in excess of the market and can defend that growth. Innovative, well-managed, high quality companies with secular growth business models, high barriers to entry (a sustainable competitive advantage) and strong cashflow generation also offer defensive characteristics. They can power through cyclical downturns and less favourable interest rate environments. Richie and I have a saying that goes to the heart of this fund: "Great companies with great business models become, over the long run, great stocks".

DIFFERENT FROM OTHER GROWTH FUNDS

Among US growth funds, this fund offers a number of unique characteristics. The multi-cap portfolio, underpinned by a bottom-up, intensive research-driven process, has one of the lowest turnovers in the industry (typically around 5-10% per annum). Our approach to investing is to think of ourselves as long-term business owners rather than simply stock holders. The investment process does not start with a revenue or earnings growth screen; it starts with a business model assessment. Once we find companies we like, we tend to hold them for long periods to allow the potential of these holdings to develop and compound.



Source: Legg Mason

A second point is the high conviction, high active share (relative to the benchmark Russell 3000 Growth Index) nature of the portfolio. Typically, there are between 50-70 holdings in the portfolio, with the largest 10 positions accounting for around 50% of total fund assets. This fund bears little resemblance to the Russell 3000 Growth Index (benchmark index) or the S&P 500 Index.

While we aim to diversify across industries, the overarching emphasis is on individual security selection and benchmark unconstrained portfolio construction and this means that some sectors (as a function of stock selection) can feature prominently in the portfolio and be quite different from an index weighting.

A third differentiator is that this fund distinguishes between cyclical and secular growth stories. We look to find companies that can grow in any environment, particularly when growth is tough to come by.

A FOCUS ON INNOVATIVE COMPANIES

So, where are we currently finding the best opportunities? Well, our largest exposures are in healthcare, energy, technology and media. In healthcare, our single biggest weighting, the key appeal is innovation - the ability of companies to target large addressable markets with innovative products and services. We have positions in large companies like Biogen, Amgen, Valeant, Vertex and UnitedHealth Group. In energy, our holdings include asset plays, as well as some of the service and drilling companies. Anadarko Petroleum, Weatherford and National Oilwell Varco, for example, have grown through improving production growth and exploration success rather than due to moves in commodity prices.

THE CHELSEA VIEW:

"The managers have a wealth of experience and utilise a huge bank of analysts. Their holdings, which they analyse in depth, deviate considerably from the index, so they have the capacity to outperform over the long term."

the Chelsea Selection

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

	Elite Rated	Chelsea Risk Rating	1 YEAR % Growth	Rank	3 YEAR % Growth	Rank	5 YEAR % Growth	Rank	10 YEAR % Growth	Rank	Yield %	Fund Size (m)
UK ALL COMPANIES												
Artemis UK Special Situations	🏆	6	-1.34	156	36.56	122	60.87	112	93.87	76	1.10	11696
AXA Framlington UK Select Opportunities	🏆	6	0.44	119	33.96	139	71.38	68	127.98	29	0.83	4291.4
Franklin UK Managers' Focus NEW ENTRY		6.5	11.34	20	74.68	9	110.70	15	-	-	0.89	1337
Franklin UK Mid Cap	🏆	6	17.39	6	71.31	13	128.75	8	309.65	1	1.74	1054.0
Investec UK Alpha	🏆	6	1.60	101	62.27	30	83.33	45	126.63	31	1.04	3370
JOHCM UK Dynamic	🏆	7	-1.82	165	47.41	75	78.65	54	-	-	3.43	325.5
JOHCM UK Opportunities	🏆	5	1.06	108	29.12	172	60.78	114	-	-	2.80	1500.0
Jupiter UK Growth	🏆	7	8.89	30	65.84	21	95.28	29	153.52	13	0.50	1704.9
L&G UK Alpha	🏆	8	-6.70	249	49.81	64	66.44	88	170.16	10	-	192.1
Lindsell Train UK Equity	🏆	7	8.16	37	58.31	36	110.34	16	-	-	2.16	1636.0
Liontrust Special Situations	🏆	6	2.24	95	31.07	157	101.42	20	-	-	0.54	1475.8
Marlborough UK Multi-Cap Growth	🏆	7	10.38	23	49.23	66	89.49	33	172.26	9	0.39	93.8
Neptune UK Mid Cap	🏆	6	17.27	7	76.53	8	165.02	1	-	-	0.32	652.9
Old Mutual UK Alpha	🏆	7	-3.68	194	42.99	92	63.10	101	52.19	169	2.56	2357.9
Schroder Recovery	🏆	7.5	-6.96	252	54.95	45	71.00	72	145.61	20	1.86	643.5
SECTOR AVERAGE			0.92	271	36.88	265	58.83	250	84.69	187	-	-
UK EQUITY INCOME												
Artemis Income	🏆	5	0.24	50	32.84	46	58.63	39	97.88	14	4.00	717.8
Columbia Threadneedle UK Equity Alpha Income	🏆	5	0.05	54	44.52	15	85.05	6	-	-	4.20	906.9
Evenlode Income	🏆	5	3.22	26	40.65	28	79.63	8	-	-	3.93	299.0
Fidelity Enhanced Income	🏆	5	-0.76	62	21.73	70	49.82	51	-	-	6.78	409.0
JOHCM UK Equity Income	🏆	6	-1.74	67	41.71	24	76.96	13	131.61	3	4.30	2700.0
Liontrust Macro Equity Income	🏆	5	3.08	30	39.24	31	61.89	33	109.01	9	4.20	530.2
Marlborough Multi Cap Income	🏆	7	12.26	4	75.70	2	-	-	-	-	4.29	1307.7
Rathbone Income	🏆	5	4.55	22	42.21	21	78.80	10	93.61	15	3.61	1085.2
Royal London UK Equity Income	🏆	5	-0.36	59	49.26	11	89.00	5	127.78	4	3.86	1814.1
RWC Enhanced Income	🏆	5	-2.08	-	13.74	-	-	-	-	-	7.00	336.9
Standard Life Investments UK Equity Income Unconstrained	🏆	5	10.68	6	75.21	4	110.55	3	-	-	3.52	989.9
Woodford Equity Income	🏆	5	14.54	1	-	-	-	-	-	-	4.00	6739.9
SECTOR AVERAGE			2.04	81	37.18	78	63.28	70	83.57	46	-	-
UK SMALLER COMPANIES												
AXA Framlington UK Smaller Cos	🏆	8	19.12	2	92.70	5	175.85	4	136.58	26	0.07	171.2
Franklin UK Smaller Companies	🏆	8	16.22	4	98.86	3	106.50	34	98.14	31	0.97	182.8
Livingbridge Wood Street Microcap Investment NEW ENTRY		8.5	13.62	17	115.3	2	184.25	1	-	-	0.29	35.2
Marlborough Special Situations	🏆	7.5	15.19	8	71.57	20	141.87	9	236.20	7	0.38	930.0
Marlborough UK Micro Cap Growth	🏆	8	7.94	37	74.82	14	155.44	6	270.42	3	-	464.1
R&M UK Equity Smaller Companies	🏆	8	12.62	19	116.01	1	181.37	2	-	-	0.03	594.6
SECTOR AVERAGE			9.41	51	62.74	49	107.39	49	139.60	36	-	-
STERLING CORPORATE BOND												
Invesco Perpetual Corporate Bond	🏆	2.5	1.10	77	18.23	15	27.88	44	62.39	10	3.48	5464.7
Kames Investment Grade Bond	🏆	2.5	3.81	13	18.65	14	34.82	14	-	-	3.04	1046.6
Kames Sterling Corporate Bond	🏆	2.5	2.19	56	17.08	19	31.70	22	44.25	32	2.95	653.9
Royal London Corporate Bond	🏆	2.5	3.01	30	18.72	13	35.28	12	50.68	20	3.42	821.8
SECTOR AVERAGE			2.25	96	13.90	84	26.57	81	45.25	59	-	-
STERLING HIGH YIELD												
Baillie Gifford High Yield Bond	🏆	4	-1.83	20	2.18	9	42.88	2	90.10	2	4.10	751.1
Kames High Yield Bond	🏆	3.5	-1.21	17	14.41	15	36.37	7	79.04	4	4.07	1563.4
SECTOR AVERAGE			-1.39	30	17.04	26	31.48	22	66.98	20	-	-
STERLING STRATEGIC BOND												
Artemis Strategic Bond	🏆	3	1.67	32	19.07	18	32.26	19	64.78	9	4.20	849.4
Baillie Gifford Corporate Bond	🏆	3.5	0.88	40	18.89	19	41.17	6	65.63	7	3.80	534.1
Fidelity Strategic Bond	🏆	2.5	0.83	41	13.85	39	27.95	28	71.96	5	2.58	1601.9
Henderson Strategic Bond	🏆	3	2.29	23	17.59	23	29.87	26	64.31	10	4.80	1331.0
Invesco Perpetual Monthly Income Plus	🏆	3.5	1.02	37	23.49	9	37.29	8	86.80	2	4.76	3795.2
Jupiter Strategic Bond	🏆	2.5	1.09	36	17.21	26	36.94	9	-	-	4.30	2632.8
Man GLG Strategic Bond	🏆	3	-3.45	74	16.54	29	-	-	-	-	2.83	845.3
PFS TwentyFour Dynamic Bond	🏆	3.5	3.54	15	31.26	4	46.64	4	-	-	5.36	1233.4
SECTOR AVERAGE			0.98	78	14.16	67	26.55	55	48.65	36	-	-
TARGETED ABSOLUTE RETURN**												
Aviva Inv Multi Strategy Target Income NEW ENTRY		5	-	-	-	-	-	-	-	-	-	258.0
BNY Mellon Absolute Return Equity	🏆	4	3.54	-	14.50	-	-	-	-	-	-	1412.4
Henderson UK Absolute Return	🏆	5	5.54	-	30.04	-	34.59	-	-	-	-	738.6
Old Mutual Global Equity Absolute Return Hedged	🏆	6	4.32	-	22.49	-	49.39	-	-	-	-	2417.7
Premier Defensive Growth	🏆	4	2.42	-	13.00	-	-	-	-	-	-	321.9
Smith & Williamson Enterprise	🏆	6	4.12	-	30.32	-	26.04	-	-	-	-	94.8
Standard Life Investments Global Absolute Return Strategies	🏆	5	3.97	-	15.00	-	21.83	-	-	-	0.95	25834.6
SECTOR AVERAGE			3.17	-	13.42	-	17.18	-	43.42	-	-	-
EUROPE EXCLUDING UK												
Baring Europe Select***	🏆	8	11.59	9/18	60.29	9/17	84.36	10/16	198.33	3/11	0.60	1285.2
BlackRock Continental European	🏆	7	9.42	14	44.75	34	58.74	26	149.42	5	0.53	441.6
BlackRock Continental European Income	🏆	7	5.83	27	55.08	13	-	-	-	-	4.37	1003.8
BlackRock European Dynamic	🏆	7	9.60	13	51.83	19	76.15	7	200.55	2	0.43	1922.4
Columbia Threadneedle European Select	🏆	7	7.35	19	38.19	60	72.58	9	130.74	8	0.80	2903.3
FP Argonaut European Alpha	🏆	8	11.74	6	56.62	11	68.81	11	145.65	6	-	347.0
Jupiter European	🏆	6.5	16.57	3	54.10	14	81.92	6	194.71	3	-	3256.7
Jupiter European Special Situations	🏆	7	4.86	35	41.43	42	53.13	35	120.83	13	0.30	1064.6
SECTOR AVERAGE			4.02	100	42.75	92	50.63	87	85.08	66	-	-

	Elite Rated	Chelsea Risk Rating	1 YEAR % Growth	Rank	3 YEAR % Growth	Rank	5 YEAR % Growth	Rank	10 YEAR % Growth	Rank	Yield %	Fund Size (m)
NORTH AMERICA												
AXA Framlington American Growth	🏆	7	12.27	11	45.86	58	105.85	14	136.00	8	-	6175
Brown Advisory US Flexible Equity*	🏆	7	-1.95	168 / 191	-	-	-	-	-	-	-	1195
CF Miton US Opportunities		7	12.43	10	-	-	-	-	-	-	-	116.2
Dodge & Cox US Stock		7	1.69	96	56.12	20	-	-	-	-	-	264.7
Fidelity American Special Situations NEW ENTRY		7	11.53	18	64.92	7	117.06	5	119.88	20	-	634.0
JPM US Equity Income	🏆	6.5	4.16	71	40.58	81	91.74	47	-	-	2.22	2808.9
Legg Mason ClearBridge US Aggressive Growth SPOTLIGHT	🏆	7	-0.58	109	54.70	24	106.58	12	123.29	18	-	2976.8
SECTOR AVERAGE			6.86	114	49.19	105	89.57	96	103.63	66	-	-
JAPAN												
Baillie Gifford Japanese	🏆	10	7.22	44	52.08	9	66.50	2	65.96	4	-	878.6
JOHCM Japan	🏆	10	3.37	58	38.65	34	42.52	22	55.38	8	-	690.2
JPM Japan		10	20.84	2	59.24	7	60.63	4	17.80	31	-	127.4
Legg Mason IF Japan Equity		10	16.79	4	118.36	1	234.20	1	18.91	29	-	332.8
Man GLG Japan Core Alpha	🏆	10	13.46	8	65.82	4	41.64	24	111.60	2	0.21	1597.2
Neptune Japan Opportunities NEW ENTRY	🏆	10	3.24	59	85.78	3	60.33	5	143.64	1	-	611.8
SECTOR AVERAGE			9.35	62	42.74	58	43.39	56	37.86	37	-	-
ASIA PACIFIC EXCLUDING JAPAN												
First State Asia Pacific Leaders	🏆	7.5	-3.07	9	21.16	8	42.33	3	224.87	2	0.62	7507.8
Invesco Perpetual Asian		8	-13.89	60	11.27	32	16.40	26	137.13	15	0.89	545.4
JOHCM Asia ex Japan Small and Mid Cap		9	10.37	1	48.46	1	-	-	-	-	-	37.3
Matthews Asia Pacific Tiger NEW ENTRY		8	-8.73	21	15.69	19	-	-	-	-	-	565.8
Schroder Asian Alpha Plus	🏆	8	-9.45	27	8.25	40	25.32	9	-	-	0.60	522.8
Schroder Asian Income	🏆	7.5	-10.74	36	11.70	31	30.77	6	152.88	7	4.65	612.7
SECTOR AVERAGE			-11.85	92	8.65	81	12.91	73	121.16	45	-	-
GLOBAL EMERGING MARKETS**												
Aberdeen Latin American Equity	🏆	10	-37.33	-	-35.75	-	-	-	-	-	0.90	114.6
Goldman Sachs India Equity Portfolio NEW ENTRY		10	14.67	-	71.33	-	46.20	-	-	-	-	1311.4
Invesco Perpetual Hong Kong & China	🏆	10	-6.60	22/37	43.30	2 / 35	32.50	1 / 30	198.46	3 / 13	0.73	313.0
JPM Emerging Markets Income		10	-18.14	47 / 80	-5.53	31 / 68	-	-	-	-	5.56	261.5
JPM New Europe†		10	-22.51	-	-28.49	-	-35.52	-	18.09	-	2.78	80.3
Jupiter India		10	12.78	-	56.88	-	15.38	-	-	-	-	394.3
Lazard Emerging Markets	🏆	10	-23.15	75 / 80	-9.18	46 / 68	-7.46	24 / 48	105.48	4 / 26	2.10	742.3
M&G Global Emerging Markets	🏆	10	-24.86	77 / 80	-10.22	55 / 68	-10.67	30 / 48	-	-	0.99	1453.5
PFS Somerset Emerging Markets Dividend Growth	🏆	9.5	-5.57	4 / 80	6.07	9 / 68	19.02	3 / 48	-	-	2.50	1018.0
Schroder Small Cap Discovery		10	-10.33	-	28.23	-	-	-	-	-	1.04	109.4
GLOBAL												
Fidelity Global Special Situations NEW ENTRY		6.5	7.17	28	49.97	25	61.33	57	-	-	-	1693.0
Fundsmith Equity	🏆	6	15.89	3	57.48	12	-	-	-	-	0.67	3662.7
JOHCM Global Select	🏆	7	1.33	144	50.53	21	82.99	12	-	-	-	2200.0
Rathbone Global Opportunities	🏆	6.5	14.12	5	49.51	28	79.98	16	160.22	7	-	572.4
SECTOR AVERAGE			0.58	261	32.12	233	48.06	205	77.72	131	-	-
GLOBAL EQUITY INCOME												
Artemis Global Income SPOTLIGHT	🏆	6.5	3.24	7	57.20	1	92.50	1	-	-	3.90	2410.1
Fidelity Global Enhanced Income NEW ENTRY		5.5	3.72	4	-	-	-	-	-	-	4.34	87.0
Legg Mason IF ClearBridge Global Equity Income	🏆	6	-3.86	24	33.05	9	53.68	7	-	-	3.00	29.3
M&G Global Dividend***	🏆	6.5	-10.18	238/261	17.66	208/233	44.01	147/205	-	-	3.48	7299.7
Newton Global Income	🏆	6	3.29	6	25.24	18	57.02	4	-	-	3.80	4451.3
SECTOR AVERAGE			-1.55	33	27.76	29	52.14	17	85.32	-	-	-
MISCELLANEOUS**												
Artemis Strategic Assets	🏆	6	-3.46	112 / 134	17.77	82 / 119	27.88	71	-	-	-	945.4
AXA Framlington Global Technology	🏆	10	10.71	3 / 15	37.69	8 / 15	89.03	3 / 14	185.82	3 / 11	-	234.8
BlackRock Gold & General	🏆	10	-34.87	-	-57.37	-	-63.49	-	18.41	-	-	702.3
F&C Real Estate Securities	🏆	7	15.17	5 / 43	68.50	3	98.27	3 / 34	-	-	-	75.8
Guinness Global Energy		10	-41.01	259	-20.16	230	-14.96	201	-	-	-	140.5
Henderson Cautious Managed	🏆	3.5	-1.01	109 / 136	21.54	30 / 120	36.46	19 / 98	65.04	12 / 40	2.90	2160.0
Henderson UK Property	🏆	3	10.27	11 / 43	32.38	7	35.39	19 / 34	19.36	8 / 9	3.20	3882.3
Jupiter Financial Opportunities		8	8.76	-	46.42	-	25.22	-	91.86	-	0.70	478.0
Polar Capital Healthcare Opportunities	🏆	8	27.22	-	141.60	-	234.33	-	-	-	-	778.1
Premier Pan European Property	🏆	7.5	16.06	3 / 43	75.76	1	101.46	2 / 34	80.58	1 / 9	2.43	306.7
Schroder Global Property Securities		7	1.86	29 / 43	15.32	29	36.36	18 / 34	-	-	0.32	559.4
Standard Life Investments Emerging Market Debt	🏆	4	3.40	7 / 33	-	-	-	-	-	-	3.17	179.8

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

🏆 = Funds that are Elite Rated by FundCalibre - see fundcalibre.com for further details.

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

** 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 will change name on 30th September to JPM Emerging Europe Equity fund.

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, 01/09/15, but subject to change. Source: FE Analytics, total return, IA universe, 01/09/2015. FundCalibre is an appointed representative under Chelsea Financial Services.

The RedZone

I'm almost at a loss for words with my RedZone analysis. That's probably a good thing. I usually have space for around 800 words in this article, but the list of funds is so big this time round that I'll either have to be brief or put the full table on our website! Let's see how it goes.

The reason for my stunned silence? There are about 90 of them as, compared with this time last year, the number of funds in the RedZone has risen by this amount to 239. That's quite a phenomenal increase and a worrying rise in consistent underperformance. It seems that instead of having the odd bad year, those who are struggling are finding it hard to turn things around.

REDZONE ASSETS AMOUNT TO A THIRD OF GREECE'S DEBT

The number of assets in the RedZone has also doubled and, for the first time since I've been at Chelsea, has exceeded the £100,000 million mark: £101,520 million (or £101.52bn) to be exact. Whichever way you look at it, it's a lot.

Looking at individual sectors, UK All Companies fares worst with 44 funds and around a third of the assets (£36.64bn). Global is second with 24 funds and £6.96bn, and UK Equity Income is third with 14 funds and £7.69bn.

As was the case before the summer, the UK All Companies sector is dominated by trackers in the RedZone. Both the number of funds and assets have grown; funds have increased from 20 to 27 and assets from almost £20bn to £27bn. Spooky. You can read more about our thoughts on active vs passive funds in my colleague James' article on page 35.

ABERDEEN - HOLD OR FOLD?

Most shocking, however, are the company numbers. Also a year ago, I mentioned Aberdeen's purchase of RedZone 'favourite' Scottish Widows and how I hoped the transition process would see the start of a turnaround for these serial underperformers. My hopes have been dashed. Not only are the Scottish Widows branded funds back in the table, but a worrying amount of Aberdeen funds are now also making an appearance.

In total, Aberdeen is responsible for the management of 43 funds in the RedZone, together accounting for £34.85bn. The only redeeming factor is that £23.87bn is in passive (or 'enhanced passive' strategies) rather than actively-managed funds. It's almost impossible for Aberdeen to influence the outcome of the former as they have no say over the pricing of these index products. All they can do is track the market.

IMPORTANT NOTICE

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

That still leaves about £10bn in underperforming actively-managed funds though.

Here's what Aberdeen have to say about this area:

"Our approach to investing in equities is quite simple. We are bottom-up stock pickers who emphasise company fundamentals. First-hand research is central to our process - no investment is made without interviewing the company's management first. We believe our focus on fundamentals and quality positions us well for the long term.

"However, many developed markets are being propped up by abundant liquidity and valuations in many cases are out of kilter with economic reality. We do not believe this situation is sustainable. The central banks will have to eventually begin the process of normalising interest rates (indeed, we expect the US Federal Reserve to start doing that from later this year), and central banks will stop adding to quantitative easing. Once this process begins in earnest, there will be a refocus on company fundamentals and valuation levels that investors are willing to pay.

"A good recent example is China. We have always been cautious when investing in domestic Chinese companies due to concerns over their quality. This cost us in terms of performance in our Asia and Global Emerging Market portfolios when the market doubled, primarily driven by speculative behaviour. However, the recent decline serves as a reminder that fundamentals will always win out.

"Fund performance has been disappointing over the past three years but we remain committed to our fundamental approach to investing. We believe this will serve our clients well over the long term as it has through previous cycles."

I'll leave you to make your own minds up about what to do if you hold any Aberdeen funds. I will declare my own hand though: I personally invest in a couple and, for now, will stick with them - it's hard to imagine that someone of Hugh Young's pedigree can't come good (Aberdeen Global Asia Pacific Equity). However, the sheer scale of Aberdeen's problems is a worry and should be monitored very carefully.

I seem to have found my voice, so 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/research/redzone. Until next time.



"The UK All Companies sector has fared the worst, accounting for around a third of assets."
Head of Communications, Chelsea

DropZone[®]

THE WORST OF THE WORST FROM THE RedZone.

	% underperformance from sector average*
1 SF Webb Capital Smaller Companies Growth	88.43%
2 HC FCM Salamanca Global Property 1	69.23%
3 Elite Charteris Premium Income*	39.18%
4 S&W Ilex Income	38.48%
5 TM Progressive UK Smaller Companies	38.21%
6 M&G Recovery	35.45%
7 Aberdeen European Smaller Companies Equity	34.19%
8 Aberdeen World Equity Income	32.39%
9 Sanlam Global Best Ideas	30.54%
10 TU Unit*	29.65%

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

**Based on three-year cumulative performance
All data sourced from FE Analytics

WARNING!

the RedZone funds

	3 year % growth	Quartile position
ASIA PACIFIC EXCLUDING JAPAN		
Aberdeen Global Asia Pacific Equity	-111	4
Halifax Far Eastern*	535	3
HSBC Asian Growth	141	4
HSBC Pacific Index	198	4
L&G Pacific Index	076	4
Legg Mason IF Martin Currie Asia Pacific	184	4
Natixis Emerise Pacific RIM Equity	-898	4
Newton Oriental	-796	4
Scottish Widows HIFML Far Eastern Focus*	056	4
Scottish Widows Pacific Growth*	309	3
Tiburon Taipan	-1097	4
SECTOR AVERAGE	10.41	

	3 year % growth	Quartile position
CHINA/GREATER CHINA		
Aberdeen Global Chinese Equity	138	4
Guinness China & Hong Kong	745	4
Legg Mason IF Martin Currie China	1826	4
MFS Meridian China Equity	1262	4
Neptune Greater China Income	1346	4
Templeton China	-096	4
SECTOR AVERAGE	25.89	

	3 year % growth	Quartile position
EUROPE EXCLUDING UK		
Aberdeen European Equity	1932	4
Aberdeen Global European Equity Ex UK	2011	4
CF Canlife European	3988	3
Fidelity European	3375	4
Hermes Sourcecap Europe Ex UK	3465	4
Legg Mason IF Martin Currie European Equity Income	3455	4
M&G European	3681	4
MFS Meridian Continental European Equity	3564	4
Scottish Widows European Growth*	3499	4
Standard Life Investments European Equity Income	3712	4
SECTOR AVERAGE	44.13	

	3 year % growth	Quartile position
EUROPE INCLUDING UK		
Hermes Sourcecap European Alpha	2812	4
① TU Unit*	1312	4
SECTOR AVERAGE	42.77	

	3 year % growth	Quartile position
EUROPEAN SMALLER COMPANIES		
① Aberdeen European Smaller Companies Equity	2388	4
SECTOR AVERAGE	58.07	

	3 year % growth	Quartile position
FLEXIBLE INVESTMENT		
Allianz RiskMaster Defensive Multi Asset	100	4
CF Cautela	886	4
CF KB Newgate	1671	3
HC KB Capital Growth	945	4
M&G Managed Growth	488	4
NFU Mutual Mixed Portfolio Max 100% Shares	833	4
PFS Momentum Factor 3	949	4
① S&W Ilex Income	-1474	4
Sanlam P-Solve Inflation Plus	1570	4
Thesis Balanced Growth	1514	4
SECTOR AVERAGE	23.74	

	3 year % growth	Quartile position
GLOBAL		
Aberdeen Ethical World Equity	738	4
Aberdeen Global World Equity	928	4
Aberdeen World Equity	916	4
Capital Group Global Growth and Income (LUX)	2770	4
FP Matteredley International Growth Portfolio	2751	4
FP Octopus Global Growth	1526	4
JGF Jupiter Global Equities	2306	4
JPM Global Focus	3370	3
Kennox Strategic Value	916	4
L&G Global Equity Index	2977	3
M&G International Specialist Equity	2912	3
Margetts International Strategy	2647	4
Marlborough Global	2964	3
NFU Mutual Global Growth	735	4
Old Mutual Voyager Global Dynamic Equity	1948	4
PFS Global Opportunities	1660	4

	3 year % growth	Quartile position
① Sanlam Global Best Ideas		
Schroder ISF Global Equity Yield	2832	4
Scottish Widows Global Growth*	2670	4
Scottish Widows Opportunities Portfolio*	3532	3
SJP Ethical*	841	4
SJP High Octane*	2262	4
The 140 Investment Managers Broadway ICVC Balanced	1742	4
VT Turcan Connell Growth Portfolio	2680	4
SECTOR AVERAGE	33.26	

	3 year % growth	Quartile position
GLOBAL EMERGING MARKETS		
HSBC GIF Global Emerging Markets Equity	-1043	4
Lazard Developing Markets	-1646	4
Legg Mason IF Martin Currie Emerging Markets	-1627	4
MFS Meridian Emerging Markets Equity	-1451	4
NFU Mutual Global Emerging Markets	-1870	4
Polar Capital Emerging Markets Growth	-725	3
Scottish Widows Emerging Markets*	-906	4
Scottish Widows HIFML Emerging Markets Focus*	-1424	4
Templeton Global Emerging Markets	-2583	4
UBS Emerging Markets Equity Income	-1264	4
SECTOR AVERAGE	-4.87	

	3 year % growth	Quartile position
GLOBAL EQUITY INCOME		
① Aberdeen World Equity Income	-344	4
Baillie Gifford Global Income Growth	2303	3
Pimco GIS Global Dividend	2166	4
SECTOR AVERAGE	28.95	

	3 year % growth	Quartile position
JAPAN		
JPM Japan Select Equity	3698	4
MFS Meridian Japan Equity	3571	4
Polar Capital Japan	3810	4
Principal Japanese Equity	3653	4
Schroder Japan Alpha Plus	2304	4
Scottish Widows HIFML Japanese Focus*	2111	4
Scottish Widows Japan Growth*	3962	4
Threadneedle Japan	4079	4
SECTOR AVERAGE	47.42	

	3 year % growth	Quartile position
NORTH AMERICA		
Aberdeen Global North American Equity	3579	4
Aberdeen North American Equity	3746	4
Aviva Inv US Equity Income*	3694	4
Capital Group US Growth and Income (LUX)	4204	4
Cavendish North American	3773	4
CF Richmond Core	2923	4
Investec American	3976	4
Janus Perkins US Strategic Value	3563	4
Legg Mason ClearBridge US Appreciation	3989	4
Legg Mason IF ClearBridge US Equity Income	3214	4
Mitton American	3503	4
Natixis Loomis Sayles US Research	4549	3
Scottish Widows American Growth*	4418	3
SECTOR AVERAGE	50.73	

	3 year % growth	Quartile position
PROPERTY		
F&C UK Property	1901	3
① HC FCM Salamanca Global Property 1	-4432	4
Standard Life Investments Global Real Estate	938	4
SECTOR AVERAGE	24.91	

	3 year % growth	Quartile position
STERLING CORPORATE BOND		
CF Canlife Corporate Bond	1255	3
IWI Fixed Income Portfolio	733	4
Jupiter Corporate Bond	1251	3
Legg Mason IF Western Asset Global Blue Chip Bond	-048	4
SJP Investment Grade Corporate Bond	670	4
UBS Corporate Bond UK Plus	796	4
Walker Crips Corporate Bond	800	4
SECTOR AVERAGE	14.02	

	3 year % growth	Quartile position
STERLING STRATEGIC BOND		
Architas MM Strategic Bond	705	4
HL Multi Manager Strategic Bond	1307	3
Investec Strategic Bond	099	4

	3 year % growth	Quartile position
JPM Strategic Bond	462	4
Kames Strategic Bond	1106	3
Pimco GIS Diversified Income Duration	640	4
Rathbone Strategic Bond	1170	3
Waverton Sterling Bond	800	4
SECTOR AVERAGE	14.18	

	3 year % growth	Quartile position
UK ALL COMPANIES		
Aberdeen Foundation Growth	2084	4
Aberdeen Global UK Equity	1802	4
Aberdeen Responsible UK Equity	1445	4
Aberdeen UK Enhanced Equity	1741	4
Aberdeen UK Equity	1574	4
Allianz UK Growth	2928	3
Allianz UK Index	2291	4
Aviva Inv UK Index Tracking	2436	4
AXA General Trust	2652	3
BlackRock 100 UK Equity Tracker	1753	4
CF Purisma UK Total Return	2104	4
Clerical Medical FTSE 100 Tracker*	1638	4
F&C FTSE All Share Tracker	2412	4
Family Asset*	2081	4
Family Charities Ethical*	1552	4
FP Matteredley Equity*	2080	4
Halifax UK FTSE 100 Index Tracking*	1613	4
Halifax UK FTSE All Share Index Tracker*	2227	4
Henderson UK Index*	2321	4
Henderson UK Tracker*	1581	4
HSBC FTSE 100 Index	1868	4
HSBC FTSE All Share Index	2510	4
IWI Oriol UK	2892	3
L&G (A&L) Capital Growth	1983	4
L&G (N) Tracker Trust	2148	4
L&G UK 100 Index	1681	4
L&G UK Index	2406	4
Liontrust FTSE 100 Tracker*	1768	4
M&G Index Tracker	2542	4
① M&G Recovery	212	4
Marks & Spencer UK 100 Companies*	1780	4
MFS Meridian UK Equity	2370	4
NFU Mutual UK Growth	2179	4
Old Mutual UK Index*	2451	4
Santander Stockmarket 100 Tracker Growth	1821	4
Scot Mut UK StockMarket	1948	4
Scottish Widows UK All Share Tracker*	2604	3
Scottish Widows UK Growth*	2008	4
Scottish Widows UK Tracker*	1738	4
SJP Equity Income*	2781	3
Sovereign Ethical	2615	3
Standard Life TM UK Equity General	2814	3
TM UBS UK Equity*	1840	4
VT Maven Smart Dividend UK	1500	4
SECTOR AVERAGE	37.57	

	3 year % growth	Quartile position
UK EQUITY INCOME		
Aberdeen UK Equity Income	1637	4
① Elite Charteris Premium Income*	-120	4
F&C UK Equity Income	1853	4
Halifax UK Equity Income*	1899	4
HC KB Enterprise Equity Income	3115	3
HSBC Income	2587	4
Insight Equity Income Booster	2324	4
Jupiter Income Trust	2510	4
M&G Dividend	2588	4
Neptune Income	1855	4
NFU Mutual UK Equity Income	2852	4
Scottish Widows HIFML UK High Income*	2262	4
Scottish Widows UK Equity Income*	1997	4
UBS UK Equity Income	2175	4
SECTOR AVERAGE	37.98	

	3 year % growth	Quartile position
UK SMALLER COMPANIES		
Aberdeen UK Smaller Companies Equity	5310	4
Henderson UK & Irish Smaller Companies	5502	4
Lazard UK Smaller Companies	6048	3
CFIC Octopus UK Micro Cap Growth	3531	4
① SF Webb Capital Smaller Companies Growth	2622	4
① TM Progressive UK Smaller Companies	2400	4
SECTOR AVERAGE	62.21	

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 01/09/2015. 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

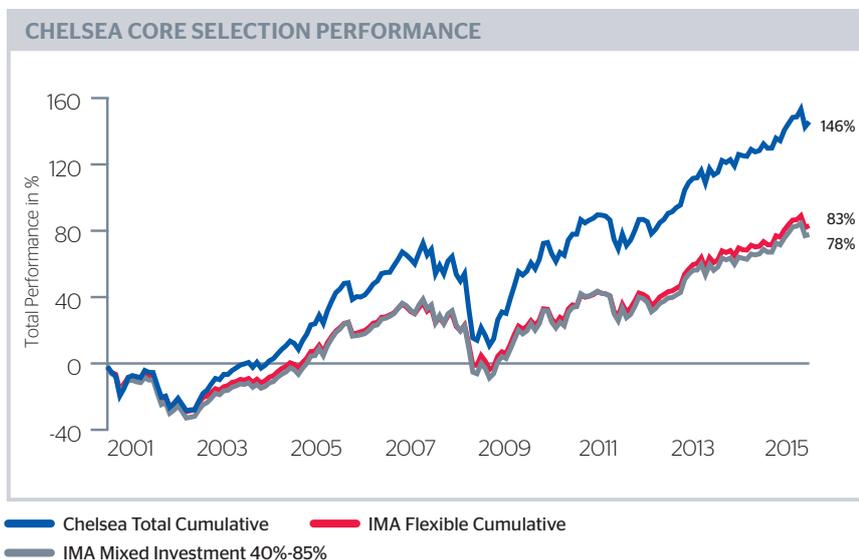
How to Beat the Experts

At Chelsea, unlike many of our competitors, we take our research extremely seriously. Our sole goal is to find the best funds on the market for you. We pride ourselves on our customer service and part of that is providing you with the best possible information when you make your investments. We strongly believe that you can invest in active managers who can consistently beat the market (see page 35) and hopefully we can help you to find them.

Our strong reputation enables us to access leading managers in the industry. Each year our team meet over 400 fund managers. We are constantly looking for the next outstanding fund manager. Every fund on the Chelsea Selection will have been seen in person by a member of our research team.



“Research which generates results is extremely powerful and can potentially make an enormous difference to your investments.”
Senior Research Analyst, Chelsea



OUR PERFORMANCE

We think it is important to showcase our performance to prove to you that our research adds value. Research which generates results is extremely powerful and can potentially make an enormous difference to your investments and your finances. Our research team includes some of the most experienced fund selectors in the industry and we are proud of our consistent performance over many years. Most of the research team is still the same from the very first issue of Viewpoint.

We last looked at our performance in Viewpoint 36 in March 2014. In that issue we calculated the performance of the Chelsea Core Selection over the past 10 years. We have now updated this and have also gone back further to the very first issue of Viewpoint in 2001. We always account for when old

funds left the Core and new funds were added to ensure accuracy and prevent any bias, including funds that have underperformed.

We are pleased to show that our funds have continued to outperform. Chelsea Core Selection funds continued to beat the market in 2014 and so far this year. Overall,

Chelsea's Core Selection has outperformed the IA Flexible benchmark by 62.57% over the past 14 years. And our performance has been consistent; we have beaten the sector in 11 out of the past 13 years (see table below) and hopefully we are on course to beat the market again this year.*

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 YTD
Chelsea Core performance	-18.85%	27.25%	13.39%	26.65%	12.14%	9.45%	-27.97%	32.18%	16.23%	-6.57%	12.09%	13.97%	5.15%	4.87%
IMA Flexible	-20.89%	20.53%	9.23%	22.87%	10.23%	6.78%	-26.11%	24.03%	14.57%	-8.73%	10.13%	14.54%	4.89%	3.62%
Over/Under performance	2.03%	6.72%	4.16%	3.77%	1.91%	2.67%	-1.86%	8.15%	1.65%	2.16%	1.96%	-0.57%	0.26%	1.25%

TOP CORE PERFORMERS

A number of funds were particularly strong performers over the past 12 months.

The chart on the right shows funds outperformance versus their sector average. If you are invested in one of these funds you beat the market by at least 9%.

OUTPERFORMANCE VS SECTOR AVERAGE OVER THE PAST 12 MONTHS*	
Jupiter European	14.72%
Rathbone Global Opportunities	14.60%
Woodford Equity Income	12.51%
AXA Framlington American Growth	10.25%
First State Asia Pacific Leaders	9.43%

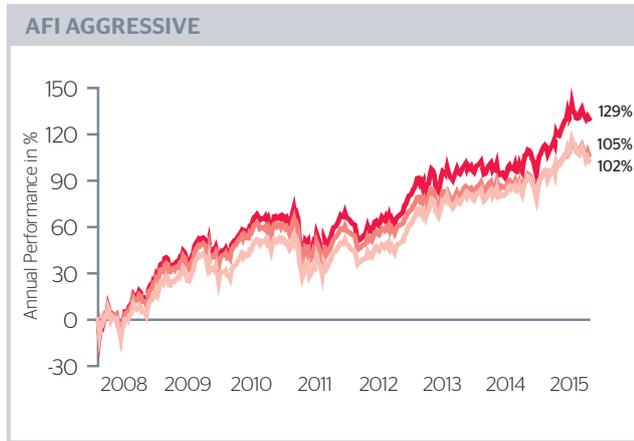
*Source FE Analytics 14/08/2014-14/08/2015

PERFORMANCE VERSUS INDUSTRY PEERS

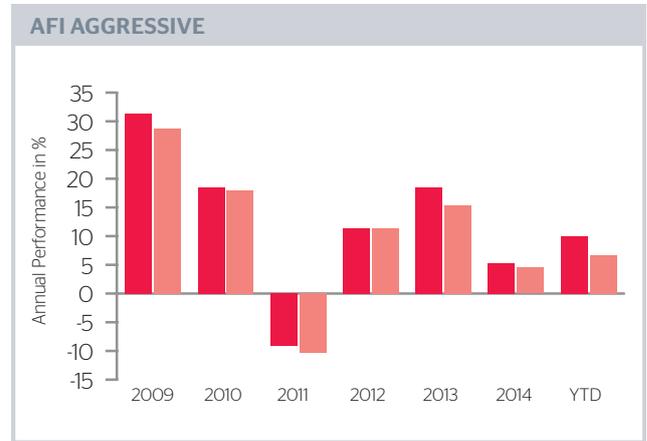
Every six months Chelsea contributes to an industry index, the FE Advisers Fund Index (AFI), which is made up of a representative group of the UK's leading financial advice firms. Chelsea and other leading firms submit their best fund choices for three different portfolios for differing levels of risk. These consist of an Aggressive, Balanced and Cautious portfolio. Each portfolio consists of 10 different funds. We have been submitting funds from the Chelsea selection into the index since its inception in 2008 and we are happy to publish our results.

Chelsea consistently beat the market and industry peers for all three portfolios. We were particularly happy with the consistency of our performance - we were ahead of the index for almost every year in every portfolio. We also outperformed in both up and down markets. Since 2008, on both the Balanced and Aggressive portfolios, Chelsea beat industry peers by more than 20%.

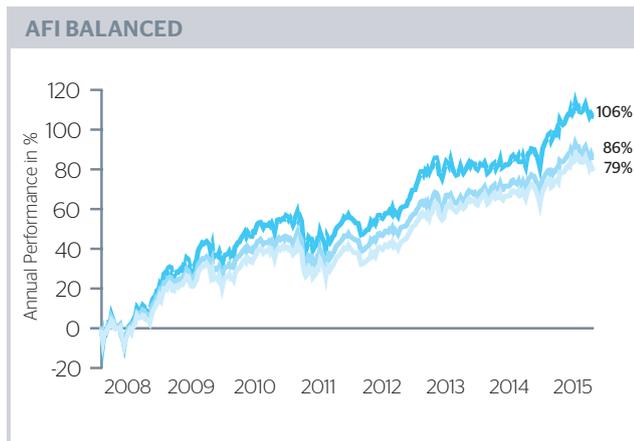
We think these results demonstrate the value we offer. Many of our competitors in this index are paid to give advice and we are pleased that we have largely outperformed them.



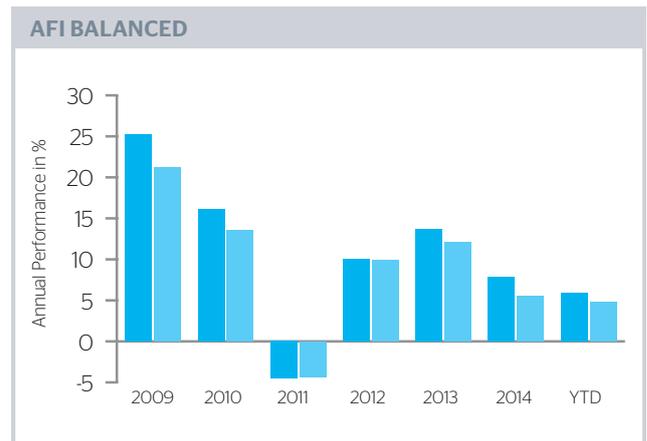
Chelsea Aggressive AFI Aggressive IA Global



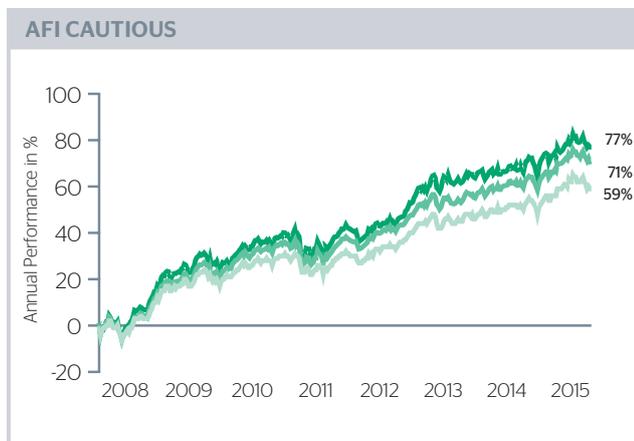
Chelsea Aggressive AFI Aggressive



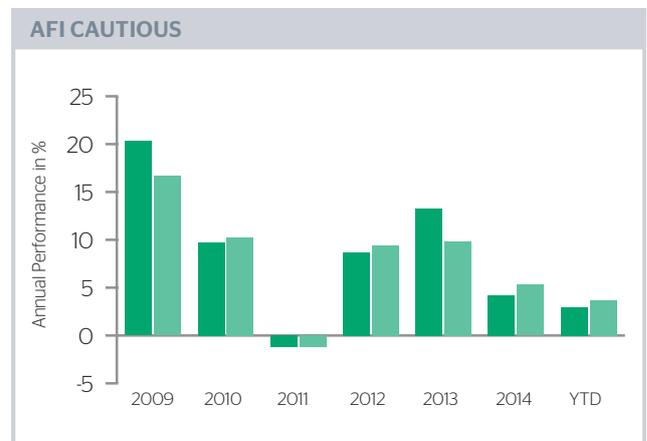
Chelsea Balanced AFI Balanced IA Mixed 40-85%



Chelsea Balanced AFI Balanced



Chelsea Cautious AFI Cautious IA Mixed 20-60%



Chelsea Cautious AFI Cautious

CONCLUSION

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

Source: AFI data provided by FE Analytics 07/11/2008 - 10/07/2015

Fragile China?

Cho Yu Kooi, manager of JOHCM Asia ex Japan Small and Mid Cap, which is new to the Chelsea Core, discusses the impact of China's recent collapse in the domestic 'A' share market.



CHO YU KOOI
Fund manager, JOHCM
Asia ex Japan Small and
Mid Cap

Greece made the most business headlines this summer, but developments in China carry far more significance for the global economy. The past month has seen the Chinese authorities adopt a more market-orientated method for setting the value of the Chinese currency, the renminbi (RMB). This has effectively led to successive devaluations of the RMB over the course of the past month, a move that has sent ripples across Asia and beyond, spooking stock markets and prompting fears of a currency war where nations resort to devaluing their currencies to boost economic growth.

Opinions on the thinking behind these actions are divided. Some analysts accept the official line that it is a necessary technical precursor to the RMB being admitted into the small group of elite currencies, including the US dollar and sterling, accepted as global reserve currencies. But, for many commentators, the timing suggests the Chinese Government is rattled by the sharp slowdown in the economy and flagging exports - Chinese exports are down more than 8% year-on-year. Certainly the data coming out of China in recent months, which tends to be overstated anyway, suggests the days of red hot growth are a long way behind us.

KNOW YOUR 'A' AND 'H' MARKETS

This turbulence in the currency markets comes on the heels of the bursting of the bubble that had inflated in the Chinese domestic stock market, the 'A' share market. By way of background, the 'A' share market is largely the preserve of predominantly retail domestic Chinese investors; there is little foreign participation. Most overseas fund managers, like me, invest in the 'H' share market, which comprises mainland Chinese and Hong Kong-based companies listed on the Hong Kong Stock Exchange.

Having been out of favour since 2008, when a previous stock bubble popped and many retail investors suffered big losses, the 'A' share market languished in the doldrums until last summer. Encouraged by the Chinese Government to buy shares, private investors looking for a home for their capital, particularly given cooling property prices, piled into the stock market. This sparked a frenzy of indiscriminate speculation, much of the trading taking place with money borrowed from brokers, and leading the Shanghai Composite index to more than double in the course of 12 months.

Inevitably, the good times couldn't last. The market burst in mid-June and, since then, the Shanghai Composite index has fallen almost 25% from its peak. And this sell-off has come despite the desperate,

JOHCM ASIA EX JAPAN SMALL AND MID CAP

- Stable team based in Singapore, managers Cho Yu Kooi and Samhir Mehta have worked together for 15 years
- Focus on quality companies
- Unconstrained, very high active share fund, willing to make big calls on countries and sectors
- Currently huge overweight to India (27% overweight) and Taiwan (13.47% overweight) and underweight China (11% underweight)

and ultimately doomed, efforts of the Chinese Government to prop up the market through a raft of measures including interest rate cuts, instructing brokers to buy Chinese blue chip stocks, suspending newly-launched stocks (IPO's), introducing a six-month ban on large shareholders selling stocks and increasing the margin requirements for the short-selling of Chinese index futures. With the mainland market in freefall, trading in about half of all 'A' shares was suspended (it's worth highlighting that no 'H' shares were suspended). The market has now stabilised, but many inexperienced retail investors will be sitting on large losses.

It's important not to conflate the fortunes of the Chinese economy and its stock market. The two are distinctly separate - indeed, the stock market remained moribund from 2008 to 2014 when the Chinese economy was still expanding at a rate of knots. But it is a reminder that the embrace of capitalism in China remains a work in progress.

CHINESE OPPORTUNITIES REMAIN

As for my fund, I am, in aggregate, underweight Chinese and Hong Kong 'H' shares versus my benchmark. My approach to investing is founded upon looking for quality companies that can generate long-term, sustainable growth and have high and/or rising returns on capital. At the moment, I find interesting investment ideas in the Chinese healthcare sector. Like the West, China is faced with the challenges of a rapidly ageing population, which is creating major opportunities for Chinese pharmaceutical companies. I am also keen on Chinese exporters like car parts manufacturers, as well as consumer names like luggage-maker Samsonite - companies that will profit from growth in western economies. But I am generally avoiding stocks which are a play on reforms and reliant on changes in (unpredictable) Chinese governmental policy.

China and the wider Asia region - with the exception of currently high-flying India, which is a big overweight position in my fund - are definitely facing headwinds at the moment. As always, though, for investors who can take a long-term view and look beyond the current turbulence, there remain many exciting individual growth opportunities.



© Liumangtiger | Dreamstime.com - Shanghai Nanjing Pedestrian Street 3 Photo

CHELSEA RISK RATING:	■■■■■● 9
ANNUAL MANAGEMENT CHARGE:	0.90%*
ONGOING CHARGES FIGURE (OCF):	1.50%

THE CHELSEA VIEW:

"We are proud to have spotted this fund early. We like their ability to make big country and sector calls, but it inevitably leads to higher volatility. We particularly like the fund's focus on quality and its emphasis on investing in stocks which can survive through difficult periods."

* 20% performance fee on any outperformance of the benchmark.

Rising interest rates – a threat or an opportunity?



With intense speculation about when the US will raise interest rates from the record lows of 2008, we asked Hutch Vernon, co-manager of the Brown Advisory U.S. Flexible Equity fund, about the impact that this could have on the world's largest economy.



HUTCH VERNON
Fund manager,
Brown Advisory U.S.
Flexible Equity

✘ Elite Rated by FundCalibre

Federal Reserve (Fed) policymakers forecast that they will likely start raising interest rates (tightening monetary policy) this year for the first time since 2006. No central bank has ever wound down such substantial stimulus, so the potential impact on the economy and financial markets is not clear. The Fed has held the benchmark federal funds rate at zero – a record low – since December 2008 and further reduced borrowing costs through quantitative easing (QE). QE, which ended in

October 2014, helped stabilise financial markets, reduced the risk of deflation and resuscitated the economy and job growth.

STEADY AS YOU GO

Fed Chairwoman Janet Yellen has repeatedly said the pace of tightening would probably be slow so as not to inhibit growth. Even though data indicates that unemployment is decreasing and personal spending is increasing, the economic expansion remains delicate and inflation is still below the central bank's 2% target. The Fed learned long ago the high cost of premature tightening. After the 1929 stock market crash and banking crisis, the economy appeared to be rebounding by the mid-30s. The Fed dramatically tightened policy in 1937, prompting a sharp relapse that prolonged the Great Depression.

TEMPER EXPECTATIONS

While investors seem fixated on the timing of the first increase, we believe it is more important to consider how the entire tightening cycle will play out.

In our view, investors should temper their expectations for equity returns in the next three- and five-year periods compared with the previous. But we still believe the long-term direction of equity markets is up, given the tailwind of economic progress. We do not believe that the Fed will raise rates aggressively enough to have a major impact on global equities, but overall the short-term effect is likely to be negative for global risk assets. Long term, however, rising rates are generally indicative of an improving economic landscape and we believe the Fed has kept rates artificially low for so long that a steady increase to some level of 'normality' would be justified.

Rising rates will be positive for the dollar which should give U.S. equities a positive currency effect for non-U.S. based investors.

The strengthening dollar may not be so positive for emerging market equities, particularly China, Russia and Brazil who are also facing their own issues. On the other hand, we have seen a trend of improving European fundamentals in the latest earnings reports and the concern around Greece has veiled a recovery in Europe's economy. Euro area GDP grew by 0.4% (up 1% year-on-year) during 2014, the best performance in four years. The euro currency has fallen, and regional stock markets have rallied partly due to the ECB's (European Central Bank) expanded QE programme. We believe that this accommodative monetary policy has been a key contributor to these developments, and the continuation of this policy should help insulate the European recovery from any imminent Fed action on rates.

THAT IS NOT TO SAY WE ARE BEARISH

The U.S. economy's long-term record of innovation, development and adaptation supports an optimistic outlook. The broad valuation of stocks, although higher than we prefer on the basis of prospective returns, is not excessive in our view, particularly in an environment of unusually low interest rates. However, one should be careful about making generalisations about the stock market because it is not uniform and opportunities and risks are rarely spread evenly across the market at any time.

The outcome of the impending rate rise is unknown, but what we can expect is volatility, which can create opportunities as well as pitfalls for investors. Actively selecting these opportunities, rather than taking a passive approach, enables us to participate in specific areas of upside potential. For example, we believe banks will benefit from the higher net interest income achievable with higher rates. Equally, if not more important, is mitigating downside risk by actively avoiding areas such as the utility or telecom sectors that, like fixed income securities, tend to fall in price during rising rates.

On the verge of such an historic move, we are on the lookout for the chance to acquire stocks of fundamentally sound companies at bargain prices, keeping in mind the truism that "change is opportunity knocking."

CHELSEA RISK RATING:	● 7
ANNUAL MANAGEMENT CHARGE:	0.75%
ONGOING CHARGES FIGURE (OCF):	1.00%

BROWN ADVISORY U.S. FLEXIBLE EQUITY

- Brown Advisory are U.S. based
- Hold a concentrated portfolio of circa 45 stocks
- Seek fundamentally attractive companies at bargain moments
- Flexibility to invest across the market-cap and style spectrums
- Long-term approach, leads to very low stock turnover

THE CHELSEA VIEW:

"Hutch and Michael have a clear and disciplined philosophy, that they have run for 20 years, consistently beating the S&P. The team is well resourced and based in the U.S., providing great opportunities to generate long-term returns."



"Our pension has now been active for over a year, and has been extremely popular with investors."
Operations Consultant, Chelsea

Pension changes and how they affect you

Pensions - more flexible, accessible and attractive than ever.

Whether you are at the beginning of your pension saving journey or consolidating several that you have accumulated over the years, we can help. Now is the time to put your pension at the forefront of your financial thinking.

6th April 2015 was a landmark date for pension investors. The most radical changes to pensions in a generation mean they now offer unprecedented flexibility at retirement.

AT RETIREMENT AGE, PENSION INVESTORS CAN:

- As previously, take up to 25% of their pension pot tax-free.
- Take unlimited lump sums as and when they like - they can take the whole amount if they wish (however they should take the tax implications into account).
- Death Benefit changes - new tax breaks for passing on pensions when they die. Pensions could now be handed down through the generations, with limited, or no tax implications.

TAKE ADVANTAGE OF VALUABLE TAX RELIEF ON CONTRIBUTIONS - IT MAY SOON DISAPPEAR

Try to maximise the amount you can contribute into your pension now. The tax relief on contributions is valuable and is being reduced. If your tax relief is cut, the cost of making your pension contribution will rise. Some investors will therefore receive greater tax benefits making contributions now, rather than in the future.

For example, from April 2016, there will be a gradual reduction in the tax-free limit on pension contributions from £40,000 to £10,000 a year for high earners.

We at Chelsea do not think that tax relief will be scrapped completely but it may be the beginning of the end for higher rate and additional rate tax relief. **So invest into your pension now!**

"Having had a small pension with another provider just sitting in a pot earning practically nothing for many, many years, I decided to move it over to Chelsea after reading their Viewpoint magazine. Chelsea could not have been any more helpful or friendly.

All that was needed was one form to be filled in by me and they did the rest. My money was transferred within a couple of weeks. It is so reassuring to know that they are at the end of a telephone and always willing to help. Highly recommended!!"

Virginia Kennedy, Bedfordshire

Transfer today

To transfer a pension(s) to Chelsea simply complete the form below and we will send you the relevant documentation.

Alternatively, you can do this online at <https://www.chelseafs.co.uk/products/pension/questionnaire/>

APPLICANT DETAILS			
Name: _____			
Address: _____ _____			
			Postcode: _____
Email address: _____			
Telephone: _____			
Transaction	<input type="checkbox"/> Transfer a pension(s) to us	<input type="checkbox"/> lump sum	<input type="checkbox"/> regular contribution
	<input type="checkbox"/> Contribution:		
Over 55?			
Do you want to take your tax-free cash now?		<input type="checkbox"/> Yes	<input type="checkbox"/> No
Do you want to take an income?		<input type="checkbox"/> Yes	<input type="checkbox"/> No
If transferring, is the pension already in drawdown?		<input type="checkbox"/> Yes	<input type="checkbox"/> No

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). The application form must be completed by the individual taking out the pension, and they must be over the age of 18.

CONSOLIDATE YOUR PENSION WITH CHELSEA

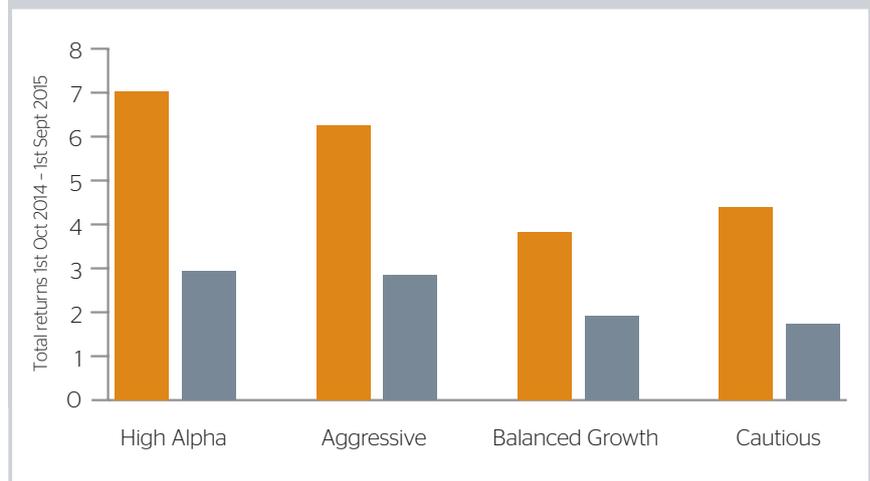
Many of us have worked for a number of employers and are likely to have a number of small pension pots, making it very difficult to assess our pensions, with different charges and a number of different statements arriving in the post. So why not consolidate them in one place?

By consolidating you can take control of your pension.

We offer a high level of service when assisting with all pension needs. We also understand that pension forms can be daunting and we have a dedicated pension administrator to assist you with these. There is no time to lose - open a pension through Chelsea today:

- 0% set-up charge
- 0% initial charge on funds
- Access to over 2,500 funds
- EasySIPP portfolios - see overleaf
- Competitive service and platform charge
- Free transfers in - consolidate and manage your schemes in one place. We can help with transfer out charges if you are moving to us
- Free telephone dealing
- Free switching online, by post and on the telephone
- Twice-yearly statement with expert research commentary
- 0% charge for processing probate
- 20% tax relief automatically reclaimed for you
- Access to tax-free cash from 55

EASYSIPP PORTFOLIOS - CLEAR OUTPERFORMANCE



Source: FE Analytics 01/09/2015

■ EasySIPP ■ Benchmark

Our pension has now been active for over a year, and has been extremely popular with investors who don't want to pay hefty advisor fees, and want the flexibility to invest their pension as they see fit.

With over 2,500 funds to choose from, deciding what funds to invest into can be quite daunting. For this reason, we have put together our **EasySIPP portfolios** for your consideration (see overleaf). These work in the same way as the EasyISAs, which can be found on pages 8 and 9. **NB: These portfolios do not include cash allocations.** In October last year the EasySIPP portfolios were re-branded, to coincide with the launch of our new pension; since then all of the

portfolios have outperformed their benchmark. The pension, like the rest of Chelsea's products, is offered on an execution-only basis, so we cannot offer independent financial advice or automatically amend your investment, if we alter any of the funds.

We inform investors of any changes via our twice-monthly e-newsletter, which you can sign up to online, and in Viewpoint magazine. If you hold an EasySIPP and wish to alter it to reflect any changes we make, you may like to effect a switch. Simply give us a call and we can do this over the telephone for you. Alternatively, you can do this online.

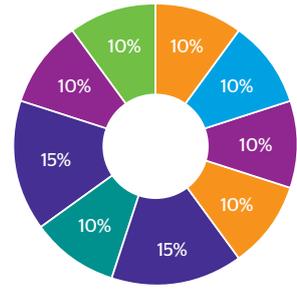
See overleaf for EasySIPP Portfolios...

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.

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

- 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%

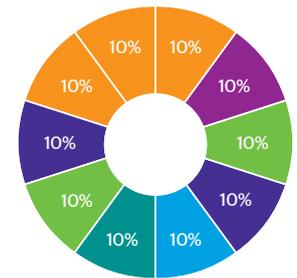


Balanced Growth EasySIPP

The Balanced Growth EasySIPP currently invests approximately 50% in equities, but could 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.

AVERAGE ANNUAL MANAGEMENT CHARGE (AMC): 0.72%
 AVERAGE ONGOING CHARGES FIGURE (OCF): 0.94%

- 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%
- Somerset Emerging Markets Dividend 10%



Aggressive EasySIPP

The Aggressive EasySIPP is for investors who are comfortable with a higher degree of risk. The portfolio currently comprises approximately 65% 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, in the long term, but with less investment in bonds and property funds, this is only for those who are prepared to accept a high level of risk.

AVERAGE ANNUAL MANAGEMENT CHARGE (AMC): 0.75%
 AVERAGE ONGOING CHARGES FIGURE (OCF): 0.89%

- AXA Framlington UK Select Opportunities 15%
- Baillie Gifford Japanese 5%
- First State Asia Pacific Leaders 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%
- M&G Global Emerging Markets 5%
- Marlborough UK Micro-Cap Growth 10%
- Old Mutual Global Equity Absolute Return Hedged* 15%

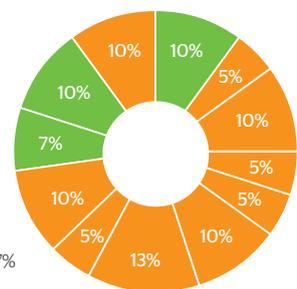


High Alpha EasySIPP

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.

AVERAGE ANNUAL MANAGEMENT CHARGE (AMC): 0.76%
 AVERAGE ONGOING CHARGES FIGURE (OCF): 0.94%

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



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

PORTFOLIO CHANGES
Balanced Growth EasySIPP: Liontrust Special Situations replaces JOHCM UK Opportunities (see opposite)

* 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.

FundsUpdate

This is where we keep you up-to-date on some widely-held funds, often where some change has taken place that we believe to be noteworthy.

First State Stewart

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

First State Stewart, who manage a number of funds which have featured in the Chelsea Selection and Core, are going through a structural change.

On 1st July, First State Stewart split in two. The teams and funds are staying the same, with the Edinburgh-based funds re-branded as Stewart Investors, including Global Emerging Markets, Asia and Global Equities. The Asian office remains under the First State Stewart Asia moniker and the existing teams and managers stay in place. The funds' philosophies are not changing either,

though information will not be shared, and the two - now separate - investment teams, will be allowed to compete against each other, acting as smaller, more nimble businesses.

This was an unexpected division of the team, and the branding changes are expected in the coming months. With the managers, teams and philosophies staying in place, we are more than comfortable with the situation, and as such, the funds remain as a buy. We will continue to keep an eye on the situation and monitor any change in the funds' performance.

JOHCM UK Opportunities

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

This concentrated fund is focused on capital preservation. It uses a combination of top-down and bottom-up analysis and invests predominately in large blue chip stocks. The manager, John Wood, has over 25 years investing experience.

We have removed the fund from our Core Selection because we are adding the JOHCM Asia Small and Mid Cap fund and no group is allowed more than four funds on the Core Selection.

The fund has been contending with a bull market and the strong

outperformance of mid-cap stocks, an area it is underweight. Given this environment, it is especially impressive that John has still beaten his peers over the past five years. We like the fund's cautious nature (it currently holds 18.1% in cash) and John's history of protecting investors in down markets. This is a core UK large-cap fund. It remains on the wider Chelsea Selection and is a clear buy given John's experience and long-term track record of outperformance.

Standard Life UK Equity Unconstrained

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

This fund had been managed by Ed Leggett for seven years until he was headhunted by Artemis, replacing the now retired Tim Steer. He left in June 2015 and has been replaced by Wesley McCoy who is back for his second stint at Standard Life Investments, having previously worked there from 1999-2008. He returned in 2012 as a fund manager in the global and UK equities teams and now has retaken responsibility for the Standard Life UK Equity Unconstrained fund for his second spell as manager.

The philosophy remains the same, with the investment team selecting the best stock ideas from across the UK market, held in a concentrated portfolio, with the target of achieving long-term growth.

We are due to meet Wesley soon, though as the successful Ed Leggett has left, the fund has been removed from the Chelsea Selection and rated as a hold until we meet Wesley.

L&G High Income

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

Martin Reeves has run this fund since 2011 and focuses on total return. The fund has been one of the worst performers cumulatively over five years, and also has done poorly in four of the past five years.

The fund's mandate, avoiding the riskier end of the market, provides a slightly narrower investment range to its peers, which has not aided performance of late.

The fund also considerably underperformed both the benchmark and its peers in the recent bond market sell off.

We believe there are better funds with more potential available, and for its continued inferior performance, we have downgraded the fund to a switch.

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.

Joining the dots: investing in a connected world

In recent years, one of the most exciting investment trends has been the mobility of technology. Steve Davies manager of Jupiter UK Growth, which has just been added to the Chelsea Core, discusses this sea change.



STEVE DAVIES
Fund manager,
Jupiter UK Growth

✉ Elite Rated by FundCalibre

On 9th January 2007 Steve Jobs walked onto the stage at Apple's annual conference and, by the time he stepped off it, the technology and telecommunications industries had been utterly transformed.

The iPhone has gone on to sell hundreds of millions of units, but of course that is just one part of the story. Not only are there many kinds of smartphones available these days, but the universe of what might be termed "connected devices" has ballooned out to

include tablets, watches and soon perhaps many other items in a vast "internet of things".

If the shifting dynamics of the devices market has been dramatic, however, it is nothing compared with the revolution in content and data that make using those devices so compelling for people. Estimates about usage vary, but our lives are so intertwined with these connected devices that some studies say people check their smartphone between 110-150 times per day¹.

BUILD THEM, SELL THEM, CONNECT THEM

It seems inevitable to me that sales and usage of "connected devices" will continue to grow, but as a fund manager I face the challenge of identifying the smartest ways to invest in this trend. The devices themselves seemed an obvious place for us to start and we have been invested in Apple since 2010. But for many years we have also been invested in the UK's leading retailer of mobile phones², formerly in its original guise as Carphone Warehouse and now as part of the Dixons Carphone group. There is no doubt in my mind that owning each of the manufacturing and retailing sides of the equation has improved our understanding of the other.

Looking one level deeper into the trend, a world of connected devices can't exist without the networks in place to connect them. This has taken us first to the providers of domestic and business internet connections (such as TalkTalk), but also into more specialised areas. Inmarsat, for example, operates a fleet of satellites that allow merchant shipping, airlines and other industries that operate in remote areas to stay connected beyond the range of terrestrial networks.

DIGITAL WORKPLACES AND ONLINE PLAYGROUNDS

Building the devices, selling them and having fast, efficient networks to connect them is great ... but counts for nothing unless there are compelling, productive or entertaining ways for people to use them. A central pillar of our 'connected world' investment theme therefore involves the creation and distribution of online content, ecommerce and data. With so much of our lives now entwined with the internet, there are significant opportunities for the companies that keep the wheels of that system running smoothly. I see Experian as an example of this. The company is, in my view, a market leader in the essential service of facilitating online credit checks - in addition, it also serves individuals, who can now more easily check their own credit rating online and protect against identity theft.

Making the most of the connected world can also allow companies to broaden the reach of their marketing and retail channels. Take our holding in Manchester United as an example - the football club has millions of fans worldwide, but only a tiny proportion can attend matches. The scope of Manchester United's online presence (for example the club has 64.8 million Facebook 'likes' and 5.1 million Twitter followers)³ means that they can connect directly to their fans all over the world.



Turning to ecommerce, it's worth noting that there was a time when people thought that pure-play ecommerce was going to wipe out traditional models. What appears to have happened, however, is that in many cases people prefer to deal with both the online and bricks and mortar channels, for example visiting a store to view the range of TVs and discuss them with a member of staff, then later buying through the website. Dixons Carphone is in my view a clear example of a "legacy" retailer that has embraced this new world and turned it into an opportunity rather than a threat.

This is an overview of some of the key ways in which the Jupiter UK Growth fund tries to play this theme. I expect the connected world to provide a whole variety of companies with exciting growth opportunities and that this secular trend will remain a key theme of Jupiter UK Growth for the medium to long term.

JUPITER UK GROWTH

- Invests in large and mid-cap stocks
- Concentrated portfolio of 30-35 holdings
- Contrarian portfolio
- High active share, so sector weightings are likely to differ considerably from the index e.g. services and financials sectors combined are currently almost 60% of the fund

CHELSEA RISK RATING: |||||●||| 7

ANNUAL MANAGEMENT CHARGE: 0.75%

ONGOING CHARGES FIGURE (OCF): 1.03%

THE CHELSEA VIEW:

"Steve has proven stock-picking ability and we like the contrarian nature of this portfolio, although investors should be aware that this can cause performance to be lumpy."

¹ Source: Locket, 2013; Kleiner Perkins Caulfield Byers, Internet Trends, 2013

² Winner: Best High Street Retailer, Mobile Industry Awards 2014

³ Source: facebook.com/manchesterunited and @ManUtd twitter account, on 27 May 2015

Tracker funds crushed

UK active managers outperform

Investors are increasingly being encouraged to buy tracker funds which only seek to match a stock index, rather than trying to beat it. Passive investment companies, academics and some parts of the press have been pushing the idea that we would all be better off in these funds because of their lower charges. These funds now account for 11% of the UK market.

Whilst it is possible to buy passive or tracker funds via the Chelsea Fundstore, you are unlikely to find them on the Chelsea Selection (see pages 22 & 23). There are many reasons why we dislike tracker funds but the simplest is that there are many great managers you can invest in who have consistently beaten the market. Over the past five years many of them have provided double or even triple the return you get from a tracker. For the most part, our research team has been very successful in finding these managers. Chelsea's research has beaten both the market and other investment professionals over many years (see pages 26-27).

Tracker funds are founded on the back of the Efficient Market Hypothesis, an academic theory which states that markets are always efficient. If markets are always efficient, active managers should not be able to outperform their benchmarks.

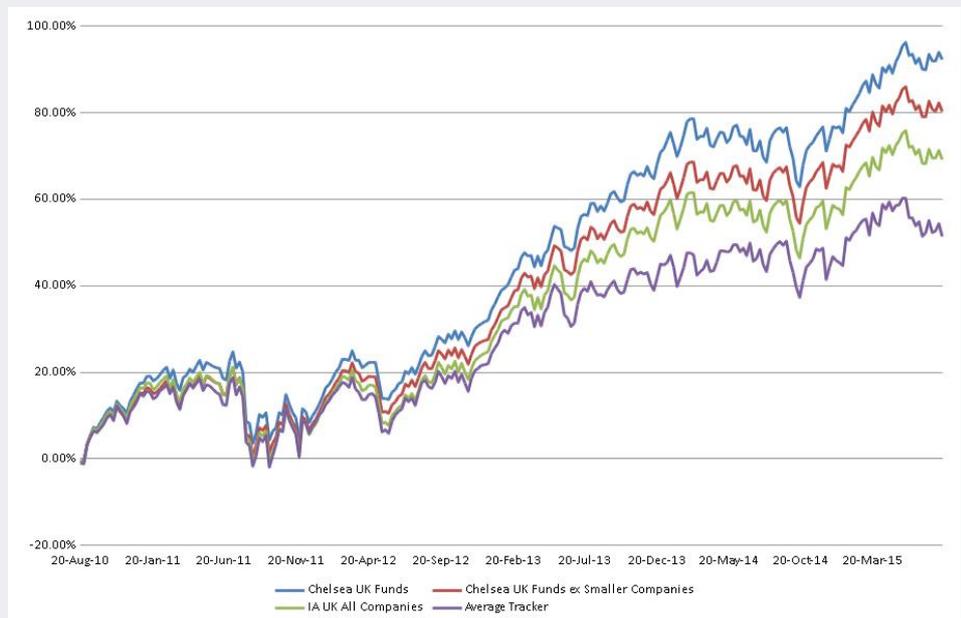
However, the Efficient Market Hypothesis simply doesn't hold outside an academic bubble. Consider the 20% collapse in stock markets on Black Monday in 1987, the tech bubble in 2000, the financial crisis of 2008 and the Flash crash of 2010 (where the US stock market dropped 10% in the space of a few minutes before bouncing back). Was the market efficient in these instances? These are just a few out of hundreds of examples. The recent collapse of the Chinese A share market is another one to add to the list.

ACTIVE VERSUS PASSIVE BY NUMBERS

The numbers speak for themselves. Active managers investing in the UK stock market didn't just beat passive funds over the past five years, they crushed both them and the benchmark indices.

The average fund in the UK All Companies sector returned 65.35% over the past five years, that was 16% more than the average passive fund and 12% ahead of the FTSE All Share after accounting for all charges.* An astonishingly high difference and something the passive advocates would say was impossible. We also worked out the performance for our UK funds on the Chelsea Selection, taking into account when old funds left and new funds were added.** Happily, the average Chelsea UK fund returned 88.09% over the past five years, just under 40% more than the average tracker fund.

CHELSEA UK SELECTION VS IA UK ALL COMPANIES VS AVERAGE UK TRACKER



Even when we exclude our smaller companies funds, the average Chelsea fund was still 27% ahead of the passive trackers (see graph).

The average fund on the Chelsea Selection was also significantly less volatile than both the FTSE All Share and the average tracker fund, meaning they generated far superior risk-adjusted returns. Overall, our investors were substantially better off in actively-managed funds.

OTHER REASONS WE DON'T LIKE PASSIVE FUNDS

- You'll always underperform the market - since your fund will at best match the market minus its fee
- You're always investing in yesterday's story - a stock index changes drastically over 20 years. Just prior to the tech bubble your investments would have been filled with tech companies, prior to the financial crisis your investments would have included many banks
- You will miss out on the early part of all the new companies which are not yet in the index
- Your investments will be heavily weighted to the largest companies, but typically mid and smaller companies generate higher returns over the long term. Smaller companies will have almost no weight in a tracker fund. The performance figures above show how big a disadvantage that can be
- Trackers don't give you any control over volatility
- Tracker funds are unable to react in a financial crisis

■ You'll never invest in star managers like Neil Woodford, Anthony Bolton, Giles Hargreave etc who could potentially change your financial future

ADVANTAGES OF PASSIVE INVESTMENTS

- Tracker funds are very well diversified
- They have lower charges (you'll typically pay between 0.10-0.20% per year for a tracker versus 0.75% for the average actively-managed UK equity fund)
- They should track the performance of an index minus costs

WHEN WOULD YOU WANT TO USE A TRACKER?

We believe that with a bit of research, investors can quite easily select excellent fund managers who will beat the market over the long term. Nigel Thomas, Neil Woodford, Alexander Darwall, Giles Hargreave, David Dudding and Angus Tulloch are just a few managers who could all be found on the Chelsea Core Selection over the past five years and all easily beat their peers and the index. So, we think that most investors would be far better off with an active manager. If you aren't confident in being able to pick the right manager, and you only want to track the market, then a tracker fund might be right for you, but this will limit the potential performance of your investments.

*FE Analytics 05/08/10 - 05/08/15

**See our website www.chelseafs.co.uk for full methodology

† 'Average Tracker' is taken from an equally weighted portfolio of all IA UK All Companies tracker funds with at least a five-year track record

INVEST, MONITOR AND MANAGE YOUR PORTFOLIO WITH

the Chelsea FundStore

POWERED BY **c-funds**

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

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

Invest online

INVESTMENT ISA

Lump sum or monthly savings, select one of our EasyISA portfolios, or choose from more than 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
- 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 **c-funds** - 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 if they invest or transfer over £25,000
- £25 worth of Marks & Spencer vouchers if they invest or transfer over £5,000

Investments must be retained with us for at least 12 months. 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 been dealing with Chelsea for over 20 years. They are always very knowledgeable and patient, no matter how much time it takes. I consider the service provided by Chelsea to be excellent."

Dan Bennett, LONDON

"The research is second to none. Whilst Chelsea is always 'there' for you, they are never intrusive or trying to 'sell' me something (cold calling). I have no complaints!"

Mr Richard Gosling, NEWPORT

Unhappy with your IFA or platform? (And unhappy about their charges?)

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



WHAT FREE TRANSACTIONS MEAN FOR YOU:

- Get rid of poor-performing funds at 0%. Thanks to free switching, Chelsea clients have saved thousands of pounds.
- Switching enables you to make changes to your portfolio with ease, allowing you to rebalance your portfolio or readjust as you see fit.
- Access to over 2,500 funds, from more than 90 different providers, all available at 0% charge.
- Cash Reserve ISA: if you're unsure where to invest or just want to sit outside the market, you can hold cash within your ISA then switch into funds at 0% charge.



...and **free consolidation** too

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

There are no charges for re-registration and no change of fund manager. However, some platforms may charge an exit fee, but if they do we should be able to pay it for you. Please call our helpdesk on 020 7384 7300 to find out more.

Re-registration is easy.

Simply complete and return the form on page 54.

Make sure you benefit from
0% transaction charges
with all your funds...

If you have a Cofunds account with another intermediary, and you do not need advice, all you need to do is to appoint Chelsea as your servicing agent - just complete and return the form below:



CLIENT NAME:

CLIENT REFERENCE:

I wish to appoint Chelsea Financial Services as the servicing agent for my Cofunds investments.

SIGNED:

DATE:

Only complete if you have a Cofunds account and haven't previously submitted a ShareClass Conversion form.

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

This form is to be used for share class conversions. This includes conversion between commission-included to commission-free share class funds and between commission-free share class funds. Please complete this application form using black ink in BLOCK CAPITALS and return to: Chelsea Financial Services, St James Hall, Moore Park Road, London SW6 2JS

1 Intermediary Details

Cofunds Intermediary Authorisation Code

2 Personal Details (Please complete this section in full)

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

Primary holder

Existing Cofunds Client Reference

Mr/Mrs/Ms/Miss/Other

Surname

Full first name(s)

Current permanent residential address

Postcode

Secondary holder

Existing Cofunds Client Reference

Mr/Mrs/Ms/Miss/Other

Surname

Full first name(s)

Current permanent residential address

Postcode

3 Segmentation (For intermediary use only)

Please enter the name of the segment in full using BLOCK CAPITALS:

4 Choose Account

Please note: These instructions will convert all funds to commission-free as available to your intermediary.

Account Level

All Accounts - convert all accounts where the client is the primary holder

5 Choose Product/Funds

We will move all funds requested in accordance with your selection unless the requested fund(s) are not available to be converted, in which case we will not be able to fully complete your request for these fund(s). Go to <http://www.cofunds.co.uk/docs/GBUB/cofunds-fund-list-gbub.pdf> for a full list of available funds.

All Products

6 Convert Existing Regular Contribution

Convert the existing regular contribution in accordance with the option and accounts as indicated above (if applicable).

7 Service charge (To be completed by the intermediary)

Service Charge model name: SEGMENT 1

Annual Service Charge*: 0.4%

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

It is Cofunds' normal business practice to process your conversion following receipt of your instruction. The instruction to convert is then passed to the fund manager who will convert and confirm back to Cofunds upon completion. Cofunds upon receipt of confirmation will then reflect the change(s) to the clients Accounts. This process is subject to change dependant on volumes and individual fund manager processing procedures.

Authorisation

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

I confirm that I have been provided with the Terms & Conditions of the Cofunds Platform (Self-directed Explicit Pricing Model) (the Customer Agreement) and, by submitting this application form, I agree to be bound by that agreement.

I understand that the Customer Agreement sets out the standard terms upon which Cofunds intends to rely, and it is important that I should 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 there is a fee associated with the Cofunds Explicit Pricing Model (the Platform Charge). I authorise Cofunds to collect the Platform Charge from my applicable Cofunds Cash Account/Trading Account.

For the L&G Portfolio Plus/SIPP and L&G International Portfolio Bond, where there is insufficient money in my cash account to pay the Platform Charge and I have an existing Sale for Regular Payment mandate or Fund Sale Instruction, I authorise Cofunds to sell funds from my ISA and/or Investment Funds in accordance with this mandate to cover the charge. I understand that this may result in commission-included share class funds being sold to cover this charge.

I agree to

- The Platform Charge
- The Sale for Regular Payment Process in respect of the Platform charge in circumstances where I have an existing mandate or model portfolio.

I understand and accept that if the fund(s) selected in this form are not available to my intermediary, Cofunds will automatically select a comparable fund available to my intermediary when processing my application. I understand and accept that I am entitled to cancel my application in accordance with the relevant Terms and Conditions of the Cofunds Platform or Customer Agreement applicable to the product I am investing in and that if I chose to cancel my application, my investment shall be subject to market movement during the period from the date when my application is processed to the date my investment is sold.

Fund Sale Instruction

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

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 7 of this form and in my Fees and Charges Schedule from my relevant payment account.

Cofunds will accept authority from the primary holder only, in most circumstances.

For trusts and Powers of Attorney more than one signature may be required.

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

Primary Holder Signature		Date
-----------------------------	---	------

Secondary Holder Signature		Date
-------------------------------	--	------

6 Investment Selection

I wish to subscribe to an Investment ISA (stocks and shares) for the tax year **2015/16** for the amount of: £

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

Please note: your total ISA subscription for each tax year must not exceed your ISA allowance. For details, please refer to the Key Features of the Cofunds Investment ISA.

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.

See page 8-9 of your recent Viewpoint for details on the EasyISA portfolios.

Fund name(s) or EasyISA Portfolio

<input type="checkbox"/> Cautious Growth EasyISA <input type="checkbox"/> Balanced Growth EasyISA <input type="checkbox"/> Global Income EasyISA (please complete income payment section overleaf) <input type="checkbox"/> Aggressive Growth EasyISA <input type="checkbox"/> Income EasyISA (please complete income payment section overleaf)	Type of unit/share (delete as appropriate)*	Lump sum (£50 per fund minimum)	Monthly saving (£50 per fund minimum)**
(Tick one option only)	ACC/INC	£	£
	ACC/INC	£	£
CASH RESERVE ¹		£	£
TOTAL INVESTMENT AMOUNT		£	£

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

****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. Please complete the Direct Debit mandate.

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

¹**Cash Reserve** Please note: this will be included as part of your ISA allowance and not placed into your cash account.

7 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.

8 Declaration and Authorisation

I declare that:

- All investment subscriptions made now and in the future belong to me.
- I am aged 18 years or over.
- I have not subscribed and will not subscribe to more than my overall subscription allowance in total to a Cash ISA and a Stocks and Shares ISA in the same tax year.
- I have not subscribed and will not subscribe to another Stocks and Shares ISA in the same tax year that I subscribe to this Stocks and Shares ISA.
- I am resident in the United Kingdom for tax purposes, or, if not so resident, either perform duties which, by virtue of Section 28 of Income Tax (Earnings & Pensions) Act 2003 (Crown employees serving overseas), are treated as being performed in the United Kingdom, or I am married to or in a civil partnership with a person who performs such duties. I will inform Cofunds Limited if I cease to be so resident or to perform such duties, or be married to or in a civil partnership with a person who performs such duties.

I authorise Cofunds Limited to:

- Hold my cash subscription, ISA investments, interest, dividends and any other rights or proceeds in respect of those investments and any other cash.
- Make on my behalf any claims to relief from tax in respect of my ISA investments.

I confirm that:

- I have 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.
- I understand that there are fees (the Cofunds Platform Charges) for the use of Cofunds services. I authorise Cofunds to collect these fees from my Cofunds Cash Account. If there is insufficient money in my account, I authorise Cofunds to sell enough of my Platform Assets to pay these fees in accordance with the 'Our Charges' section of the Terms & Conditions of the Cofunds Platform (Self-directed Explicit Pricing).
- I understand that the Terms & Conditions of the Cofunds Platform (Self-directed Explicit Pricing) are the standard terms upon which Cofunds intends to rely, and it is important that I read and understand the terms before agreeing to be bound by them. If there is any term or point I do not understand or do not wish to be bound by, I understand that I can request further information before signing this application.
- I understand that my signed application form (once accepted by Cofunds) together with the Terms & Conditions of the Cofunds Platform (Self-directed Explicit Pricing) form my customer agreement with Cofunds Limited.
- I understand that the commencement of my ISA may be delayed or rejected if this application form is not complete in all respects. You may undertake a search with a reference agency for the purposes of verifying my identity. To do so, the reference agency may check the details I supply against any particulars on any database (public or otherwise) to which they have access. They may also use my details in the future to assist other companies for verification purposes. A record of the search will be retained as an identity search. I declare that the information contained in this application form is correct to the best of my knowledge and belief.
- I understand and accept that 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.

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 other related activities. We may disclose your information to our agents and service providers for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements.

With the exception of the preceding provisions, we will not pass on your information to any other third party without your permission, but we will disclose information concerning your investment to your nominated intermediary.

Cofunds may transfer your information to countries outside of the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act.

If you require a Fund prospectus, please contact your intermediary or Fund Manager directly. If you wish to attend/vote at unit holder or shareholder meetings, please tick this box.

If you wish to receive reports and accounts, you can download them free of charge at https://investors.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx

If you wish to receive paper copies of reports and accounts please speak to your Intermediary.

You can also request to receive paper copies of reports and accounts by writing to us at Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.

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 7 of this form and in my Fees and Charges Schedule from my relevant payment account.

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

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

If you provide your email address and telephone number on this form, Chelsea will keep a record of it. Chelsea may use it occasionally about products and services which may be of interest to you. However, if you prefer not to receive such information you may withdraw your consent by contacting Chelsea on 0207 384 7300.

Signature 

Date

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

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

Please ensure that this form is used with the correct Transfer Authority. Please note Cofunds normal business practice (and by signing this application, you agree to such practice) is to convert commission-included share classes to their commission-free share class equivalent within the same funds that are available to your intermediary on receipt of the assets from the ceding provider. If a commission-free share class is not available, we will be unable to transfer the asset to Cofunds as stock.

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

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1 Personal Details (Please complete this section in full)

Existing Cofunds Client Reference

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

Mr/Mrs/Ms/Miss/Other

--

Surname

--

Full first name(s)

--

Email

--

Telephone

--

Male Female Date of Birth

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National Insurance Number

--	--	--	--	--	--	--	--	--	--

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

Current permanent residential address

Postcode

--	--	--	--

Time at this address

--	--

 yrs

--	--

 mths

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

Postcode

--	--	--	--

Time at this address

--	--

 yrs

--	--

 mths

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

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)

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 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

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Bank Name

--

Branch Sort Code

--	--	--

 -

--	--	--

 -

--	--	--

Bank/Building Society Account Number

--	--	--	--	--	--	--	--	--	--	--	--

Building Society Roll Number

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

4 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.

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.

5 Service Charge (To be completed by the intermediary)

Service Charge model name: STANDARD SELF-DIRECTED SEGMENT	Annual Service Charge*: 0.4%	*This is an annual charge taken monthly.
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6 Declaration and Authorisation

I declare that:

- All investment subscriptions made now and in the future belong to me.
- I am aged 18 years or over.
- I have not subscribed and will not subscribe to more than my overall subscription allowance in total to a Cash ISA and a Stocks and Shares ISA in the same tax year.
- I have not subscribed and will not subscribe to another Stocks and Shares ISA in the same tax year that I subscribe to this Stocks and Shares ISA.
- This application is to transfer my existing ISA and, if applicable, entitles me to subscribe to a Stocks and Shares ISA in the current tax year and each subsequent year until further notice. I understand that this does not mean that I am obliged to invest with Cofunds in the following or future tax years. However, if I wish to do so, I may not be required to complete a further application form.
- I am resident in the United Kingdom for tax purposes, or, if not so resident, either perform duties which, by virtue of Section 28 of Income Tax (Earnings & Pensions) Act 2003 (Crown employees serving overseas), are treated as being performed in the United Kingdom, or I am married to or in a civil partnership with a person who performs such duties. I will inform Cofunds Limited if I cease to be so resident or to perform such duties, or be married to or in a civil partnership with a person who performs such duties.

I authorise Cofunds Limited to:

- Hold my cash subscription, ISA investments, interest, dividends and any other rights or proceeds in respect of those investments and any other cash.
- Make on my behalf any claims to relief from tax in respect of my ISA investments.

I confirm that:

- I 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 it is Cofunds normal business practice to process my conversion following receipt of my assets from my previous Fund/Provider. 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 changes(s) to my accounts. This process is subject to change dependent 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 exclusive 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 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 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.

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 other related activities. We may disclose your information to our agents and service providers for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements.

With the exception of the preceding provisions, we will not pass on your information to any other third party without your permission, but we will disclose information concerning your investment to your nominated intermediary.

Cofunds may transfer your information to countries outside of the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act.

If you require a Fund prospectus, please contact your intermediary or Fund Manager directly.

If you wish to attend/vote at unit holder or shareholder meetings, please tick this box

If you wish to receive reports and accounts, please tick this box

Reports and accounts can be obtained free of charge from the Cofunds website at www.cofunds.co.uk.

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 5 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. I understand and accept that this may result in commission-included share class funds being sold to cover the Service Charge, if I have an account level SFRP instruction.

Number of attached Transfer Authority Forms

Signature 	Date
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ISA Transfer Authority

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

Existing Cofunds Client reference

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

Please complete all details requested

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

Address

Postcode

Mr/Mrs/Ms/Miss/Other

Surname

Full First Name(s)

Signature  Date

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

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

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

3 Cash ISA Transfer

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

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

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

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

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

Existing Cofunds Client ref

See page 8-9 of your recent Viewpoint for details on the EasyISA portfolios.

Cautious Growth EasyISA	<input type="checkbox"/>
Balanced Growth EasyISA	<input type="checkbox"/>
Aggressive Growth EasyISA	<input type="checkbox"/>
Income EasyISA (please complete income section on previous page)	<input type="checkbox"/>
Global Income EasyISA (please complete income section on previous page)	<input type="checkbox"/>

Or select your own funds and complete this section below:

Fund Name	Type of Unit/Share (ACC/INC)*	Transfer %
	ACC/INC	
† Cash Reserve (if required)		

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

† This will be included as part of your ISA allowance and not placed into your cash account.

Total 100%

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 / / ---

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.

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.

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

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 / / ---

Current permanent residential address

Postcode

2 Segmentation (For intermediary use only)

Please enter the name of the segment in full using BLOCK CAPITALS:

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.

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 <input type="text"/> <input type="text"/> yrs <input type="text"/> <input type="text"/> mths

Male Female Date of Birth / /

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

Postcode
Time at this address <input type="text"/> <input type="text"/> yrs <input type="text"/> <input type="text"/> 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 <input type="text"/> <input type="text"/> yrs <input type="text"/> <input type="text"/> mths

Male Female Date of Birth / /

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

Postcode
Time at this address <input type="text"/> <input type="text"/> yrs <input type="text"/> <input type="text"/> 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)

<input type="checkbox"/>	Cheque	£ <input type="text"/> . <input type="text"/>	Amount
<input type="checkbox"/>	Cofunds Cash Account	£ <input type="text"/> . <input type="text"/>	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	£	£
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.
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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.

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

This form is to be used for Self-directed Explicit Pricing clients only. For Key Features of the Cofunds platform and/or Key Investor Information Documents please refer to your personal disclosure at chelseafs.co.uk/pd or telephone us for a copy.

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

The Junior Investment ISA allowance for all investors is £4,080 for the 2015/16 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

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

1 Child Details (Please complete this section in full)

Existing Cofunds Client Reference

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

Master/Miss

Surname

Full first name(s)

Male Female Date of Birth / /

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)

Mr/Mrs/Ms/Miss/Other

Surname

Full first name(s)

Telephone

Email

Date of Birth / /

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 Third Party Details (Please complete if relevant)

Please complete this section if you are not the child or registered contact but are funding the Junior Investment ISA.

Existing Cofunds Client Reference

Mr/Mrs/Ms/Miss/Other

Surname

Full first name(s)

Telephone

Date of Birth / /

Current permanent residential address

Postcode

Please enter your relationship to the child

4 Segmentation (For intermediary use only)

Please enter the name of the segment in full using BLOCK CAPITALS:

5 Funding Your Investment into the JISA

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

Cheque Amount

Monthly Direct Debit. Please complete the Direct Debit mandate on page 55.

Cheque payment
Please make your cheque payable to **Cofunds Limited**

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

6 Income



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

7 Investment Selection

I wish to subscribe to a Junior ISA (stocks and shares) for the tax year **2015/16** for the amount of: £ .

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

Please note: the total Junior ISA subscription for each tax year must not exceed the Junior ISA allowance. For details, please refer to the Key Features of the Cofunds Junior Investment ISA. You can only choose commission-free share class funds. If you do not indicate the share class, we'll select the commission-free share class fund, where available.

Please note: if 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.

See page 7 of your recent Viewpoint for details of the Junior EasyISA.

Fund name or Junior EasyISA portfolio	Type of unit/share (delete as appropriate)*	Lump sum (£50 per fund minimum)	Monthly amount per fund** (£50 per fund minimum)
<input type="checkbox"/> Core Equity Portfolio <input type="checkbox"/> Balanced Equity Portfolio <input type="checkbox"/> Aggressive Equity Portfolio	ACC/INC	£	£
	ACC/INC	£	£
CASH RESERVE	ACC/INC	£	£
TOTAL INVESTMENT AMOUNT		£	£

*ACC/INC

If you do not specify ACC or INC in this column, Cofunds will invest into accumulation units/shares where available.

Cash Reserve

Please note: this will be included as part of your ISA allowance and not placed into your cash account.

Cheque payment

Cheques must either be drawn on your own account, joint account or the account of the person detailed in Section 3 (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.

**Monthly savings

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

Please complete the Direct Debit mandate on page 55.

8 Declaration and Authorisation

I declare that:

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

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

I authorise Cofunds Limited to:

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

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

I confirm that:

- I have not received investment advice from Chelsea for this transaction.
- I have viewed the Terms & 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 (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 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.
- I understand that 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 Ltd.
- I understand and accept that I am entitled to cancel my application in accordance with the Junior ISA Key Features 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.
- I understand that the commencement of my Junior Investment ISA may be delayed or rejected if this application form is not complete in all respects. You may undertake a search with a reference agency for the purposes of verifying my identity. To do so, the reference agency may check the details I supply against any particulars on any database (public or otherwise) to which they have access. They may also use my details in the future to assist other companies for verification purposes. A record of the search will be retained as an identity search. I declare that the information contained in this application form is correct to the best of my knowledge and belief.

Fund Sale Instruction

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

Data Protection

Cofunds 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 other related activities. We may disclose your information to our agents and service providers for these purposes. We may also disclose your information to organisations for compliance with legal and regulatory requirements.

With the exception of the preceding provisions, we will not pass on your information to any other third party without your permission, but we will disclose information concerning your investment to your nominated intermediary.

Cofunds may transfer your information to countries outside of the EEA for the servicing of your investments. In such cases, contracts will be put in place to ensure that the service providers protect your information in accordance with the requirements of the Data Protection Act.

If you require a Fund prospectus, please contact your intermediary or Fund Manager directly. If you wish to attend/vote at unit holder or shareholder meetings, please tick this box.

If you wish to receive reports and accounts, you can download them free of charge at https://investors.cofunds.co.uk/Investors/Reports_and_Accounts_Investors.aspx

If you wish to receive paper copies of reports and accounts please speak to your Intermediary.

You can also request to receive paper copies of reports and accounts by writing to us at Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.

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 from my relevant payment account.

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

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

If you provide your email address and telephone number on this form, Chelsea will keep a record of it. Chelsea may use it occasionally about products and services which may be of interest to you. However, if you prefer not to receive such information you may withdraw your consent by contacting Chelsea on 0207 384 7300.

Signature
(Registered Contact) 

Date

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 / /

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

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.

Please complete all details requested

Name of existing Child Trust Fund provider

Address

Postcode

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

Current permanent residential address

Postcode

National Insurance Number

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

*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 7 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 %
<input type="checkbox"/> Core Equity Portfolio <input type="checkbox"/> Balanced Equity Portfolio <input type="checkbox"/> Aggressive Equity Portfolio (Tick one option only)	ACC/INC	
	ACC/INC	

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.



Instruction to your Bank or Building Society to pay Direct Debits



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	

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

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

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.

Instruction to your Bank or Building Society

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

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

This Guarantee should be detached and retained by the payer.

The Direct Debit Guarantee

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



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**.

