

Viewpoint

THE MAGAZINE FOR CHELSEA INVESTORS

ISSUE 37 OCTOBER 2014

FundCalibre

an exciting new ratings
service for investors

Introducing our NEW
SIPP from Chelsea FundStore

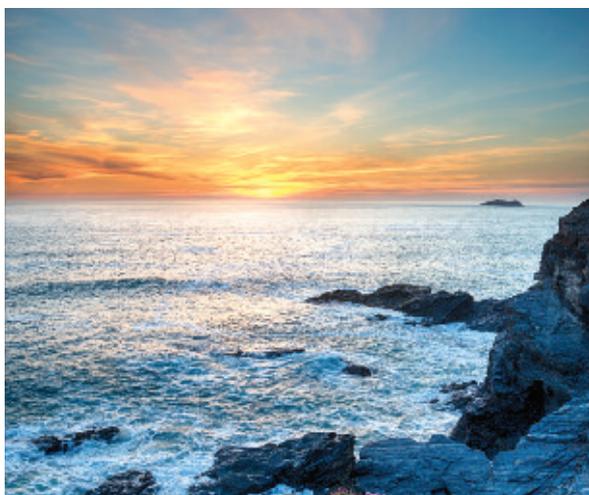
Protect your ISA
against Inheritance Tax

Welcome to Viewpoint

Welcome to our Autumn Viewpoint. In addition to our usual research tables and ready-made portfolios to aid you in your fund selection, you can also find details of new funds and products available on Chelsea FundStore and all the forms you need to carry out your investments.



DR JOHN HOLDER
Chairman, Chelsea



4 Market View Chelsea Managing Director Darius McDermott takes a look at investments today.

5 ISA Update Sam Holder highlights the benefits offered by the new and improved ISAs.

6 It's easy to invest in a **Junior ISA** with our three Junior EasyISA portfolios - designed to help you maximise returns.

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

7-9 We've made investing in an ISA as simple and straightforward as possible, by creating some ready-made portfolios containing a well-balanced range of funds. With an **EasyISA** you're just a few steps away from making your ISA investment for the year. We also outline the performance of each EasyISA portfolio.

Experienced investor ...just looking for some guidance?

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

11 The **Chelsea research tables** which are the heart of our business.

IMPORTANT NOTICE Chelsea Financial Services is authorised and regulated by the Financial Conduct Authority and offers an execution-only service. Past performance is not a reliable guide to future returns. Market and exchange-rate movements may cause the value of investments to go down as well as up. Yields will fluctuate and so income from investments is variable and not guaranteed. You may not get back the amount originally invested. Tax treatment depends on your individual circumstances and may be subject to change in the future. Chelsea do not provide any investment advice so if you require individual investment guidance you should seek expert advice. Whilst we may draw attention to certain investment products we cannot know which of them, if any, is best for your particular circumstances and must leave that judgement to you. Nor can we accept liability to clients who purchase two ISAs in one fiscal year, or otherwise do not comply with ISA rules. Investors are not normally entitled to compensation through the UK Financial Services Compensation Scheme for offshore funds. Discounts are subject to receipt of commission and may be subject to change if commission levels are altered. Cofunds is the ISA Plan Manager for the FundStore, the Chelsea EasyISA and the Chelsea Junior EasyISA. Unless stated otherwise, all performance figures have been sourced from FE Analytics, bid to bid, net income reinvested on 01/09/2014 and are believed to be correct at the time of print. FundCalibre is an appointed representative under Chelsea Financial Services.



12-13 Risk is a vital concept for investors – so we take a detailed look at the different types of risk – with particular reference to the Chelsea Risk Rating.

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

14-19 The **Chelsea Core Selection** – details of funds, chosen from the Chelsea Selection, that we think should be at the heart of investors' portfolios.

20-21 **Core Selection Spotlight** is a regular in-depth look at two of the funds that feature in the Chelsea Core Selection – **GLG Strategic Bond** and **Henderson UK Absolute Return**.

22-23 **The Chelsea Selection** – the hundred or so funds that we have identified as worthy of consideration for investors. These funds might be particularly interesting to more experienced investors who are building their own ISA and non-ISA portfolios.

24-25 The **RedZone** details poor-performing funds across various sectors and the **DropZone** highlights the ten worst-performing funds versus their peer group.

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



42-55 This section is our **FundStore**, which contains all the **application forms** you need to make your investment. There's a separate form for re-registration, as well as forms for any type of investment you want to make – ISAs (including EasyISAs) for this tax year, Junior ISAs, ISA Transfers and investments outside an ISA. **If you're in doubt about which form to use, call us on 020 7384 7300.**

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



26-27 We have asked Clive Hale of **FundCalibre** to introduce the new fund ratings service

28-29 We introduce our new **SIPP, from Chelsea FundStore**, which will allow you to take advantage of the flexibility and freedom at retirement offered by the new pensions rules.

30 Harry Driscoll discusses protecting ISA investments from **Inheritance Tax**.

31 Chris Morris covers new **Structured Product** opportunities

32-34 We take a look at three **investment boutiques**, that are now available on the Chelsea FundStore.



35 Mark Martin of Neptune Investment Management talks about the implications of any **rise in the UK interest rate**.

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

37 We highlight some of the recent **changes made to the Chelsea portfolios** – and consequently to our EasyISA and Junior ISA portfolios and to our DIYportfolio.



38-40 We provide some answers to questions about the industry-wide changes to **charging structures** – and provide the forms you need to make changes to your investments.

DARIUS MCDERMOTT'S

Market View



Crisis after crisis, that's what investors have faced over the past six months; Ukraine, the Middle East and the Scottish referendum to name a few. Yet despite the global turmoil, equity markets have been resilient, rallying 7%* since our last issue of Viewpoint. It just goes to show, if you're investing for the long term, it's often best to disregard all the noise around you. You can always count on the media to find a crisis somewhere.

“Despite the global turmoil, stock markets have been resilient, rallying 7%* since our last issue of Viewpoint.”

DARIUS MCDERMOTT
Managing Director, Chelsea

US MOMENTUM

I do think that some markets are susceptible to a short-term correction. The US, in particular, has been on a seemingly never-ending bull run. The S&P 500 is up an astonishing 195%* since it bottomed in early 2009. It's starting to look increasingly expensive by historical standards and, worryingly, most of the rally has stemmed from an increase in confidence and not from an improvement in companies' earnings.

That said, corporate profits were better in the most recent quarter and the economy swung from a weather-induced -2.1% contraction in the first quarter, to strong growth of 4.2% in the second.

As you know, the UK has had a fairly lacklustre year so far. Mid and smaller-sized companies have struggled after having done so well in 2012 and 2013. They were starting to look expensive and I am not surprised that money has switched to the cheaper large-cap names, which had previously lagged far behind.

The UK market has been trading sideways for the year and, thus far, new all time highs remain elusive. With the Scottish referendum now out of the way, and the uncertainty lifted, the opportunity may yet come. I think the UK is not overly expensive and looks better value than some other markets, such as the US.

DRAGHI VERSUS DEFLATION

Europe has had a difficult year so far, with some economists fearing it is about to slip into a Japanese-style cycle of never-ending deflation. Mario Draghi has done his best to intervene and quell these fears, but he is weighed down by the powerful German Bundesbank, who have always been more concerned with inflation. The ECB has recently announced a programme to purchase private assets, but has yet to undertake full-blown quantitative easing (QE), which would technically be the purchase of government bonds.

The lack of inflation is also preventing Europe from reducing its enormous debt burdens. We saw, in July, how one small Portuguese bank almost re-ignited the European debt crisis. However, Europe's periphery have made substantial progress in implementing reforms. Greece posted a budget surplus, before interest payments, and its debt was recently upgraded to a B-rating by S&P. There are many excellent companies in Europe and the market is cheaper than many parts of the developed world, but investors should tread cautiously.

EMERGING MARKETS BACK IN FASHION

The US tapering of its quantitative easing programme caused emerging markets to take fright in 2013. This year a series of good election results has spurred a strong rally, particularly in India and Indonesia, where the election of more business-friendly reformers has cheered the markets. Longer term, emerging markets continue to look exciting thanks to their strong demographics and growing middle classes.

In the short term, I think most of the easy money has probably already been made and we may even see a correction, similar to the taper tantrum, when the major developed economies begin to raise interest rates. In China, worries over the shadow banking system persist and will probably come to a head at some point, but predicting when is impossible.

THREE ARROWS

Japan continues to remain very volatile and is currently flat for the year, having recovered from earlier losses. Prime Minister Shinzo Abe is pushing on with one of the biggest economic experiments in history.



His aggressive 'three arrow' reforms include: QE; a \$100bn deficit-fuelled infrastructure investment and supply-side reform designed to encourage private investment and boost the labour market. The Japanese market is cheap and I think there is potential for upside, but if Abe's reforms fail, Japan may be out of options. I am cautiously bullish but this market is only for the most experienced investors who understand all the risks.

FIXED INTEREST

I continue to remain concerned about fixed interest, particularly the illiquid parts of the high yield market. Inflows into bond funds have continued, as investors are desperate to find a better alternative to the terrible rates on their cash savings.

Many bond funds have continued to grow in size, making them less flexible, whilst at the same time bond markets have become more illiquid as banks have pulled back from fixed income trading. I think this is a dangerous combination and, if sentiment changes and flows reverse, the result could be painful. In our view, the risk reward is skewed to the downside over the next twelve months. At best you will continue to collect your coupon, at worst you may suffer a capital loss. The recent collapse of Phones 4U has highlighted the current risks.

Commercial property is an asset we highlighted at the end of last year, which can add diversification to your portfolio whilst still providing a good yield. Since September last year the sector has returned an average of 9%** and we still think UK commercial property will do well for at least the next twelve months.

CONCLUSION

It's a tricky market for investors, even if we discount the global unrest. The low cash interest rates, a consequence of the unprecedented monetary easing by central banks, has forced many investors into the market who otherwise wouldn't be there. Traditional safe havens, such as bonds, are expensive. I like Absolute Return funds, which can help diversify your portfolio and offer some protection should the market fall. I'm cautiously optimistic on equities but I would not be surprised if we saw a short-term correction in some of the more over-priced markets. ■

*FE Analytics, 01/03/2014 - 01/09/2014. **FE Analytics 01/09/2013 - 01/09/2014.

ISA UPDATE

New and improved ISAs

- even greater ability to shelter money from the taxman

INCREASED ISA ALLOWANCE

The annual ISA allowance has risen from £11,880 to **£15,000** for the 2014/15 tax year.

GREATER FLEXIBILITY

You can now split your ISA allowance as you wish between investments and cash.

IMPROVED TRANSFER OPTIONS

You can now transfer from an Investment ISA to a Cash ISA, and vice versa.

JUNIOR ISA AND CHILD TRUST FUNDS

The maximum allowance for Junior ISAs and Child Trust Funds has risen from £3,720 to **£4,000**. We're still waiting for confirmation of when you will be able to transfer Child Trust Funds to Junior ISAs but we anticipate that it will be in April 2015.

WHAT IS CHELSEA FUNDSTORE?

FundStore combines Chelsea's reputation for outstanding service with Cofunds' administration systems. Chelsea and Cofunds are separate, regulated companies. Chelsea introduces you as a client to Cofunds, who have the systems and financial backing to safeguard and administer your investments.

FURTHER BENEFITS OF THE CHELSEA FUNDSTORE

- 24/7 online access to your account
- Free online dealing
- Free switching
- Free telephone dealing
- Income reinvested for free
- Online Chelsea Fund Review
- Easier estate planning

BENEFITS OF THE CHELSEA FUNDSTORE ISA

- Access to over 2,000 funds
- 0% transaction charges (including switching, buying and selling)
- Free of capital gains tax
- No higher rate tax on dividends (currently saving up to 27.5% tax)
- Interest from corporate bond funds is tax free (saving up to 45% tax)
- All income is paid without any further liability to tax (unlike income from pensions)
- Ease of administration - ISAs do not have to be declared on your tax return
- Minimum lump sum of only £50 and no minimum monthly amount
- Access your money at any time



“ You can now shelter more capital from tax than ever before and have the opportunity to build a substantial ISA portfolio over time. ”

SAM HOLDER
Operations Director, Chelsea

Three easy ways to buy your ISA:



Simply phone
020 7384 7300



Visit our website
chelseafs.co.uk

...and click on 'Invest Now'



Complete and post the **form**
on pages 49 or 51

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 £4,000 for the 2014/15 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.

PORTFOLIO CHANGE

Core Equity Junior ISA: Woodford Equity Income replaces Artemis Income ; Henderson Cautious Managed replaces HSBC Open Global Return

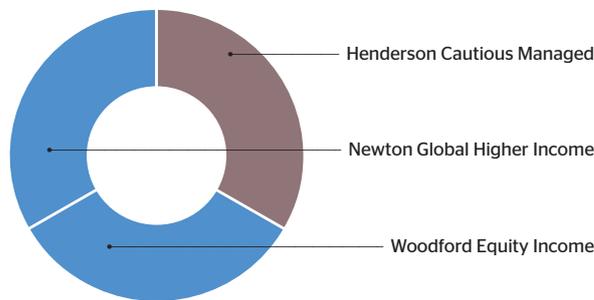
UNSURE WHERE TO INVEST?

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.

Core Equity Portfolio

AVERAGE ANNUAL MANAGEMENT CHARGE	0.71%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.76%

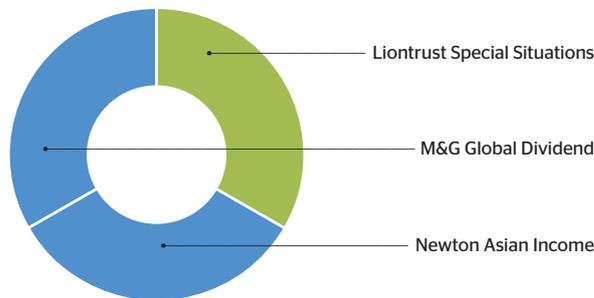
The core portfolio is designed to provide capital growth through investment in equities in a variety of regions and some fixed interest, with the aim of reducing volatility. The resulting portfolio holds over 80% in equities, so there is still potential for capital loss.



Balanced Equity Portfolio

AVERAGE ANNUAL MANAGEMENT CHARGE	0.75%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.87%

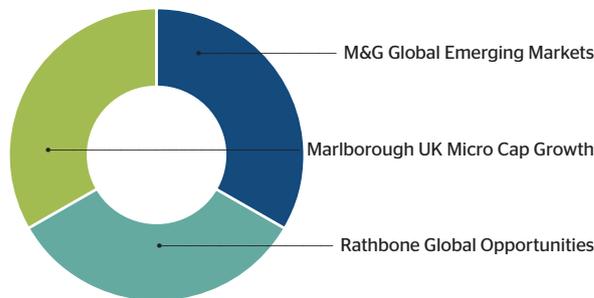
Those investors prepared to take a balanced level of risk and aiming to generate a return on capital through a mix of growth and income should opt for the balanced portfolio. The portfolio primarily invests in developed Asia and UK equity markets, although it is exposed to other regions such as the US, 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)	0.81%

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.



HOW DO I INVEST?

An application form can be found on page 53. 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/forms). 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 currently have a Junior ISA. However, the government has consulted on this issue and we expect transfers will be allowed from April 2015.

All funds are chosen from the Chelsea Selection ...see 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 selected funds for the Chelsea EasyISA and put them together within five different portfolios. These funds are chosen from the Chelsea Selection by our research team. All you have to do is choose one of the five options, based upon your own requirements and attitude to risk.

Your ISA investment will then be spread equally across the corresponding six funds, within the Chelsea FundStore. And remember, the EasyISA is also available for ISA transfers.

WHAT TO DO NEXT

Once you have selected your preferred EasyISA option, please view the appropriate Key Investor Information Documents, or KIIDs, (see covering letter for details or visit our website at chelseafs.co.uk/documents/forms) and then simply fill in the ISA application form on pages 49-50, ticking one box only to select either Cautious, Balanced, Aggressive, Income or Global Income. Then send the application back to us in the pre-paid envelope enclosed.

Please note that the minimum investment is £500 lump sum or £50 per month into any EasyISA.

HOW MUCH YOU CAN INVEST

The ISA allowance is £15,000 for the 2014/15 tax year.



“To learn more about risk, see page 12.”

JULIET SCHOOLING LATTER
Research Director, Chelsea

PORTFOLIO CHANGES

Cautious Growth EasyISA: Woodford Equity Income replaces Artemis Income; GLG Strategic Bond replaces Henderson Strategic Bond; Rathbone Global Opportunities replaces M&G Global Dividend; Henderson UK Property replaces Miton Special Situations Portfolio

Balanced Growth EasyISA: Henderson Strategic Bond replaces Legal & General Dynamic Bond; Henderson UK Absolute Return replaces Rathbone Global Opportunities

Income EasyISA: Jupiter Strategic Bond replaces Legal & General Dynamic Bond

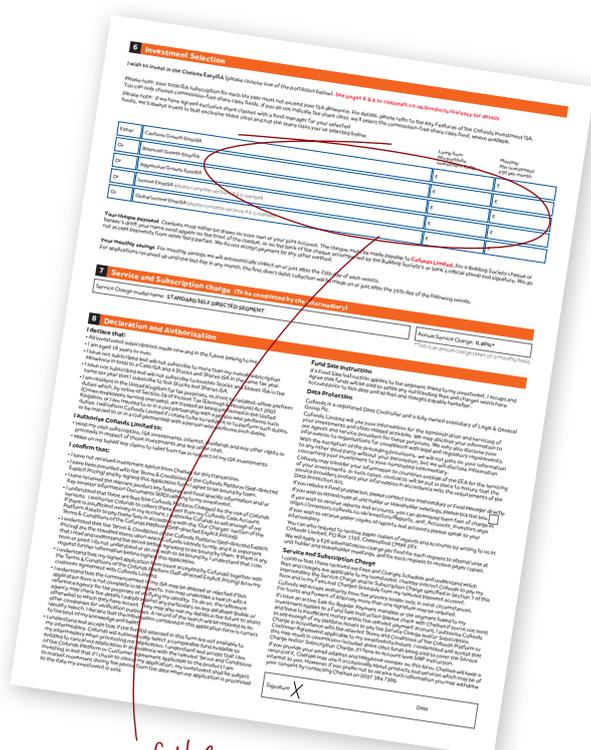
See page 37 for more details on these changes

It's not called EasyISA for nothing:

1. Select the EasyISA which best suits you (and read the KIID* for each relevant fund)
(*see covering letter for details, or visit our website at chelseafs.co.uk)

2. Tick the relevant box on the ISA application form (page 49) and decide how much you want to invest

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



Select one of the EasyISA options here.

Three easy ways to buy your ISA:



Call us on
020 7384 7300



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



Send us a **form**
ISA - go to page 49

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, and potential capital loss, than the term Cautious may suggest.

AVERAGE ANNUAL MANAGEMENT CHARGE	0.67%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.79%
BENCHMARK	1/3 STRATEGIC BOND (SECTOR AVERAGE) 2/3 MIXED INVESTMENT 20-60% (SECTOR AVERAGE)



	PORTFOLIO	BENCHMARK	MIXED INVESTMENTS 20-60% SHARES**
PERFORMANCE OVER 1 YEAR	6.79%	7.06%	6.87%
PERFORMANCE OVER 3 YEARS	27.27%	22.84%	22.87%
PERFORMANCE OVER 5 YEARS	46.63%	39.14%	38.12%

Source: FE Analytics data as of 01/09/2014, compiled by Chelsea. ** Sector average.

Balanced Growth EasyISA

Balanced Growth offers a medium level of risk and is for investors looking to benefit from global equity markets, with some defensiveness offered through one sixth of the portfolio being invested in fixed interest 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	0.75%*
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.83%
BENCHMARK	1/3 UK ALL COMPANIES (SECTOR AVERAGE) 1/3 GLOBAL (SECTOR AVERAGE) 1/3 MIXED INVESTMENT 20-60% (SECTOR AVERAGE)



	PORTFOLIO	BENCHMARK	MIXED INVESTMENTS 40-85% SHARES**
PERFORMANCE OVER 1 YEAR	9.47%	8.42%	7.30%
PERFORMANCE OVER 3 YEARS	39.48%	37.58%	28.50%
PERFORMANCE OVER 5 YEARS	64.63%	59.16%	47.72%

Source: FE Analytics data as of 01/09/2014, compiled by Chelsea. *A performance fee may be applied, see page 14 and 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	0.75%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.88%
BENCHMARK	MSCI WORLD INDEX



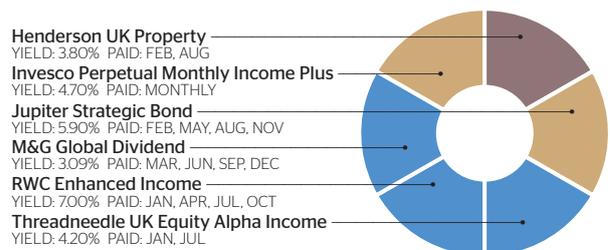
	PORTFOLIO	BENCHMARK	GLOBAL RETAIL**
PERFORMANCE OVER 1 YEAR	14.66%	12.76%	9.41%
PERFORMANCE OVER 3 YEARS	48.67%	54.77%	38.66%
PERFORMANCE OVER 5 YEARS	76.45%	79.43%	61.05%

Source: FE Analytics data as of 01/09/2014, compiled by Chelsea. *A performance fee may be applied, see page 14 for details. ** Sector average.

Income EasyISA

Income is for investors looking to generate income, with some prospect for capital growth. The portfolio is invested in fixed interest, across the credit quality spectrum, and defensive, dividend-paying companies, based largely in developed markets. There is also one sixth invested in property to further diversify the income stream. This combination aims to maintain, and even potentially grow, capital over the long term, whilst paying dividends throughout the year. The portfolio currently has approximately 54% exposure to equities, at the time of writing.

AVERAGE ANNUAL MANAGEMENT CHARGE	0.70%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.86%
BENCHMARK	1/2 STRATEGIC BOND (SECTOR AVERAGE) 1/2 UK EQUITY INCOME (SECTOR AVERAGE)



	PORTFOLIO	BENCHMARK
PERFORMANCE OVER 1 YEAR	8.80%	8.95%
PERFORMANCE OVER 3 YEARS	40.68%	38.52%
PERFORMANCE OVER 5 YEARS	64.79%	62.15%
AVERAGE YIELD FOR THE PORTFOLIO	4.78%	-

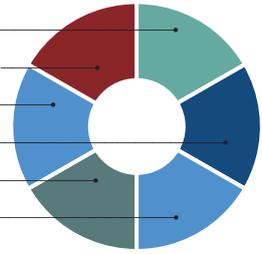
Source: FE Analytics data as of 01/09/2014, compiled by Chelsea.

Global Income EasyISA

Global Income offers investors a medium to high level of risk within a globally-diversified portfolio and these equity income funds are selected for their potential to grow their yields over time. Over 50% of the portfolio is invested in US and European equities, with approximately 15% in UK equities. The remainder is invested across other regions, such as Asia, emerging markets and Japan. This portfolio can hold up to 100% in equities so there is the potential for capital loss.

AVERAGE ANNUAL MANAGEMENT CHARGE	0.75%
AVERAGE ONGOING CHARGES FIGURE (OCF)	0.94%
BENCHMARK	GLOBAL EQUITY INCOME

- Artemis Global Income
YIELD 3.70% PAID: OCT, APR
- BlackRock Continental European Income
YIELD 3.79% PAID: SEP, DEC, MAR, JUN
- Fidelity Enhanced Income
YIELD 6.31% PAID: NOV, FEB, MAY, AUG
- JPM Emerging Markets Income
YIELD 4.99% PAID: FEB, JUL
- Legg Mason US Equity Income
YIELD 1.70% PAID: NOV, FEB, MAY, AUG
- Newton Global Higher Income
YIELD 3.98% PAID: NOV, FEB, MAY, AUG



	PORTFOLIO	BENCHMARK	GLOBAL RETAIL**
PERFORMANCE OVER 1 YEAR	11.40%	12.65%	9.41%
PERFORMANCE OVER 3 YEARS	N/A	N/A	N/A
PERFORMANCE OVER 5 YEARS	N/A	N/A	N/A
AVERAGE YIELD FOR THE PORTFOLIO	4.08%	-	-

Source: FE Analytics data as of 01/09/2014, compiled by Chelsea. ** Sector average.

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

Your ISA application form is on page 49

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.

Just complete this form and return it to us. You can recommend as many people as you like - there's no limit.

YOUR DETAILS

Name: _____

Address: _____

Postcode: _____

Telephone: _____

FRIEND'S DETAILS

Title: _____ First name: _____

Surname: _____

Address: _____

Postcode: _____

Telephone: _____

FRIEND'S DETAILS

Title: _____ First name: _____

Surname: _____

Address: _____

Postcode: _____

Telephone: _____



WELCOME TO THE GUIDE TO BUILDING YOUR OWN PORTFOLIO:

the **DIY**portfolio

If you have a larger sum to invest or the EasyISA doesn't meet your requirements, why not do it yourself? Here's a guide to how a self-selected portfolio might look. Please refer to page 13 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 (see pages 12-13). 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 (see

pages 12-13). 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.

By diversifying by asset 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 in 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.

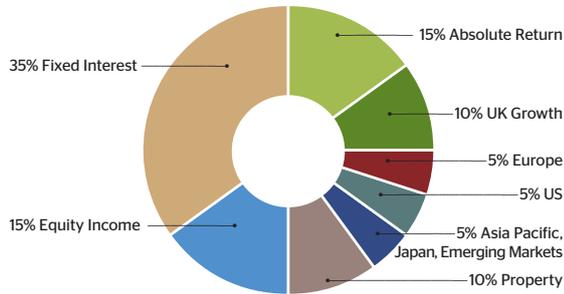
So, see how your portfolio stacks up. Remember, you can switch funds for free via the Chelsea FundStore.

NB: These portfolios do not include cash allocations.

See page 37 for details of recent changes to the DIYPortfolio.

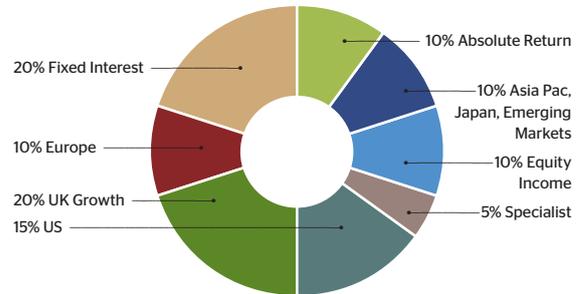
Cautious Growth DIYportfolio

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



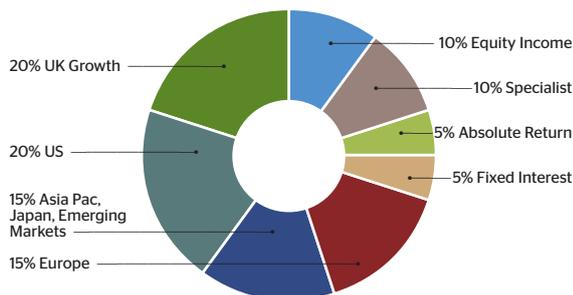
Balanced Growth DIYportfolio

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



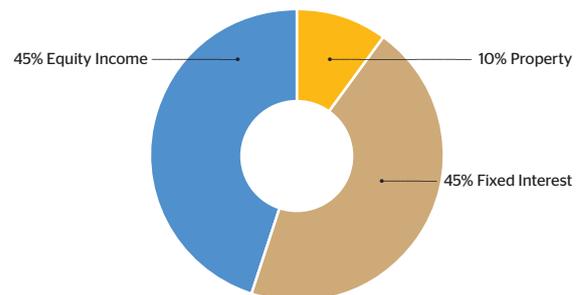
Aggressive Growth DIYportfolio

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



Income DIYportfolio

This is for those who wish to obtain a growing income. Yields for these funds can be found on the Chelsea Selection (pages 22-23). The equity income portion should be a combination of UK and overseas.

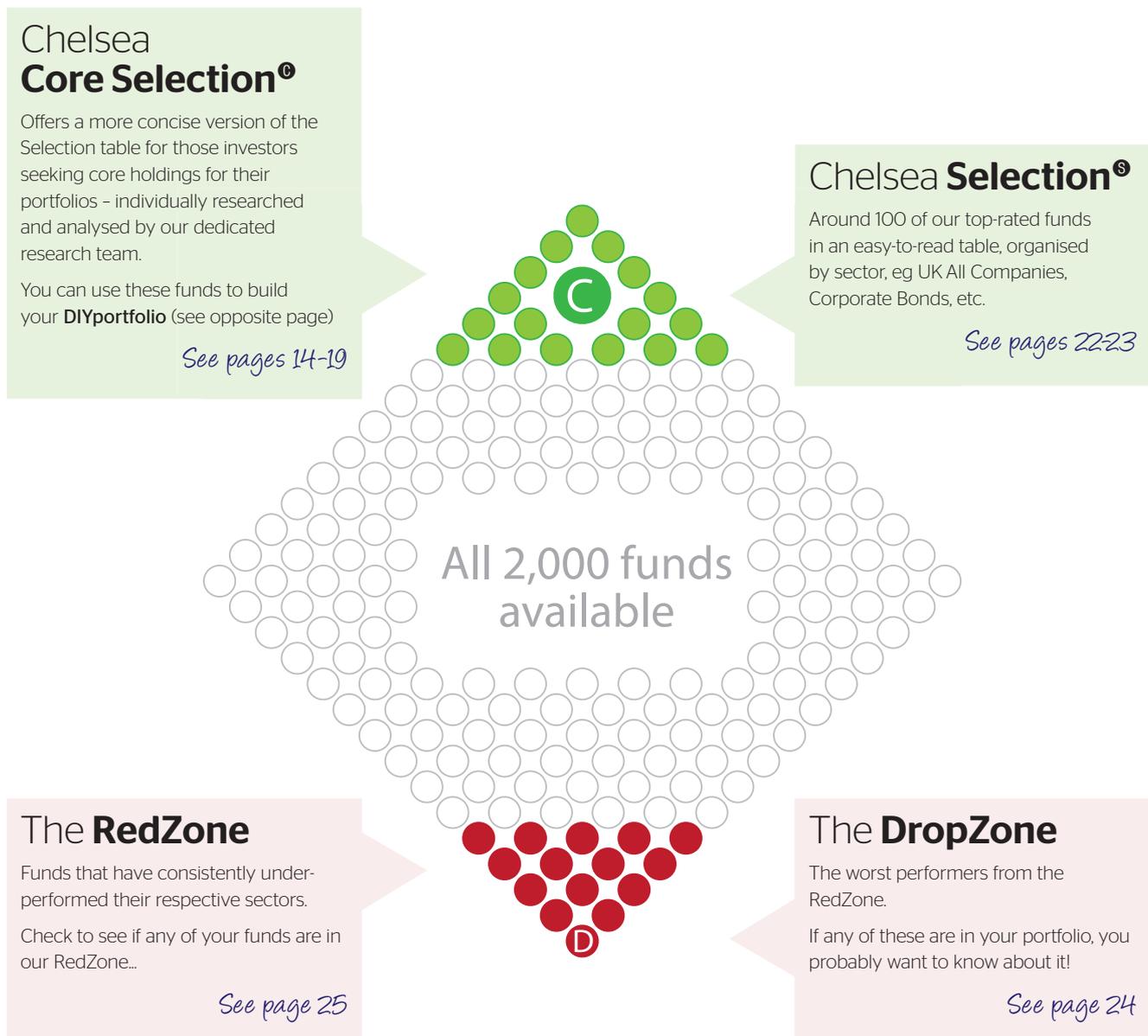


AN INTRODUCTION TO

Chelsea **research tables**

There are approximately 3,000 funds in the entire UK market - with more than 2,000 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:

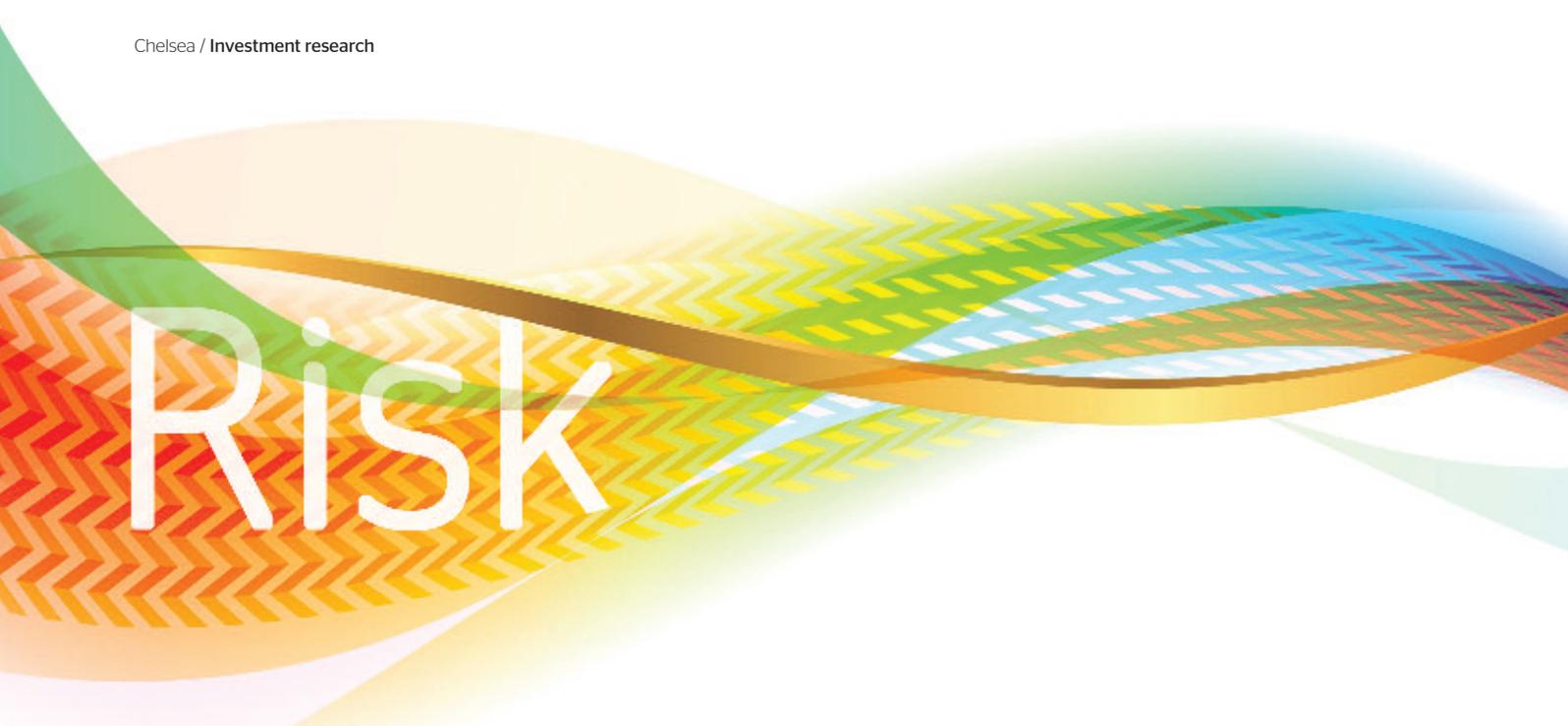


Chelsea's research process

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

The concept of risk plays a pivotal role within the investment industry. It is key to understanding the suitability of investments, yet it has many different definitions so it is important that it is understood by investors.

So we wanted to help you understand how we at Chelsea measure risk, in particular with reference to the Chelsea Risk Rating. We aim to highlight the different types of risk, help you better understand your own attitude towards risk and decide whether any particular product is suitable for you or not.

TYPES OF RISK

MARKET RISK

Market risk stems from the variability of returns in equity markets. As the old adage goes "investments can go down as well as up". This type of risk affects some investments or asset classes more than others. For instance, cash has very low volatility, as the main moving variable is interest rates and they don't tend to move too much, too quickly, although, banks do go bust from time to time.

Investments in gold mining shares on the other hand are very volatile, which historically have produced large gains and, of course, large losses. From October 2008 to December 2010 the BlackRock Gold and General fund rose 253% only to suffer losses in excess of 60% over the next three years*; a high-risk investment indeed!

SHORTFALL RISK

Risk can also be interpreted in another way - that of not reaching your financial goal, or shortfall risk as it's known. For instance, if you are in your 20s and saving for retirement, there is the risk of not having enough money to retire on. This could come about by not saving enough, or investing in the wrong asset mix. In this instance, investing in cash, rather than equities, would increase your shortfall risk.

LONGEVITY RISK

This represents the possibility of outliving one's financial assets due to a severe drop in the value of the portfolio or living longer than expected. Lifetime-payout annuities are a way to potentially insure against this type of risk.

POLITICAL RISK

This risk refers to the chance that new or changed governments pursue different fiscal and monetary policy that may impact economic output. Governments may also pursue protectionist or isolationist policies that can also negatively impact financial markets or certain industries.

VOLATILITY AS A MEASURE OF RISK

Risk can be measured in many ways, with the most widely used being volatility. Volatility measures the variability of monthly returns over a certain time period. If a fund returned 1% each month its performance graph would appear as an upward sloping straight line, so the more jagged the graph (or the greater the variability of returns) the more volatile, or risky the fund. Volatility is useful as it captures many different components of risk, including currency and liquidity risk.

Using this information we can then forecast the variability of future returns and attach probabilities to possible future outcomes. This is why higher risk funds, over time, should have higher returns, but expose you to a greater risk of capital losses over shorter time periods.

This forms the basis of most risk metrics that are used in the industry and is the primary consideration when we give funds a Chelsea Risk Rating. It is there to help our investors determine the relative risk of different funds.

LIMITATIONS OF VOLATILITY AS A RISK MEASURE

While volatility can provide a good approximation of expected future returns, it has several shortcomings:

- It does not consider the valuation of the underlying assets. If a fund is populated with expensively-valued assets, that are trading significantly above their long-term averages, then the fund could fall in value by more than is implied by its volatility, should a mean reversion occur.
- Volatility can be calculated using different time periods. Time periods that capture events such as the crash of 2008, will obviously have much higher volatility than ones that don't. We typically look at three-year volatility.
- It punishes both upside and downside volatility in equal measure. I imagine most investors would be happy to experience upside volatility!

ASSESSING YOUR OWN ATTITUDE TO RISK

To assess your attitude to risk you need to consider both your willingness and ability to take risk. Your ability is comprised of your financial situation and your investment constraints. To get an idea of your own risk tolerance you may wish to ask yourself these questions:

- **How long do I have until I need to realise my investments?**
If you have a long period of time until you retire you can afford to take more risk. You may have a multi-stage time horizon, perhaps up until your children leave home, and then until retirement and then after retirement. In each of these periods your risk tolerance may be different.
- **Do I have ongoing or one-off expenses that can't be paid out of my income?** These will reduce your ability to take risk. For instance, you may have to pay care home fees for an elderly parent out of your investment income, which will place a significant liquidity constraint on your portfolio.

Your willingness to take risk is determined by your mental ability to accept risk. It is no good deciding that you are in a position to take a higher-risk approach, if such action causes endless sleepless nights when markets fall, and you potentially abandon the strategy at the worst possible time. In summary, your risk profile should be the lower of your ability and willingness to take risk.

N.B. Chelsea does not provide any investment advice nor suitability testing. If you require individual investment guidance you should seek expert advice.

HOW CAN I REDUCE RISK IN MY PORTFOLIO?

There is no investment that is entirely risk free. However, just about the only free lunch in finance, that both academics and industry practitioners can agree on, is the concept of diversification. If you own assets that react differently to changes in the macroeconomic environment or, to use industry jargon, are uncorrelated, this serves to reduce the volatility of your portfolio. This means you should look at owning a mix of asset classes such as equities, property, commodities, fixed interest and cash.

However, it is worth noting that during times of extreme market stress, correlations between asset classes can increase, reducing the potential benefits of diversification. Finally, don't forget to make sure you have a sufficient amount saved in cash before you invest. You don't want to be forced to sell an investment when markets are low in order to cover unforeseen expenses.

HOW TO USE THE CHELSEA RISK RATING

FUND RISK

Different funds will have different risk profiles, depending on their underlying investments.

At Chelsea our research team assesses the overall risk of a fund by analysing a number of factors including: the fund's volatility, both relative and absolute; the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held; the risk controls imposed by the manager; the use of derivatives and currency issues. We also consider the operational risk associated with the parent company.

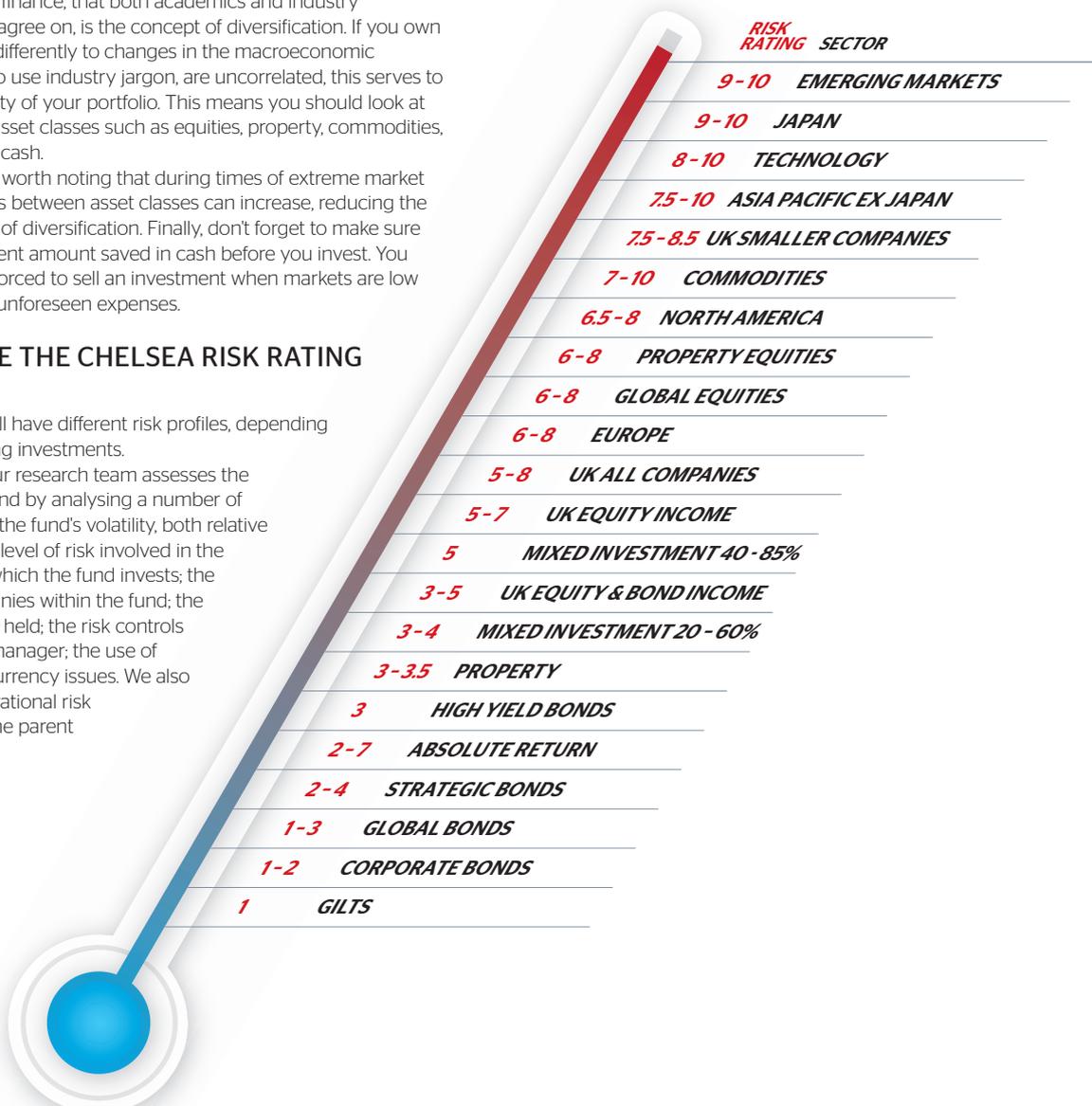
Once we have appraised a fund, we then assign it a Chelsea Risk Rating, with 1 as the lowest risk and 10 the highest. **However, even funds rated 1 are subject to risk** - a 1 rating simply means that it is at the lower end of the risk spectrum from more volatile investments, such as emerging markets, during normal market conditions. However, in times of extreme volatility, even funds which are lowly rated may exhibit strong price swings.

At Chelsea we offer an execution-only service and, consequently, we make no assessment of your financial situation, nor do we consider your investment objectives or constraints. This means it is up to you to determine your optimum asset class mix. We do, however, provide research to help our clients make their own informed decisions.

The Chelsea Risk Rating, using the methodology outlined above, attempts to quantify the relative risk of funds, to give you an idea of how risky one fund is versus another.

The primary determinant of the rating is volatility, which is largely determined by asset class. However, through our qualitative research process we attempt to understand the relative risk of funds within asset classes also. For instance, a fund rated five, in the middle of the spectrum, does not mean it is suitable for medium-risk investors, merely that according to its historic volatility, and our understanding of the manager's investment process, that we think it is more risky than a fund rated four, and less risky than a fund rated six.

The Chelsea Risk Rating is simply a generic guide to the relative risk of all funds within the market. The Chelsea Risk Rating is shown in the form of a thermometer below:



the Chelsea Core Selection[®]

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

UK GROWTH

ARTEMIS UK SPECIAL SITUATIONS

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

CHELSEA RISK RATING	● 6
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.81%*
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	GOLD
YIELD	1.40%
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, but currently has 66.

CHELSEA RISK RATING	● 6
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.83%*
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	GOLD
YIELD	1.65%
UNIT TYPE	ACC or INC

JOHCM UK DYNAMIC

Alex Savvides, who has recently celebrated his five-year anniversary running the fund, is one of the most exciting up-and-coming UK fund managers. The process, which he built himself, looks to exploit periods of share price underperformance, where the reasons for the underperformance are well understood and he believes there is a catalyst for change. Ideas come from three sources, which are corporate restructuring, hidden growth and recovery situations. Once his view is accepted by the market and becomes consensus he will often sell. Also all companies need to have a yield or prospective yield, which does provide an element of safety. The fund will have at least 50% in the FTSE 100 and stocks are typically held for two years. There is a 15% performance fee on out-performance of the FTSE All-Share Total Return Index.

CHELSEA RISK RATING	● 7
ANNUAL MANAGEMENT CHARGE	0.63%*
ONGOING CHARGES FIGURE (OCF)	0.80%*
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	3.09%
UNIT TYPE	ACC or INC

JOHCM UK OPPORTUNITIES

This fund is managed with conviction and aims to generate positive absolute returns over the long term by using a combination of top-down analysis and bottom-up stock selection. The managers, John Wood and Ben Leyland, look to find quality stocks at attractive valuations, to build a portfolio of 30-40 stocks, with no regard for the benchmark. John and Ben have a strict sell discipline and look to top-slice when holdings reach 5% of the portfolio. There is a 15% performance fee on out-performance of the FTSE All-Share Total Return Index. John remains cautious, due to corporate earnings not keeping pace with stock prices and, at the time of writing, 19% of the fund was in cash.

CHELSEA RISK RATING	● 5
ANNUAL MANAGEMENT CHARGE	0.63%*
ONGOING CHARGES FIGURE (OCF)	0.69%*
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	2.82%
UNIT TYPE	ACC or INC

LIONTRUST SPECIAL SITUATIONS

This UK multi-cap fund is a 'best ideas' portfolio, which encompasses any stock regardless of size or sector. However, there will usually be around 60% in small and mid-cap stocks. The managers look for firms with "intellectual capital" or strong distribution networks, recurring revenue streams and products with no obvious substitutes. The fund is concentrated with 40-50 stocks and, due to the nature of the portfolio companies, will perform well in flat or falling markets. Another important factor is how key employees are motivated, with the preference being through direct ownership of the company's equity. The preference for cyclical stocks in 2013 saw the fund come under a bit of pressure, but it has recovered well in 2014.

CHELSEA RISK RATING	● 6
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.88%*
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.80%
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)	0.81%*
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	-
YIELD	-
UNIT TYPE	ACC

OLD MUTUAL UK ALPHA

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

CHELSEA RISK RATING	● 7
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.85%*
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	2.27%
UNIT TYPE	ACC or INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see pages 12/13 for more information.

For performance statistics please refer to pages 22-23.

All data sourced from FE Analytics, 01/09/2014.

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

** For more information on this new ratings agency see pages 26 & 27.

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

EQUITY INCOME

ARTEMIS GLOBAL INCOME

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

CHELSEA RISK RATING	● 6.5
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.87% [†]
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	3.74%
UNIT TYPE	ACC or INC

M&G GLOBAL DIVIDEND

The notion that the discipline of paying dividends leads to greater corporate responsibility, which in turn leads to share price outperformance, is the investment philosophy behind this fund. Manager Stuart Rhodes' main aim is to grow distributions over the long term, whilst maximising total return by investing across a wide range of geographies, sectors and market capitalisations. The process is bottom-up and value driven. The fund has around 50 stocks, typically held for three years. Stuart predominantly invests in developed markets and he has been adding to his US exposure recently. Income is paid in March, June, September and December.

CHELSEA RISK RATING	● 6
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.91% [†]
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	3.09%
UNIT TYPE	ACC or INC

NEWTON ASIAN INCOME

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

CHELSEA RISK RATING	● 7.5
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.82% [†]
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	4.75%
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% [†]
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	3.51%
UNIT TYPE	ACC or INC

RWC ENHANCED INCOME

Managers Nick Purves, Ian Lance and John Teahan deploy a flexible value-driven style, carefully selecting a concentrated portfolio of around 30 stocks, with low turnover. Their stock selection process encompasses three key criteria: low starting valuation, strong cash generation and how management uses that cash. Typically, the fund will be managed to achieve a targeted yield of 7%, meaning it will lag during strong market rises, such as in the first half of 2013. The strategy uses call options to enhance income and boost yield, the purpose of which is to deliver total returns over the long term. Income is paid in February, May, August and November.

CHELSEA RISK RATING	● 5
ANNUAL MANAGEMENT CHARGE	0.80%
ONGOING CHARGES FIGURE (OCF)	1.10% [†]
FUNDALIBRE**	-
MSTAR OBSR FUND RATING	NEUTRAL
YIELD	7.00%
UNIT TYPE	ACC or INC

STANDARD LIFE UK EQUITY INCOME UNCONSTRAINED NEW TO CORE

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 January, April, July and October.

CHELSEA RISK RATING	● 6
ANNUAL MANAGEMENT CHARGE	1.00%
ONGOING CHARGES FIGURE (OCF)	1.15% [†]
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	-
YIELD	3.99%
UNIT TYPE	ACC or INC

THREADNEEDLE UK EQUITY ALPHA INCOME

Leigh Harrison and Richard Colwell manage the fund, with emphasis placed on generating a total return from a concentrated portfolio of UK equities. The portfolio is constructed from the managers' best ideas, consisting of 25-30 UK stocks. The team identify economic investment themes and position the portfolio accordingly. This may lead to a greater focus on certain sectors. This unconstrained approach provides the flexibility that allows Leigh and Richard to take active positions in their best ideas. At the time of writing they had a zero weighting in both banks and miners. Income is paid in January and July.

CHELSEA RISK RATING	● 5
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.88% [†]
FUNDALIBRE**	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	4.20%
UNIT TYPE	INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see pages 12/13 for more information.

For performance statistics please refer to pages 22-23.

All data sourced from FE Analytics, 01/09/2014.

** For more information on this new ratings agency see pages 26 & 27.

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

EQUITY INCOME (CONTINUED)

WOODFORD EQUITY INCOME NEW TO CORE

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 the number one in its sector for the past three months, 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

EUROPE

BLACKROCK CONTINENTAL EUROPEAN

Vincent Devlin has run this fund since 2008, supported by the European equity team who provide research and analysis across all European markets. The fund has a flexible style and is therefore able to adapt to different types of market, for example moving into value mid-cap stocks when the market dips. The focus is on bottom-up stock analysis, including company meetings, combined with macroeconomic awareness. The portfolio will typically hold 35-65 stocks and the manager currently favours financial stocks, which has been a drag on performance in 2014.

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

JUPITER EUROPEAN

The fund manager, Alexander Darwall, runs a concentrated, conviction portfolio of 30-40 stocks, with a focus on mid-cap companies. Alexander takes a long-term view, focusing predominantly on bottom-up stock analysis and places a high degree of emphasis on management meetings and having an in-depth understanding of the companies in which he invests. Turnover is thus very low. Alexander will only consider stocks with sound business characteristics and favours those which he believes will emerge stronger from a recession. His preferred sectors are currently industrials and healthcare (though not pharmaceuticals).

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

THREADNEEDLE EUROPEAN SELECT

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

CHELSEA RISK RATING	● 7
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.88% [†]
FUND CALIBRE**	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.60%
UNIT TYPE	ACC or INC

US

AXA FRAMLINGTON AMERICAN GROWTH

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

CHELSEA RISK RATING	● 7
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.82% [†]
FUND CALIBRE**	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	ACC or INC

ASIA PACIFIC, JAPAN AND EMERGING MARKETS

FIRST STATE ASIA PACIFIC LEADERS

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

CHELSEA RISK RATING	● 7.5
ANNUAL MANAGEMENT CHARGE	0.85%
ONGOING CHARGES FIGURE (OCF)	0.89% [†]
FUND CALIBRE**	ELITE
MSTAR OBSR FUND RATING	GOLD
YIELD	0.10%
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 avoiding investing in Chinese real estate and utilities and is instead focusing on the Chinese consumer. It favours investing in mid-cap stocks and over 40% of the value of the fund is currently in its top ten holdings.

CHELSEA RISK RATING	● 10
ANNUAL MANAGEMENT CHARGE	0.89%
ONGOING CHARGES FIGURE (OCF)	0.89% [†]
FUND CALIBRE**	-
MSTAR OBSR FUND RATING	-
YIELD	0.67%
UNIT TYPE	ACC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see pages 12/13 for more information.

For performance statistics please refer to pages 22-23.

All data sourced from FE Analytics, 01/09/2014.

** For more information on this new ratings agency see pages 26 & 27.

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

ASIA PACIFIC, JAPAN AND EMERGING MARKETS

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 companies with a large proportion of their assets in real estate, as they feel property should benefit from the loose monetary policy in Japan.

CHELSEA RISK RATING	● 10
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.85% [†]
FUNDALIBRE**	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 managers belief that value creation, and not economic growth, will deliver returns over the long term. Matthew has reacted to the recent turmoil in emerging markets by consolidating his positions in financials, adopting a more defensive stance and exploiting attractive valuations.

CHELSEA RISK RATING	● 10
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	1.00% [†]
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	0.62%
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% [†]
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	0.19%
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. The managers are currently shorting European and Japanese government bonds and retain a cautious stance from a macroeconomic viewpoint.

CHELSEA RISK RATING	● 6
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.84% [†]
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	-
YIELD	-
UNIT TYPE	ACC

HENDERSON UK PROPERTY TRUST

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

CHELSEA RISK RATING	● 3.5
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.85% [†]
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	-
YIELD	3.8%
UNIT TYPE	ACC or INC

GLOBAL

RATHBONE GLOBAL OPPORTUNITIES

James Thomson is able to invest anywhere globally. Typically, however, the portfolio will consist of 50-60 stocks from developed world markets. James looks for pure-play growth stocks. Ideally portfolio companies will be easy to understand, have entrepreneurial management, strong demand for their product and be resilient to changes in the business cycle. Lastly 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 markets stocks and its largest regional weighting is currently in North America, with over 67% invested in the region.

CHELSEA RISK RATING	● 6.5
ANNUAL MANAGEMENT CHARGE	0.65%
ONGOING CHARGES FIGURE (OCF)	0.70% [†]
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	-
UNIT TYPE	ACC

Least risky

1 ● |||||

THE CHELSEA RISK RATING

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

We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest. See page 12-13 for further details

Most risky

||||| ● 10

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see pages 12/13 for more information.

For performance statistics please refer to pages 22-23.

All data sourced from FE Analytics, 01/09/2014.

** For more information on this new ratings agency see pages 26 & 27.

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

FIXED INTEREST

GLG STRATEGIC BOND SPOTLIGHT NEW TO CORE

Jon Mawby manages this fund with both an absolute and total return mindset. This means he aims to provide an absolute return over the credit cycle, and has the flexibility to move the fund into the areas of the credit spectrum where he sees most value. He is also able to express his 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 Jon 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	●■■■■■ 2
ANNUAL MANAGEMENT CHARGE	0.6%
ONGOING CHARGES FIGURE (OCF)	0.81% [†]
FUNDALIBRE**	-
MSTAR OBSR FUND RATING	BRONZE
YIELD	3.30%
UNIT TYPE	ACC or INC

HENDERSON STRATEGIC BOND

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

CHELSEA RISK RATING	●■■■■■ 3
ANNUAL MANAGEMENT CHARGE	0.60%
ONGOING CHARGES FIGURE (OCF)	0.70% [†]
FUNDALIBRE**	-
MSTAR OBSR FUND RATING	SILVER
YIELD	5.20%
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% [†]
FUNDALIBRE**	■ ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	4.70%
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
ANNUAL MANAGEMENT CHARGE	0.50%
ONGOING CHARGES FIGURE (OCF)	0.74% [†]
FUNDALIBRE**	■ ELITE
MSTAR OBSR FUND RATING	-
YIELD	5.90%
UNIT TYPE	ACC or INC

KAMES INVESTMENT GRADE BOND

Co-managers Stephen Snowden and Euan McNeil target total return by investing mainly in global investment grade corporate bonds (at least 80%), however gilts, high yield bonds and cash are also held. A strong team ethic, together with their significant fixed income resource, influences both top-down strategy and bottom-up stock-picking and the resulting portfolio typically has around 140 stocks. The fund pays out in April, July, October and January.

CHELSEA RISK RATING	●■■■■■ 1.5
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.80% [†]
FUNDALIBRE**	-
MSTAR OBSR FUND RATING	SILVER
YIELD	3.41%
UNIT TYPE	ACC or INC

M&G OPTIMAL INCOME

Richard Woolnough identifies macroeconomic themes in order to determine the amount of credit and interest rate risk he is prepared to take. Consequently, a shift in economic sentiment can see the balance between sovereign, investment grade and high-yield bonds shift dramatically. He may also hold some equities and has recently increased his equity weighting to 11.5%. Fundamental analysis is used to identify specific issues, with cashflow, ability to service debt and susceptibility to event risk deemed to be key factors. As a house, M&G have been overweight short maturity bonds which has led to their fixed-income funds holding up well despite the recent volatility in bond markets. Income is paid in June and December.

CHELSEA RISK RATING	●■■■■■ 3
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.91% [†]
FUNDALIBRE**	■ ELITE
MSTAR OBSR FUND RATING	SILVER
YIELD	2.43%
UNIT TYPE	ACC or INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see pages 12/13 for more information.

For performance statistics please refer to pages 22-23.

All data sourced from FE Analytics, 01/09/2014.

** For more information on this new ratings agency see pages 26 & 27.

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

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%*
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	ACC

HENDERSON UK ABSOLUTE RETURN SPOTLIGHT

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

CHELSEA RISK RATING	● 5
ANNUAL MANAGEMENT CHARGE	1.00%*
ONGOING CHARGES FIGURE (OCF)	1.00%*
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	-
UNIT TYPE	ACC

NEWTON REAL RETURN

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

CHELSEA RISK RATING	● 5
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.79%*
FUNDALIBRE**	ELITE
MSTAR OBSR FUND RATING	BRONZE
YIELD	2.86%
UNIT TYPE	ACC or INC

STANDARD LIFE GLOBAL ABSOLUTE RETURN STRATEGIES

This multi-asset, multi-strategy fund invests in a wide remit of global asset classes in order to produce consistent positive returns during all market conditions. The fund targets LIBOR + 5% by investing about 70% of the fund in Standard Life equity and bond funds. The remainder is invested using "relative value strategies" in equities, fixed income securities, currencies and cash positions. Also, the fund can take market directional views and look to profit from declining asset values. The fund usually has equity exposure of no more than 40%. There is no performance fee on this fund. To help control risk at any one time the fund must employ at least three uncorrelated strategies.

CHELSEA RISK RATING	● 5
ANNUAL MANAGEMENT CHARGE	0.75%
ONGOING CHARGES FIGURE (OCF)	0.89%*
FUNDALIBRE**	-
MSTAR OBSR FUND RATING	-
YIELD	0.78%
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, 01/09/2014.

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

Least risky

1 ● |||||

THE CHELSEA RISK RATING

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

We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest. See page 12-13 for further details

Most risky

||||| ● 10

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see pages 12/13 for more information.

For performance statistics please refer to pages 22-23.

All data sourced from FE Analytics, 01/09/2014.

* There is a 20% performance fee relative to the hurdle rate and high watermark.

** For more information on this new ratings agency see pages 26 & 27.

†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.

Core Selection Spotlight

AN IN-DEPTH LOOK AT TWO FUNDS FROM OUR CORE SELECTION. WE INVITE FUND MANAGERS TO TALK ABOUT THEIR PROCESS AND THEIR ASSET CLASS, GIVING YOU A MORE COMPREHENSIVE VIEW OF HOW YOUR MONEY IS MANAGED.

Spotlight on GLG Strategic Bond



JON MAWBY
Fund manager,
GLG Strategic Bond

I joined GLG in September 2012 to run the Global Corporate and Strategic Bond funds. Previously, I spent almost seven years at ECM Asset Management, where I was lead portfolio manager focusing on multi-asset class credit funds. My earlier industry experience was gained at Goldman Sachs, Aviva and Gartmore. I gained a BA (Hons) in Economics from Durham University and I am also a CFA charterholder.

Our investment process has four broad stages. First of all fundamental credit analysis is undertaken from a bottom-up perspective. Secondly, this is overlaid with an assessment of the macroeconomic environment. Thirdly, a risk and strategy checkpoint is implemented on all investment decisions. Finally, the trade is carried out. We invest across a range of different asset classes and the fund may employ derivatives to hedge exposure.

I believe it is important to be able to express conviction across the full range of the fixed-income and credit spectrum, without the inhibiting constraint of having to stick close to the benchmark index. We aim to optimise the risk/reward profile of the fund by employing a consistent, transparent and repeatable investment process that combines insightful top-down asset allocation decision making with rigorous bottom-up analysis and robust risk management.

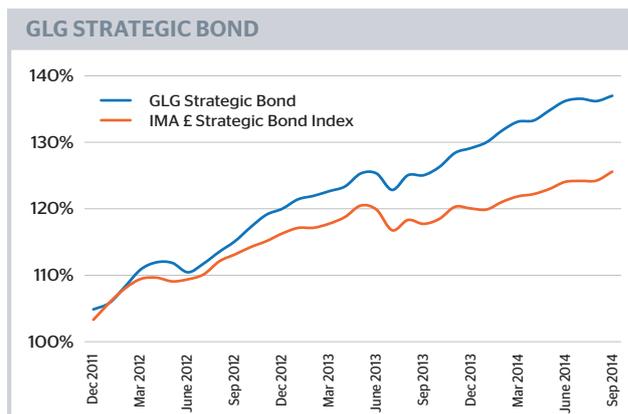
At GLG, the portfolio management team have access to a broad multi-asset research capability. The vast majority of research is generated internally. This includes credit experts, equity analysts, sector specialists and macroeconomic strategists. Externally generated research is used to aid the investment process. GLG is well-known for being a stock-picking house, where investment analysts sit in an open space and interact continuously with each other. Frequent meetings are held, to ensure that the flow of information is shared, and all points of view are discussed. Research is continuously implemented via company meetings, as well as through external research analysts' papers.

CURRENT FUND POSITIONING

The term 'unconventional monetary policy' is typically associated with quantitative easing and indeed the central bank asset purchases that we have seen have been of an unprecedented scale. Surely nobody could have guessed that when both the Federal Reserve (Fed) and BoE slashed interest rates to unprecedentedly low levels at the height of the financial crisis, the US and UK economies would still be in need of such accommodative policy almost six years later?

However, recovery is underway, although not fully entrenched, and investors will shortly have to contend with the impact of a 'normalisation' of monetary policy. If the infamous US tapering episode is any indicator, we could be in for a bumpy ride. The economies of continental Europe are facing a completely different scenario, with the threat of deflation looming in the absence of decisive intervention on the part of the European Central Bank. As such, it is hard to imagine that interest rates will rise any time soon. In fact, monetary policy could, and arguably should, be looser than is currently the case.

Although we are wary of interest rate rises, and the GLG Strategic Bond fund has low duration (average time to maturity of bonds and hence sensitivity to rising rates), we are not interested in attempting to second-guess the timing of any movements.



Source: Man Database & Lipper; from inception to end August 2014.

We are typically focused on credit quality (the likelihood of bond issuers defaulting on their obligations to pay coupons to investors and/or return capital at maturity). Increasing economic momentum in the UK and the US typically creates opportunities in the high-yield part of the credit spectrum (because fewer companies encounter financial difficulties when the economic backdrop is improving).

However, we are concerned the default cycle could be re-ignited by rising borrowing costs, given that it has been repressed by ultra-low interest rates for several years. Consequently, we are very much focused on finding value in individual securities, rather than pursuing a thematic approach. All of our investment ideas are challenged by answering the question 'are we receiving an appropriate return for every unit of risk we commit?' This is like bringing an equity mindset to fixed-income investing. ■

THE CHELSEA VIEW:

“This is a genuine unconstrained strategic bond fund, with a strong and stable team. We like the fund's flexibility, which enables it to quickly adapt. The fund is very risk aware, which should protect it in difficult market conditions. It has a strong process and a good yield and we have recently added it to the Core Selection.”





Spotlight on **Henderson UK Absolute Return** ✉ Elite Rated by FundCalibre



BEN WALLACE
Fund manager, Henderson
UK Absolute Return

Luke and I first started working together in 2000 at Deutsche Asset Management. We then moved to Gartmore before its acquisition by Henderson in 2011. We have a tried and tested UK long/short process, which was first implemented in 2004. I have managed the strategy since inception, and Luke since 2009. The retail fund was launched in April 2009.

Absolute return funds are considered by some to offer an alternative to traditional equity and bond funds and, in this light, they currently look appealing. Where risk-averse investors might traditionally seek sanctuary in bonds, the effect of quantitative easing has driven down government bond yields to the extent that shorter-dated bonds offer little or no compensation for inflation. At the same time, the strong rally in equities has led to expectations of a correction.



LUKE NEWMAN
Fund manager, Henderson
UK Absolute Return

ALL-WEATHER INVESTING

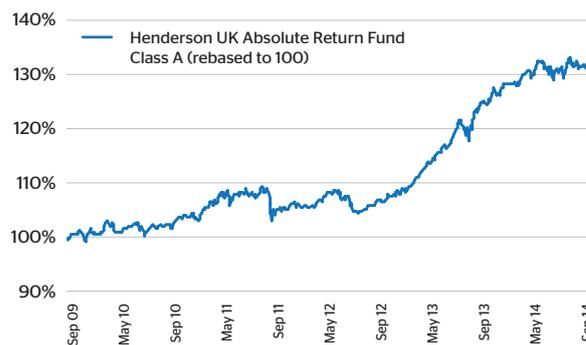
The Henderson UK Absolute Return fund invests in UK equity-related securities, targeting positive returns whatever the market conditions. Investing in just UK-related securities may seem a relatively small pool. However, FTSE 100 company revenues are 73% outside the UK, meaning this is a deceptively globally-diverse opportunity set.

We target positive absolute returns through both 'long' positions (buying securities with the expectation of a rise in value) and 'short' positions (borrowing then selling overvalued assets, with the intention of buying them back for less when the price falls). This means that investors in absolute return funds, such as ours, should expect some protection when market conditions deteriorate, and the flexibility available should mean that a fund is not highly correlated with market moves. While absolute returns cannot be guaranteed, we have the tools at our disposal for both good times and bad.

In practice, this is achieved through blending two types of trading strategies in the fund; 'core' positions and 'tactical' trades. The 'core' book is long or short positions in shares of companies based on their valuations and trends impacting a company. Positions are typically held for the long term. This can be on our expectation of either a company performing better or worse than the market anticipates. These positions typically represent one third of the fund.

The 'tactical' book consists of shorter-term trades which, again, can be either 'long' or 'short', and typically represent two thirds of the portfolio. This book allows us to be nimble, responding quickly to changing market conditions. For example, if UK interest rates rise faster than expected, there should be a number of tactical opportunities to identify companies that are likely to struggle with increased borrowing costs, and make for potentially attractive short positions.

HENDERSON UK ABSOLUTE RETURN



Source: Henderson Global Investors/Thomson Reuters DataStream, as at 1 Sept 2014.
Basis: Mid to mid, net income reinvested, net of fees, Share Class A in sterling.

PLAIN SAILING?

Not always. We're looking to generate positive absolute returns, not to beat an equity benchmark such as the FTSE 100. In order to do that, we need to identify disparities between different securities, and then take advantage of that. The most challenging environment for long/short managers is when there is a high degree of correlation between stocks, sectors and different markets. For example, in 2011, markets saw almost in unison from one day to the next, based on risk-on and risk-off shifts in sentiment. Rather than being based on fundamental investment analysis into the underlying health and prospects of individual companies, market moves were driven by reaction to the policies of central banks and debt funding issues, particularly in the eurozone. The resulting environment left fewer opportunities to identify profitable trades for absolute return managers who, on the whole, experienced one of their worst years. These conditions provided a rigorous test of our process and we were able to largely protect investors' capital while the FTSE All-Share fell.

More recently, some normality has returned to markets, with greater dispersion between share prices, as investors react to company fundamentals and company-specific events. This has enabled the strategy to deliver strong absolute returns, with significantly lower levels of volatility than the market. We hope our long-term track record provides investors with some confidence that the absolute return objective of the fund can be met during both supportive and challenging conditions. ■

THE CHELSEA VIEW:

“One of our favoured funds in this sector, we like it as, unlike many of its sector peers, it has achieved its stated aim, which is to provide equity-like performance, but with one third of the volatility.”

the Chelsea Selection

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

	Elite Fund ★	Chelsea Risk Rating	1 YEAR		3 YEAR		5 YEAR		10 YEAR		Yield	Fund Size
			% Growth	Rank	% Growth	Rank	% Growth	Rank	% Growth	Rank	%	(m)
UK ALL COMPANIES												
Artemis UK Special Situations	★	6	8.70	110	54.43	87	80.94	100	149.38	46	1.40	1233.5
AXA Framlington UK Select Opportunities	★	6	10.09	77	53.83	91	108.79	29	189.09	22	1.65	4626.3
Franklin UK Mid Cap	★	6	7.17	170	74.30	23	136.70	10	362.92	2	0.36	948.0
Investec UK Special Situations	★	5	6.92	181	52.56	100	74.75	119	159.63	41	2.02	1344.6
JOHCM UK Dynamic	★	7	12.02	45	73.62	25	101.52	41	-	-	3.09	2391
JOHCM UK Opportunities	★	5	10.19	75	50.45	112	87.57	75	-	-	2.82	1400.0
L&G UK Alpha	★	8	22.52	3	39.44	198	109.67	25	-	-	-	212.3
Liontrust Special Situations	★	6	8.30	125	57.17	73	153.71	4	-	-	0.80	1291.0
Marlborough UK Multi-Cap Growth	★	7	8.69	111	52.34	102	115.54	19	213.59	10	0.47	85.6
Neptune UK Mid Cap NEW ENTRY	★	6	12.56	37	100.22	1	160.10	2	-	-	0.44	263.0
Old Mutual UK Alpha***	★	7	7.77	185 / 287	62.17	60 / 280	94.31	61 / 263	89.29	170 / 188	2.27	1493.0
Standard Life UK Equity Unconstrained	★	8	12.14	42	88.32	5	158.03	3	-	-	0.66	1136.1
SECTOR AVERAGE AND NUMBER IN SECTOR	-	-	8.90	242	49.32	235	76.84	219	122.36	162	-	-
UK EQUITY INCOME												
Artemis Income	★	5	8.60	54	54.09	28	80.97	31	151.91	9	3.60	6760.1
Evenlode Income	★	5	13.13	10	55.86	20	-	-	-	-	3.60	184.0
Fidelity Enhanced Income	★	5	8.11	57	40.65	64	71.63	42	-	-	6.31	254.0
JOHCM UK Equity Income	★	6	11.67	23	70.12	7	101.68	6	-	-	3.89	2600.0
Liontrust Macro Equity Income	★	5	12.98	12	47.62	46	85.46	24	168.57	3	4.21	547.6
Marlborough Multi Cap Income	★	7	15.00	7	79.30	2	-	-	-	-	3.94	953.0
Rathbone Income	★	5	8.85	49	54.53	26	96.05	9	126.36	17	3.53	896.1
Royal London UK Equity Income	★	5	14.84	8	75.53	3	117.60	3	178.01	2	3.54	1481.4
RWC Enhanced Income*	★	5	4.36	50/58	31.53	55 / 56	-	-	-	-	7	319.3
Standard Life UK Equ Inc Unconstrained NEW ENTRY	★	6	15.38	6	71.27	6	115.13	4	-	-	3.99	629.1
Threadneedle UK Equity Alpha Income	★	5	11.55	24	68.77	9	102.76	5	-	-	4.20	780.6
Woodford Equity Income NEW ENTRY	★	5	-	-	-	-	-	-	-	-	4.00	2682.7
SECTOR AVERAGE AND NUMBER IN SECTOR	-	-	9.80	86	50.81	82	78.32	75	118.50	46	-	-
UK SMALLER COMPANIES												
Franklin UK Smaller Companies	★	8	15.10	17	50.09	42	90.92	42	108.02	34	0.12	152.0
Marlborough Special Situations	★	7.5	16.82	14	62.20	29	160.99	10	300.63	5	0.25	799.4
Marlborough UK Micro Cap Growth	★	8	23.82	5	80.13	8	191.13	2	-	-	-	403.4
River & Mercantile UK Equity Smaller Cos NEW ENTRY	★	8	30.54	2	127.05	1	182.39	5	-	-	0.49	411.2
SECTOR AVERAGE AND NUMBER IN SECTOR	-	-	13.02	49	60.30	48	120.06	48	181.32	34	-	-
STERLING CORPORATE BOND												
Invesco Perpetual Corporate Bond	★	2	6.75	61	27.13	12	43.47	27	74.84	7	3.69	5535.7
Kames Investment Grade Bond	★	1.5	9.59	11	28.94	6	49.80	10	-	-	3.41	834.7
Kames Sterling Corporate Bond	★	1.5	8.11	43	27.28	10	53.79	8	57.00	23	3.07	561.8
Royal London Corporate Bond NEW ENTRY	★	1.5	10.32	4	28.51	7	55.40	5	62.45	13	4.22	555.0
SECTOR AVERAGE AND NUMBER IN SECTOR	-	-	7.69	78	21.70	74	38.84	69	52.29	53	-	-
HIGH YIELD												
Kames High Yield Bond	★	3	9.14	10	29.81	15	68.85	3	103.88	3	3.92	1641.3
SECTOR AVERAGE AND NUMBER IN SECTOR	-	-	8.44	23	30.89	21	57.58	19	88.92	16	-	-
STRATEGIC BOND												
Artemis Strategic Bond	★	3	7.97	32	26.93	27	51.84	17	-	-	4.00	784.5
Fidelity Strategic Bond	★	2	9.38	19	24.43	30	43.75	27	-	-	3.20	1470.0
GLG Strategic Bond***	★	2	10.28	12 / 70	-	-	-	-	-	-	3.30	796.9
Henderson Strategic Bond	★	3	9.45	18	27.78	20	46.23	23	83.05	3	5.20	1210.3
Invesco Perpetual Monthly Income Plus	★	3.5	7.30	42	34.88	6	65.51	4	110.91	1	4.70	3968.6
Jupiter Strategic Bond	★	2	7.66	35	30.00	15	61.02	7	-	-	5.90	2293.9
M&G Optimal Income	★	3	8.09	30	30.09	14	52.02	16	-	-	2.43	22270.1
PFS TwentyFour Dynamic Bond NEW ENTRY	★	3	12.90	2	43.18	2	-	-	-	-	4.44	529.5
SECTOR AVERAGE AND NUMBER IN SECTOR	-	-	7.77	63	24.03	53	43.51	47	61.01	30	-	-
TARGETED ABSOLUTE RETURN												
BNY Mellon Absolute Return Equity*	★	4	1.47	37/140	12.89	27/113	-	-	-	-	-	1386.4
Henderson UK Absolute Return	★	5	5.94	16	23.81	5	30.06	11	-	-	-	425.2
Newton Real Return	★	5	2.92	32	11.87	20	30.89	10	117.54	2 / 4	2.86	9091.5
Old Mutual Global Equity Abs Ret Hedged* NEW ENTRY	★	5	7.47	10/140	23.79	6/113	43.22	5 / 62	-	-	-	974.9
Premier Defensive Growth NEW ENTRY	★	4	3.61	24	14.69	15	-	-	-	-	-	159.0
Standard Life Global Absolute Return Strategies	★	5	6.88	11	20.64	8	35.99	6	-	-	0.78	21208.7
SECTOR AVERAGE AND NUMBER IN SECTOR	-	-	3.86	53	10.67	43	16.56	27	-	4	-	-
EUROPE EXCLUDING UK												
Baring Europe Select***	★	8	4.82	7 / 11	54.08	5 / 11	91.37	5 / 11	298.59	2 / 8	0.60	1102.4
BlackRock Continental European	★	7	2.09	72	42.43	40	65.08	15	201.53	5	-	486.7
BlackRock Continental European Income	★	6.5	10.66	11	63.07	2	-	-	-	-	3.79	492.7
BlackRock European Dynamic NEW ENTRY	★	7	6.24	43	50.41	16	88.19	6	292.03	1	0.06	1689.7
FP Argonaut European Alpha	★	7.5	10.13	15	39.29	60	64.97	16	-	-	0.31	278.0
Henderson European Growth	★	7	4.61	56	42.30	43	68.77	11	172.33	12	1.00	986.3
Jupiter European	★	6.5	4.08	61	48.93	18	97.13	3	217.48	4	-	2442.2
Jupiter European Special Situations	★	7	3.05	68	39.73	55	58.06	27	186.71	6	0.60	876.0
Threadneedle European Select	★	7	2.61	71	44.34	28	90.46	5	178.72	8	0.60	2148.4
SECTOR AVERAGE AND NUMBER IN SECTOR	-	-	6.43	84	42.99	82	52.30	76	129.33	58	-	-

	Elite Fund ▲	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	15.82 29	55.64 54	110.83 12	138.81 12	-	622.6	
JPM US Equity Income	▲	6.5	12.74 52	63.79 34	111.85 11	-	1.96	2428.8	
Legg Mason US Equity Income		6.5	11.35 59	-	-	-	-	1.70	55.9
Mitton US Opportunities		7	9.13 65	-	-	-	-	-	70.1
SECTOR AVERAGE AND NUMBER IN SECTOR		-	14.40 70	61.63 65	94.44 61	111.86 45	-	-	
JAPAN									
Baillie Gifford Japanese NEW ENTRY	▲	10	4.53 12	43.85 3	56.39 2	75.30 3	-	577.1	
GLG Japan CoreAlpha	▲	10	5.06 9	28.39 15	23.46 21	101.06 2	0.47	1273.5	
● JOHCM Japan*	▲	10	5.46 22 / 108	35.24 9 / 102	34.90 18 / 86	69.98 4 / 57	-	645.2	
Legg Mason Japan Equity		10	12.98 3	83.45 1	155.62 1	11.45 25	-	266.3	
SECTOR AVERAGE AND NUMBER IN SECTOR		-	3.78 37	27.13 36	30.39 34	37.82 27	-	-	
ASIA PACIFIC EXCLUDING JAPAN									
Aberdeen Asia Pacific Equity	▲	8	7.98 44	18.76 33	63.42 20	239.96 11	0.70	2320.2	
● First State Asia Pacific Leaders	▲	7.5	15.68 8	33.99 10	80.39 8	346.07 2	0.10	7330.0	
Invesco Perpetual Asian		7.5	15.64 9	27.47 18	67.16 15	253.37 9	0.62	614.8	
JOHCM Asia ex Japan Small and Mid Cap*		9	15.12 41 / 170	-	-	-	-	15.8	
● Newton Asian Income	▲	7.5	7.08 48	35.16 8	109.28 3	-	4.75	4778.7	
● Schroder Asian Alpha Plus	▲	8	11.37 22	30.98 15	84.21 7	-	0.18	552.2	
Schroder Asian Income	▲	7.5	11.05 24	39.32 5	89.15 6	230.99 13	3.77	517.2	
SECTOR AVERAGE AND NUMBER IN SECTOR		-	11.89 52	22.40 49	57.69 43	215.81 32	-	-	
GLOBAL EMERGING MARKETS**									
Aberdeen Latin American Equity NEW ENTRY	▲	10	9.63 39 / 119	0.21 68 / 98	-	-	0.90	170.6	
Fidelity Emerging Europe Middle East and Africa		10	2.55 89 / 119	15.38 48 / 98	56.88 13 / 78	-	-	142.0	
● Invesco Perpetual Hong Kong & China	▲	10	13.50 3 / 11	45.58 1 / 10	71.08 3 / 8	282.84 2 / 4	0.67	308.4	
JPM Emerging Markets Income		9.5	8.83 35 / 46	-	-	-	4.99	174.0	
JPM New Europe		10	-10.98 111 / 119	-8.80 81 / 98	17.53 53 / 78	132.60 13 / 30	2.23	114.0	
Lazard Emerging Markets NEW ENTRY	▲	10	13.96 6 / 46	16.98 9 / 40	52.57 6 / 31	281.03 5 / 19	1.90	694.9	
● M&G Global Emerging Markets	▲	10	15.77 3 / 46	16.63 11 / 40	52.39 7 / 31	-	0.62	1685.7	
Neptune Russia & Greater Russia		10	-14.01 116 / 119	-25.99 88 / 98	12.93 58 / 78	-	1.00	239.9	
GLOBAL EQUITIES									
Fundsmith Equity	▲	6	13.24 21	60.29 9	-	-	0.58	2227.9	
JOHCM Global Select*	▲	7	20.42 10 / 436	53.44 74 / 350	101.00 9 / 289	-	-	1500.0	
● Rathbone Global Opportunities	▲	6.5	9.66 89	40.22 90	88.01 16	209.00 4	-	450.4	
SECTOR AVERAGE AND NUMBER IN SECTOR		-	9.43 193	38.68 173	61.07 149	109.48 98	-	-	
GLOBAL EQUITY INCOME									
● Artemis Global Income	▲	6.5	19.85 2	66.82 1	-	-	3.74	1145.2	
Legg Mason Global Equity Income NEW ENTRY	▲		13.08 5	49.86 7	77.88 6	-	3.30	32.4	
● M&G Global Dividend***	▲	6	9.28 107 / 193	45.75 56 / 173	91.34 13 / 149	-	3.09	8992.3	
Newton Global Higher Income***	▲	6	8.26 21	40.30 13	78.08 5	-	3.98	4134.1	
SECTOR AVERAGE AND NUMBER IN SECTOR		-	10.54 28	45.55 22	74.66 16	121.84	-	-	
MISCELLANEOUS**									
● Artemis Strategic Assets	▲	6	0.53 138 / 141	28.69 62 / 119	54.35 42 / 95	-	-	957.3	
AXA Framlington Global Technology	▲	10	16.40 3 / 7	50.61 5 / 7	109.57 4 / 7	224.82 2 / 6	-	220.2	
BlackRock Gold & General	▲	10	-7.70 106 / 119	-52.36 95 / 98	-18.85 75 / 78	98.30 16 / 30	-	1167.2	
GLG Technology Equity		10	4.33 7 / 7	33.10 7 / 7	86.05 7 / 7	145.16 6 / 6	-	195.7	
● Henderson UK Property	▲	3.5	10.78 22 / 38	21.71 19 / 34	50.57 15 / 31	22.54 5 / 6	3.8	2199.1	
Henderson Cautious Managed NEW ENTRY	▲	3.5	6.90 94 / 199	34.55 14 / 162	50.99 19 / 128	95.22 9 / 39	3.10	1940.0	
Investec Global Gold		10	-8.31 108 / 119	-50.84 93 / 98	-14.51 73 / 78	-	-	53.5	
JPM Natural Resources		10	4.82 76 / 119	-35.23 91 / 98	0.58 68 / 78	135.14 11 / 30	0.03	1063.1	
Jupiter Financial Opportunities		8	5.54 74 / 119	34.62 21 / 98	9.37 60 / 78	134.61 12 / 30	0.50	461.7	
Polar Capital Healthcare Opportunities NEW ENTRY	▲	8	34.74 1 / 30	140.21 6 / 30	179.58 6 / 26	-	-	478.2	
Schroder Global Property Securities		7	7.27 30 / 38	27.65 14 / 34	67.56 9 / 31	-	0.42	761.6	
Standard Life Invs Emerging Market Debt NEW ENTRY	▲	3	7.35 4 / 10	-	-	-	2.94	148.6	

● = Funds featured in The Chelsea Core Selection - see pages 14-19. ▲ = Funds that are Elite Rated by FundCalibre - see pages 26-27.

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

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

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

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, 01/09/14, but subject to change. Source: FE Analytics, total return, UK Retail UT & OEICs universe, 01/09/2014.

The RedZone names and shames the worst-performing funds over three years. The DropZone brings funds to your attention which have underperformed their sector averages by the largest amount over the period.

Don't forget, Chelsea clients can switch out of these underperforming funds for free. See page 41 for details.



The RedZone

I say, I say, I say... What's the difference between the best fund and the worst fund? £17,707.23. Not the funniest joke I've ever told. In fact, very poor by anyone's standard. A bit like the SF Webb Capital Smaller Companies Growth fund. It's the worst performer in the latest RedZone, underperforming the sector average by a huge 111.15% over three years.

To be fair, the incumbent manager was on the receiving end of a hospital pass, in the form of a portfolio of stocks that were hard to sell, and performance has got progressively less bad over the past two years, but that will be of little comfort to anyone who invested, and lost, the majority of their money.

Going back to my bad attempt at humour, £10,000 of your hard-earned cash, invested in this fund three years ago, would have shrunk to just £4,919.65 today. Putting the money in the average fund in the sector would have, in contrast, given you £16,035.48. If you had been fortunate enough to pick the best fund in the sector, R&M UK Equity Smaller Companies (an Elite Rated fund by FundCalibre), you would be sitting on an investment worth £22,626.58. That's quite a difference.

On pages 12 and 13, my colleague Harry discusses various investment risks. One of the risks he mentions is shortfall risk, or the risk that you won't meet your financial goals. Usually, this risk is associated with not being invested in the right asset class, but I think the RedZone illustrates very well how picking the wrong fund could also lead to you missing your financial goal by some margin.

While Chelsea has never been an advocate of constantly changing your investments, just putting money in a fund and then forgetting about it for the next 20 years isn't a good option either. Regular reviews are necessary to make sure your investments are on track. That's why we review our generic buy, hold and switch ratings five times a year, updating the Chelsea Selection and producing this RedZone. Each are designed with just one thing in mind: to help our clients be financially comfortable in the future. We don't

always get it right - I'm sad to see an old Chelsea Selection favourite, M&G Recovery, in the DropZone - but by keeping our clients up to date, we are giving them the chance to keep their goals in sight.

We've taken our research one step further now and launched FundCalibre, a fund rating service, freely available to all investors. Read more about it on pages 26 and 27.

UNCLASSIFIED ADS

"Poorly-performing fund seeks solace amidst other like minded portfolios."

Before I get into the nitty-gritty of which companies and sectors feature in the RedZone, a word on how I've ended up with the list I have. I start with all the 3,000+ funds available to retail investors, and identify those which have been third or fourth quartile in each of the past three years. I then take

out any whose managers have been at the helm for 18 months or less, and any which have had a change of mandate in that time. I then start double-checking fund factsheets and websites to make sure the data I have is correct. This last bit can take hours and regular readers of this page will know my frustrations with poor marketing material!

From an initial screen of 203 funds, I have 149 left in this edition's RedZone, with total assets of £46.9bn. However, no fewer than 26 of the funds in the initial screen were taken out as they have been moved to the 'unclassified' sector. This sector is a mish-mash of products (so comparison is impossible), which the fund companies don't believe quite fit in any other, more specific (helpful), sector. There are now 95 funds sitting there and I think the Investment Management Association need to take a closer look. Some may well be in the only suitable place, but I can't help but think that, for others, it's nothing more than a hiding place.

MARRIAGE PROBLEMS

For once it's not the banks with the largest number of funds in the RedZone. This time round it is three well-established and well-resourced specialist asset managers: Aberdeen is first with seven funds, although four of them are old Scottish Widows funds. Aberdeen bought Scottish Widows earlier this year and has already started transitioning some of the funds. With luck, these serial underperformers will be next. Then come Fidelity and Investec, with six funds apiece.

UK EQUITIES LOSE THEIR ATTRACTIONS

Almost half (£20.34bn) of this RedZone's assets are in the UK All Companies sector, which is also home to the largest number of underperforming funds (26). Mixed Investments 40-85% shares is next with £5.05bn and 14 funds, followed by Flexible Investments with £812m spread across 12 funds (at seven, the Strategic Bond sector has fewer funds, but more assets at £2.9bn).

What these headline numbers don't show you is that just two UK equity funds account for two-thirds of the underperforming UK All Companies assets.

BlackRock UK Equity Tracker at £8.26bn and M&G Recovery at £6.35bn. No joke for many thousands of investors who remain in these funds. ■



“Regular reviews are necessary to make sure your investments are on track.”

SAM SLATOR
Head of Communications, Chelsea

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.

DropZone[®]

THE WORST OF THE WORST FROM THE RedZone.

% underperformance from sector average*

1	SF Webb Capital Sm Cos Growth	111.15%
2	CF Lacomp World	38.19%
3	FP HEXAM Global Emg Mkts	37.54%
4	Neptune Global Special Sits	34.71%
5	FF&P Concentrated UK Equity	34.61%
6	Elite Charteris Premium Income	33.95%
7	F&C UK Alpha	31.09%
8	M&G Recovery	25.66%
9	Investec American	25.28%
10	Neptune Global Equity	24.57%

*Based on three-year cumulative performance

the **RedZone** funds

	3 year % growth	Quartile Position
ASIA PACIFIC EXCLUDING JAPAN		
Cavendish Asia Pacific	13.2	4
Halifax Far Eastern*	19.14	3
HSBC Asian Growth	4.27	4
Marlborough Far East Growth	7.21	4
Smith & Williamson Oriental Growth	14.19	4
SECTOR AVERAGE	21.4	

	3 year % growth	Quartile Position
CHINA/GREATER CHINA		
Martin Currie China	9.02	4
SECTOR AVERAGE	20.84	

	3 year % growth	Quartile Position
CORPORATE BOND		
Aberdeen Charity Select UK Bond	16.03	4
CF Canlife Corporate Bond	2.09	3
F&C Ethical Bond	20.74	3
IWI Fixed Income Portfolio	19.12	4
Jupiter Corporate Bond	19.26	4
Legg Mason Global Blue Chip Bond*	4.94	4
SJP Investment Grade Corporate Bond*	12.34	4
TB Walker Crips Corporate Bond	17.76	4
UBS Corporate Bond UK Plus	18.78	4
SECTOR AVERAGE	21.98	

	3 year % growth	Quartile Position
EUROPE EXCLUDING UK		
Alliance Trust Sustainable Future Euro Gth	36.26	4
CF Canlife European	35.58	4
M&G European	33.7	4
SECTOR AVERAGE	41.86	

	3 year % growth	Quartile Position
EUROPE INCLUDING UK		
TU Unit	28.27	4
SECTOR AVERAGE	40.26	

	3 year % growth	Quartile Position
FLEXIBLE INVESTMENT		
CF Cautela	12.38	4
CF Resilient 6	23.02	3
Elite LWM East West Value*	8.03	4
Fidelity Multi Asset Growth	20.18	4
IWI Chameleon Capital*	17.62	4
MFM SGWM Managed	26.73	3
Sarasin EquiSar IIID	15.94	4
Schroder MM High Alpha	20.64	4
Thesis Charlotte Square Allweather	18.61	4
Thesis iFunds Spectrum Green*	16.96	4
Thesis iFunds Spectrum Indigo*	7.75	4
Troy Asset Management Ltd Spectrum	13.15	4
SECTOR AVERAGE	28.09	

	3 year % growth	Quartile Position
GLOBAL EQUITIES		
CF JM Finn Global Opportunities	17.16	4
CF Lacom World	-0.41	4
FP Brown Shipley Dynamic	30.96	4
FP Matterley International Growth Portfolio*	31.37	4
Jupiter Merlin Worldwide Portfolio	22.62	4
Margetts International Strategy	34.13	3
Neptune Global Equity	13.21	4
Neptune Global Special Situations	3.07	4
NFU Mutual Global Growth	26.23	4
Old Mutual Voyager Global Dynamic Equity	30.02	4
R&M Global Opportunities	25.21	4
SJP High Octane*	27.22	4
SECTOR AVERAGE	37.78	

	3 year % growth	Quartile Position
GLOBAL BONDS		
Baillie Gifford Global Bond	-4.1	4
BlackRock Global Bond	1.55	3
BlackRock Overseas Gov Bond Tracker	-5.61	4
Investec Global Bond	-6.28	4
Newton International Bond	-4.41	4
Threadneedle Global Bond	-3.73	4
SECTOR AVERAGE	6.33	

	3 year % growth	Quartile Position
GLOBAL EMERGING MARKET BONDS		
Investec Emerging Mkts Local Currency Debt	-3.9	3
SECTOR AVERAGE	5.63	

	3 year % growth	Quartile Position
GLOBAL EMERGING MARKETS		
FP HEXAM Global Emerging Markets	-2.791	4
Lazard Developing Markets	-6.04	4
Marlborough Emerging Markets	2.72	4
Martin Currie Emerging Markets	1.5	4
Neptune Emerging Markets	-4.14	4
NFU Mutual Global Emerging Markets	5.87	3
Templeton Global Emerging Markets	-1.17	4
UBS Global Emerging Markets Equity	-3.33	4
SECTOR AVERAGE	9.63	

	3 year % growth	Quartile Position
GLOBAL EQUITY INCOME		
Aberdeen World Equity Income	22.39	4
Baillie Gifford Global Income	33.78	4
R&M Global High Income	32.62	4
SECTOR AVERAGE	44.33	

	3 year % growth	Quartile Position
HIGH YIELD		
Investec Monthly High Income	21.37	4
SECTOR AVERAGE	31.18	

	3 year % growth	Quartile Position
JAPAN		
Halifax Japanese*	21.05	3
Schroder Japan Alpha Plus	4.53	4
SECTOR AVERAGE	26.2	

	3 year % growth	Quartile Position
MIXED INVESTMENT 0-35% SHARES		
Barclays Wealth Global Markets 1	8.24	4
CF 7IM Personal Injury	14.8	4
Fidelity Multi Asset Defensive	10.32	4
SECTOR AVERAGE	16.29	

	3 year % growth	Quartile Position
MIXED INVESTMENT 20-60% SHARES		
Baring Multi Asset	12.56	4
CF Heartwood Cautious Multi Asset	18.23	3
CF Resilient 4	16.39	4
Fidelity Multi Asset Strategic	18.18	3
FP Distinction Diversified Real Return*	6.12	4
FP Tatton Oak Cautious Growth*	20.24	3
IFSL Brooks Macdonald Defensive Capital	19.55	3
IFSL Select Cautious	16.37	4
Premier Conservative Growth	14.72	4
Schroder MM Cautious Managed	9.34	4
T. Bailey Defensive	18.32	3
Thesis Optima Multi-Asset Strategy	9.8	4
SECTOR AVERAGE	22.31	

	3 year % growth	Quartile Position
MIXED INVESTMENT 40-85% SHARES		
Baring Portfolio	22.8	4
CF Heartwood Balanced Multi Asset	25.91	4
CF Resilient 5	23.67	4
Fidelity Target 2015	13.39	4
IFSL Brooks Macdonald Balanced	27.24	3
Investec Diversified Growth	25.43	4
Marlborough Balanced	22.93	4
Neptune Balanced	21.39	4
Newton Balanced	19.3	4
Quilter Cheviot Libero Strategic	21.61	4
Royal Bank of Scotland Balanced*	28.64	3
Schroder MM Strategic Balanced	17.32	4
Smith & Williamson MM Endurance Balanced	22.23	4
TB Doherty Balanced Managed	21.11	4
SECTOR AVERAGE	28.79	

	3 year % growth	Quartile Position
NORTH AMERICA		
Aviva Investments US Equity Income*	53.21	4
Cavendish North American	35.31	4
Fidelity American	51.91	4
Investec American	34.14	4
Martin Currie North American	54.73	4
Melchior North American Opportunities	50.16	4
SECTOR AVERAGE	59.42	

	3 year % growth	Quartile Position
STRATEGIC BOND		
Architas MM Strategic Bond	16.2	4
CF IM Bond	20.81	3
HL Multi Manager Strategic Bond	23.37	3
Investec Strategic Bond	8.04	4
JPM Strategic Bond	10.21	4
Kames Strategic Bond	22.73	3
Schroder Strategic Credit	17.65	4
SECTOR AVERAGE	24.33	

	3 year % growth	Quartile Position
TARGETED ABSOLUTE RETURN		
Insight Absolute Insight	9.9	3
Kames UK Equity Absolute Return	8.44	3
Threadneedle Absolute Return Bond	1.73	4
SECTOR AVERAGE	10.74	

	3 year % growth	Quartile Position
UK ALL COMPANIES		
Baring UK Growth	40.45	4
BlackRock UK Equity Tracker	42.8	3
CF IM UK Growth	32.06	4
Clerical Medical FTSE 100 Tracker*	37.64	4
F&C UK Alpha	17.28	4
Family Asset*	39.19	4
Family Charities Ethical*	35.58	4
FF&P Concentrated UK Equity	13.76	4
Fidelity UK Select	43.03	3
Halifax UK FTSE 100 Index Tracking*	36.83	4
Henderson UK Index*	42.27	3
Henderson UK Tracker*	36.58	4
Kames UK Equity	35.94	4
Legal & General Equity	36.12	4
Legg Mason UK Equity	39.71	4
M&G Index Tracker	42.2	3
M&G Recovery	22.71	4
Marks & Spencer UK 100 Companies	36.19	4
NFU Mutual UK Growth	38.02	4
Premier ConBrio UK Opportunities	36.77	4
Royal Bank of Scotland FTSE 100 Tracker*	36.92	4
Santander N&P UK Growth	32.66	4
Santander Premium UK Equity	36.86	4
Santander UK Growth	33.93	4
Sarasin EquiSar UK Thematic	36.49	4
VT Maven Smart Dividend UK	36.8	4
SECTOR AVERAGE	48.37	

	3 year % growth	Quartile Position
UK EQUITY & BOND INCOME		
CF IM UK Equity & Bond Income	29.16	4
SECTOR AVERAGE	35.04	

	3 year % growth	Quartile Position
UK EQUITY INCOME		
Aberdeen UK Equity Income	41.66	3
CF Canlife UK Equity Income	39.44	4
Elite Charteris Premium Income	16.05	4
HSBC Income	39.33	4
Neptune Income	31.48	4
Premier ConBrio B.E.S.T Income	36.42	4
Santander Dividend Income Portfolio	37.35	4
Santander Equity Income	40.38	4
SECTOR AVERAGE	50	

	3 year % growth	Quartile Position
UK GILTS		
CF Canlife UK Government Bond	7.64	4
SECTOR AVERAGE	11.33	

	3 year % growth	Quartile Position
UK SMALLER COMPANIES		
Henderson UK & Irish Smaller Companies	57.22	3
SF Webb Capital Smaller Companies Growth	50.8	4
Standard Life Investments UK Smaller Cos	43.2	4
TM Progressive UK Smaller Companies	36.6	4
SECTOR AVERAGE	60.35	

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 01/09/2014. 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.

FundCalibre

...a ratings revolution

Clive Hale, a 35-year industry veteran, director of FundCalibre, managing director of Albemarle Street Partners and former CIO of Skandia Investment Management, introduces a new fund ratings service for investors.



CLIVE HALE
Managing Director,
FundCalibre

I would like to introduce you to an exciting new fund ratings service 'FundCalibre'. FundCalibre is a new website designed to help investors find the most skilful managers and the best investment funds. With over 3,000 funds available in the UK, choosing a fund can be a difficult and daunting task, but choosing the right fund can make a huge difference over time.

That's where FundCalibre comes in.

In the past, fund ratings were aimed at institutional clients and the small retail investor was ignored. FundCalibre is different.

For the first time retail investors will have a free dedicated ratings agency focusing on their needs. The one simple 'Elite Rating' makes it easy to identify high quality funds.

FundCalibre has been established as a joint venture, which combines Albemarle Street Partners quantitative skills and Chelsea's industry-renowned research. Albemarle are an established investment consultancy firm managed by an experienced team of former fund managers. FundCalibre is an appointed representative under Chelsea Financial Services.

THE ELITE RATING

FundCalibre only has one Elite Rating: either a fund receives a rating or it doesn't. Other ratings agencies have all sorts of different ratings including, stars, badges, gold, diamond, platinum etc. Frankly we think the current ratings only serve to confuse everyone. Is a two star fund good or bad? Is a bronze fund any good? Different ratings mean different things for different agencies. The Elite Rating is simple and unique. We believe that either a fund manager has the ability to add real value over time for their investors and should qualify for an Elite Rating or they don't.

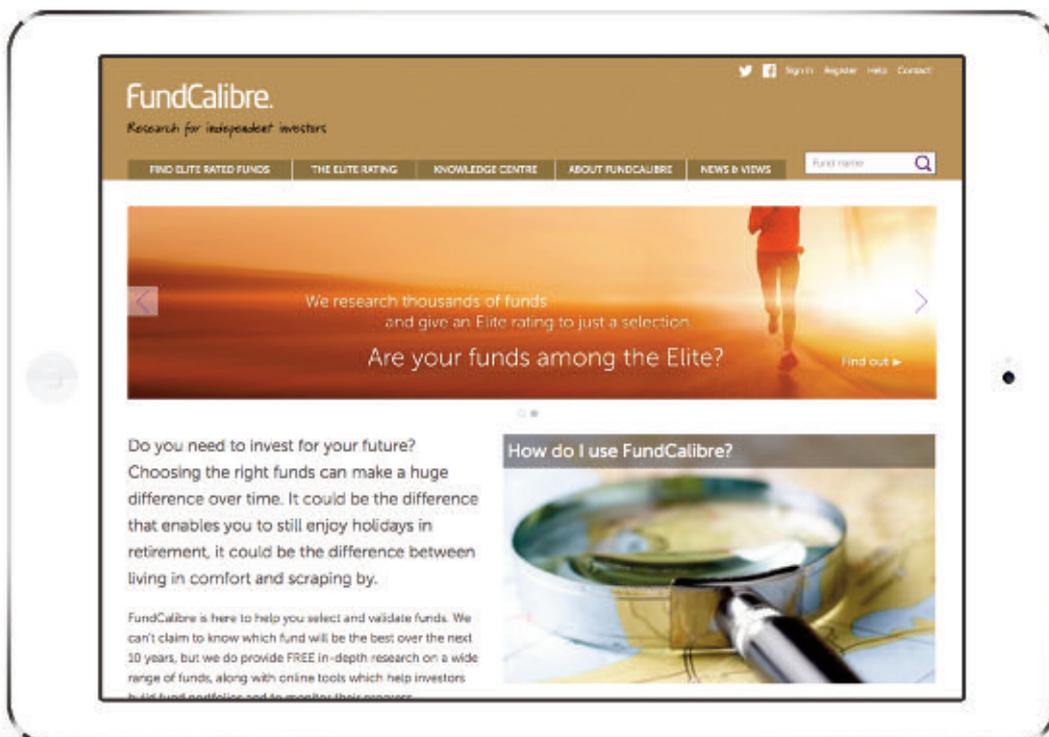
OUR RESEARCH PROCESS

To qualify for an Elite Rating a fund must pass our rigorous research process. The process combines both quantitative and qualitative elements. We start with a quantitative screen using our unique tool, AlphaQuest. AlphaQuest was developed by Albemarle, and it forms the first part of the FundCalibre ratings process. Fund performance is a result of two things: market movements and fund manager skill. AlphaQuest goes beyond conventional past performance analysis by stripping out market movements and then analyses the volatility of the fund manager's skill - basically to see if it is indeed skill or just luck.

To qualify for an Elite Rating a fund manager must have been running the same mandate for at least three years. Only those managers who display consistent skill over a minimum of three years, and have more than a 60% probability of generating alpha (performance over and above the benchmark return) over the next 12 months, make it to the next stage of the process.

Once a fund has passed AlphaQuest we then arrange a meeting with the fund manager to undertake a qualitative assessment. A fund will never qualify for an Elite Rating without a face-to-face meeting.

We rigorously assess a fund manager's ability and support team. It's important that we understand why a manager has been able to beat the market in the past. We particularly look for any changes which might prevent this in the future. Is the fund too large? Has a key member of the team left? Has its investment process or philosophy changed?



BENEFITS OF FUNDCALIBRE

- A free independent fund ratings service designed for investors
- A rigorous quantitative and qualitative ratings process, resulting in approximately 10% of funds available in each IMA sector receiving an Elite Rating
- One simple Elite Rating
- Access free fund factsheets and build model portfolios on our website www.fundcalibre.com
- Get the latest news and market commentary by signing up to the newsletter on the website

The Chelsea analysts are renowned for their high quality fund research and getting access to the leading managers. The Chelsea Core Selection outperformed its benchmark by 45% over a 10-year period and has added significant value for their clients. We were excited to combine Albemarle's quantitative skills with Chelsea's qualitative research. Together we believe we have created a powerful fund ratings team, which can add real value for investors.

Once a fund has been seen, the analysts present their findings to the fund selection committee. The committee is made up of all our analysts and directors, who together have decades of investment experience.

A GOLD STANDARD

FundCalibre is independent. A fund will receive an Elite Rating regardless of whether the company pays for a licence fee or not. We anticipate that relatively few managers will qualify for an Elite Rating. The quantitative analysis is rigorous, however many funds which pass this test will fail the subsequent qualitative assessment. We expect that less than 10% of available funds in each IMA sector will receive an Elite Rating.

FUNDCALIBRE.COM

We'd strongly encourage Chelsea clients to visit the FundCalibre website and to sign up for our e-newsletter. Unlike other fund ratings agencies, FundCalibre has been designed to help inform the consumer rather than institutions. On the FundCalibre website you will find easy to understand fund notes on many of the Elite Rated funds, including FundCalibre's opinion, which you can use to validate or narrow down your investment choices.

You can also build, save and track your own model portfolios of Elite Rated funds. You can analyse how the addition of funds will impact on your overall asset allocation. You can also examine your portfolio's performance. If you want to learn more about investments you can visit our knowledge centre which contains free information guides as well as our latest articles and fund manager interviews.

CONCLUSION

FundCalibre is a revolution in the fund ratings field. For the first time, consumers have an independent ratings agency designed to help them. The AlphaQuest programme is a powerful tool which can determine whether a manager is skilful or just lucky. The combination of Albemarle's and Chelsea's experience and skills has created an unparalleled team. The simple, yet prestigious, Elite Rating gives consumers a validation of their investment decision and sets a new standard in the fund ratings business. ■

Find out more at FundCalibre.com

A sample FundCalibre fund note



FundCalibre FAQ

WHAT IS FUNDCALIBRE?

FundCalibre is a fund ratings service. It is a joint venture between Albemarle and Chelsea. Funds which pass its rigorous ratings process are awarded an Elite Rating.

DO I NEED TO WORRY IF MY FUND IS NOT ELITE RATED?

No. There will be a good reason if a fund is on the Chelsea Core Selection or Selection but not Elite Rated. There will be a very high overlap of funds which are both Elite Rated and on the Chelsea Selection. However, the Chelsea methodology and the FundCalibre methodology are different. To qualify for an Elite Rating a fund has to pass various quantitative tests. One of these is that the fund manager has to have been in place for at least three years.

There are instances where the fund manager has not been in place for three years but the Chelsea team feel strongly that the fund will outperform its peers. FundCalibre has only just launched and there will be other funds which will qualify for an Elite Rating in the future.

Any fund on the Chelsea Selection or Chelsea Core Selection has been extensively researched by the Chelsea team. They will have met the fund manager and they only place funds on this list in which they have the highest conviction.

HOW DO I BUY AN ELITE RATED FUND?

You can buy any Elite Rated fund (which is not closed) through Chelsea via the usual means: paper application, by phone or online.

WHAT ARE THE CHARGES?

There are no charges for using the FundCalibre website and research. FundCalibre is a free consumer service designed to help investors with their investment decision making.

ARE ALL ELITE RATED FUNDS AVAILABLE TO BUY?

No. Some Elite Rated funds are closed and are not open to new investors, but are still among the best managers in their sector.

WHY SHOULD I SIGN UP FOR THE NEWSLETTER?

Investors who sign up to the newsletter will get the all the latest fund news, our market commentary and fund manager interviews.



The NEW SIPP, from Chelsea FundStore

...a simpler way to save for your retirement

In July, the Chancellor proposed new pension rules allowing more flexibility and freedom at retirement. Now seems the perfect time to take advantage of a new opportunity.

From April next year, pension investors aged at least 55 may have flexible access to their pension and the freedom to choose how they take income, including the option of a lump sum payment. This would give pension investors more flexibility in how they wish to spend, invest or save. The pension allowance for 2014/15 tax year is £40,000, in addition to the £15,000 annual ISA allowance.

It is never too early to start saving for the future. If a 25-year old saved £2,000 (£2,500 including the automatic 20% tax reclaim) a year into their pension (equivalent to £208.33 a month – including tax reclaim) until the age of 35, and then stops, and a 35-year old saves the same amount until the age of 70, who will be better off at retirement?

Based on an annual interest rate of 7%, the 25 year old would be better off, by over £50,000.*

Similarly, if an investor saves £1 a day for 70 years, and achieves an annual rate of return of 7%, with all income reinvested, and interest paid out monthly, how much is the investor left with after 70 years?

The answer is £685,245*. This is the effect of compounding, and is extremely important when it comes to saving.

From this chart, it is clear to see that the earlier you save, the better off you could be, especially where compounding is concerned.



* The figures shown in the barchart above are based on saving £2,000 net (£2,500 gross) over the indicated period, with a return rate of 7% per annum. This is not a reliable indicator of future performance or a guaranteed rate calculator. This is excluding charges and you need to be aware that inflation may affect the purchasing power of any sum saved.

WHY INVEST THROUGH CHELSEA?

- 0% set up charge
- 0% fee for the SIPP wrapper
- 0% initial charge on funds
- Competitive service and platform charge (your usual FundStore charge)
- Free telephone dealing
- Over 2,000 funds available
- Free transfer in
- Free switching
- Low cost drawdown option
- Twice-yearly statement with expert research commentary

The Cofunds SIPP, from Chelsea FundStore, is a low-cost, flexible pension, giving you access to all the funds that are available on the Chelsea FundStore platform (over 2,000). Suffolk Life are the pension trustees and provider, with Chelsea FundStore providing the investment platform.

Chelsea do not provide any investment advice, so if you require individual investment guidance you should seek expert advice.

TRANSFER AND CONSOLIDATE YOUR PENSIONS IN OUR EASYSIPP

Many of you will have accumulated a number of different private pensions run by various insurance companies over your working life, most of which offer a limited range of funds and carry high charges. Why not transfer them to the Cofunds SIPP, from Chelsea FundStore?

If you are considering transferring your company pension, please be aware of any benefits you are giving up by moving the plan(s), as well as any surrender penalties your current provider may levy.

Remember, you can contribute to both your employer scheme and a personal pension, as long as the total contribution is within the £40,000 annual limit.

By 2018, every employer will have to have enrolled their employees onto a pension. The Chelsea EasySIPP is a simple and uncomplicated pension that allows your employees to manage their own funds. If you are an employer wanting to start a pension for your staff, why not contact us?



“Some providers charge to transfer away from them. If they do, we should be able to cover the costs for you.”

SARAH CULVER
Operations Consultant, Chelsea

“Pensioners will have complete freedom to draw down as much or as little of their pension pot as they want, anytime they want.”

George Osborne

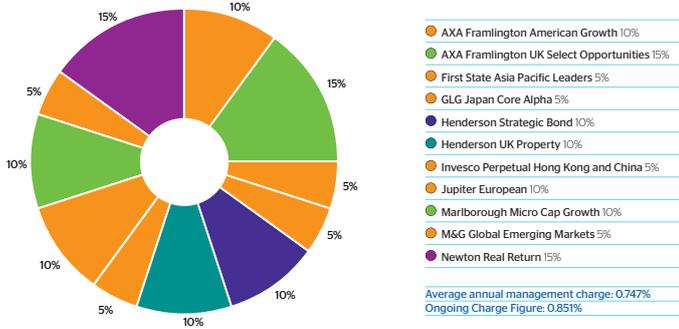


UNSURE WHERE TO INVEST?

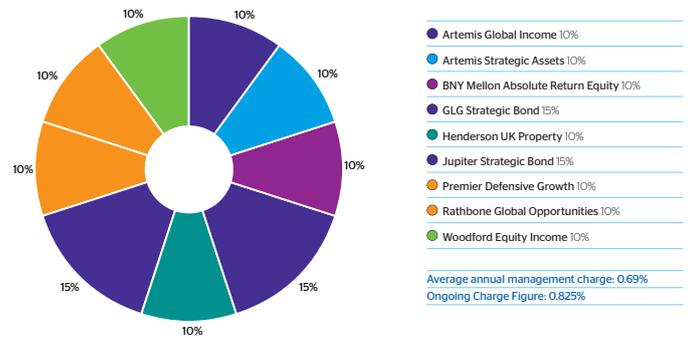
You may be interested in our Chelsea EasySIPP. There are four Chelsea EasySIPP portfolios, offering a diversified mix of assets. For more information on our Aggressive, Cautious, Balanced and High Alpha EasySIPP portfolios, please visit chelseafs.co.uk/products/pension or call us on **020 7384 7300**. ■

Please refer to our article on ‘Risk’ on pages 12 and 13.

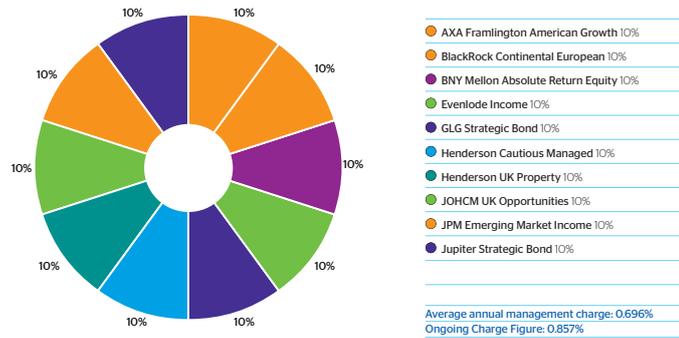
Aggressive EasySIPP Portfolio



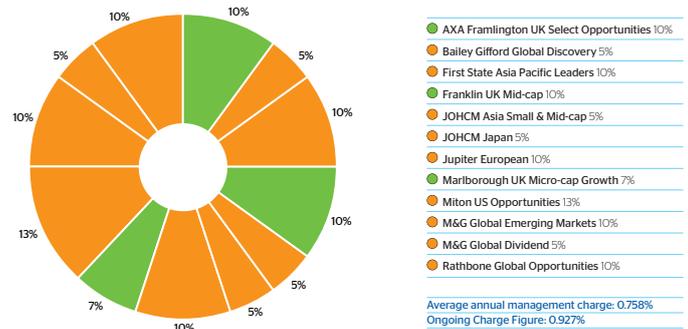
Cautious EasySIPP Portfolio



Balanced Growth EasySIPP Portfolio



High Alpha EasySIPP Portfolio



● Gilts ● Absolute Return ● Fixed Interest ● Multi-Asset ● Property ● UK Equity ● Overseas Equity ● Specialist

If you are interested in opening a pension, or transferring current pensions to us, just complete this slip, and return it to us, so that we can send you further documentation, or call us on **020 7384 7300**.

YOUR DETAILS

Name: _____

Address: _____

Postcode: _____

Email address: _____

Telephone: _____

I am interested in: Regular contributions Transferring a pension Employer pension

Protect your ISA investments from **Inheritance Tax**



With the gains that property prices have made, combined with the government freezing the nil rate band at £325,000 until at least 2015, more and more people are becoming liable for inheritance tax (IHT). Chelsea could help ensure you're not one of them.

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

In August 2013 the government passed legislation allowing shares listed on the AIM market to be purchased within an ISA. AIM is the junior London market and provides a lower-cost way, typically for smaller companies, to achieve a stock-market listing. Many AIM shares are also eligible for a tax break called business property relief (BPR). BPR qualifying investments are excluded from your estate for inheritance tax purposes, provided that they have been held for **at least two years prior to death**. This means that ISAs just became even more tax efficient!

The **Downing AIM Estate Planning ISA** combines Downing's considerable expertise in managing small-cap money with the above mentioned tax breaks, to produce a portfolio that has the potential to generate positive returns, while sheltering your ISA from inheritance tax. While small-cap stocks typically outperform large-cap stocks over time, they are not generally associated with capital preservation, and should be regarded as high risk. However, Downing have added an insurance feature where they will absorb the first 20% of any losses, on death, during at least the first two years of the product.

KEY FEATURES

- Retain ISA tax benefits plus full IHT exemption after two years
- Access to capital at any time
- Proven investment strategy that historically has held up well in tough markets (sister service has returned 74%* over two years)
- 20% downside protection on death in the first two years for those under 90 years old
- Managed by Judith McKenzie, whose OEIC, Downing Active Management, has been top quartile during her tenure**



“ The Downing AIM Estate Planning ISA, while not without risk, could provide a convenient way for investors to protect their ISA assets from inheritance tax ”

HARRY DRISCOLL
Senior Research Analyst, Chelsea

HOW CAN THE DOWNING AIM ESTATE PLANNING ISA WORK FOR YOU?

Below is an example of how this product might work with a £50,000 investment when compared with a regular ISA:

DOWNING AIM ISA VS REGULAR ISA***		
	Regular ISA	Downing AIM ISA
Value of investment after 2 years	£50,000	£50,000
40% Inheritance Tax deducted	£20,000	£0
Value passed to beneficiaries	£30,000	£50,000

WHAT ARE THE RISKS?

- Tax relief is not guaranteed: tax rules can change, which could affect relief from IHT, and tax reliefs are subject to personal circumstances.
- You may lose money: the Downing AIM ISA is higher risk than many other investments.
- Companies quoted on AIM normally involve high risk and the level of growth will depend on the performance of the companies in your portfolio.
- Investment duration: investments in the Downing AIM ISA are designed to be held for the long term.
- Your ISA may be difficult to sell: the shares of AIM companies tend to be harder to sell than those of large companies. This means that if you decide to make a withdrawal or transfer out you may not be able to sell immediately and you may have to accept a price that is less than the real value of the companies.
- Past performance is no guide to the future. Chelsea do not provide any investment advice so if you require individual investment guidance you should seek expert advice.

HOW TO INVEST?

- Chelsea are offering a market-leading **4% discount up until 30th November 2014**. Any applications received thereafter will receive a 3% discount on the standard initial charge of 5.5%.
- The minimum subscription is £50,000, therefore it is only suitable for ISA transfers. However, once invested, any subsequent transfer or top-up can be any amount.
- If this product is of interest please call 020 7384 7300 to request a brochure. Please make sure you read the brochure in full and understand the risks involved before you make any investment decisions.

*Period up until June 30th 2014. Past performance should not be used as a guide to the future.

**Source: Analytics 18/09/14.

***Assuming the investor's estate is worth over £325,000 and ignoring investment performance and charges.

Structured products:

offering an attractive yield with downside protection

With interest rates still at record lows, some income investors have been looking for alternative ways to gain a higher yield than that which is being offered by high street banks, while not being fully exposed to the risks of equity markets. For these investors, structured products could be a very interesting opportunity.

Out of the many structured product providers available, Investec are one of the UK market leaders. Having been voted Best Structured Product Provider 18 times by seven different industry bodies, since their launch in 2008, they have quickly become one of the most reputable providers in the market.

A product which has remained consistently popular in that time is the Investec Enhanced Income Plan. Investec launch a new version of this plan every six weeks, with the return and duration varying each time. In order to illustrate what this product offers, please see below details of the latest offer - the Enhanced Income Plan 13:

- Fixed income payments of 0.47% per month (or 5.64% p.a.) for the six-year term, regardless of the performance of the FTSE 100.
- Income is tax-free if held in an ISA.
- Low minimum investment amount of £3,000.
- Your capital is at risk if the level of the FTSE 100 is 50% lower than the initial index level at any time during the life of the product.

The Investec Enhanced Income Plan offers a fixed return for the six years that your money is invested and can be particularly helpful in setting a level of income for your portfolio.

This product is available as an ISA, and is also available for ISA transfers. This means you can **receive 5.64% income, tax free** every year for the life of the investment. Please note, interest is paid directly to a nominated bank account and cannot be reinvested back into the product. For investments outside an ISA, income will be paid gross and subject to self-assessment.

THE RISKS OF STRUCTURED PRODUCTS

- If the counterparty becomes insolvent (in this case Investec, with a BBB- rating from Fitch, as of 22/01/14) investors may not receive any income payments and may lose all of their capital.
- Structured products are not covered by the Financial Services Compensation Scheme (FSCS), therefore, in the event of insolvency, you will not have recourse to the FSCS, and the likelihood of any return of your capital is small.
- Penalties will apply if you wish to retrieve your capital early. Also, there is no guarantee that you will be able to exit before the end of the term.
- Your capital will be at risk if the closing level of the FTSE 100 is 50% lower than the initial index level (starting level) and does not fully recover to the start level by the maturity date. The value of your capital will fall by 1% for every 1% that the FTSE 100 is below the initial index level.

INDEX OF TOP 100 LEADING COMPANIES SINCE 1984



Source: Yahoo! Finance 8/9/14

HOW TO INVEST

If you would like to invest in this, or one of the many alternative structured products available, you can download a form from our website www.chelseafs.co.uk/products/structured/ or you can call us on 0207 384 7300 and a hard copy will be sent to you in the post. Please note that prior to investing, you will need to fill in and return our appropriateness questionnaire.

CHARGES

We are very happy to announce that, in line with our culture of giving our clients the best terms, **we are halving our administration fee from 1% down to 0.5% for all structured product applications.**

IMPORTANT NOTICE

Structured products offer a pre-packaged investment strategy based on derivatives and may not be suitable for you. It is important that you understand their nature and risk prior to investing. If you invest into a structured product through Chelsea Financial Services we do not offer financial advice and you must make your own assessment of your expertise and the suitability of the product for your circumstances. If you have any doubts you should seek expert advice. **Please also read our Important Notice on page 2.** Before you invest you will be required to read and agree to the full product prospectus.



“With the Investec Enhanced Income plan offering 5.64% per annum, regardless of the performance of the FTSE 100, this product could add great diversification to any portfolio.”

CHRIS MORRIS
Senior Operations Consultant, Chelsea

You may have noticed that more **investment boutiques** have made their funds available on the Chelsea FundStore. Here we highlight three that may catch your interest...

Guinness Asset Management: Good things really do come to those who wait

At Guinness Asset Management we believe you get the best returns in your portfolio by running meaningful investments in strong growth themes that complement your core asset classes.

Established by Tim Guinness as a specialist in energy equity portfolios in 2003, the group now provides a range of equity income portfolios for your core holdings, and specialist growth funds in energy, financials and Asian equities.

At heart, Guinness Asset Management is a value investor. We combine strategic sector selection with a fundamental screening process to identify value-driven stock opportunities. In each of our chosen asset classes and themes we build high-conviction portfolios in accordance with the discipline and intellectual integrity of our investment process.

Guinness Asset Management is 100% owned by its directors and employees, aligning our interests with those of our investors.



IAN MORTIMER
Fund manager, Guinness Global Equity Income

GUINNESS GLOBAL EQUITY INCOME

A strategy we believe will always deliver long-term is buying good value, quality companies and letting them accumulate by reinvesting their dividends. A basket of dividend-paying, quality companies should be a staple in any portfolio. It's so often repeated, perhaps because as investment mantras go, this one actually works: dividends matter.

In simple terms, dividends are an excellent stock selection guide; dividend payers outperform the broad market, and non-dividend payers significantly underperform.

Second, if you invest with patience, dividends' significance increases dramatically. They deliver 60% of total returns over an average 20-year period. And they're even more important in periods of low returns (over 75% of returns in the 1940s and 1970s).*

Dividends are much more stable than company earnings. There have been eight years of dividend cuts since 1940, versus 22 years in which earnings declined.

Finally, dividends can provide an effective inflation hedge. Dividend income has grown at least in line with (and often faster than) inflation.

These powerful factors mean that, whatever global markets do, we believe in harnessing good value, quality companies with growing dividends.

Matthew Page and Ian Mortimer's approach in the Guinness Global Equity Income fund combines quality and value. "We focus on companies that achieve top quartile returns on capital every year throughout an entire business cycle - that's our definition of 'quality'. We narrow down this list further to identify companies that offer good value - relative to their peers, to their own historic valuations, and to the broad market."

This gives us a portfolio of good value dividend payers with unusually persistent earnings - a staple for any portfolio, a must-have amid rising interest rates. ■

*S&P500, average of each annual 20-year period from 1940). Source: Bloomberg.

GLOBAL EQUITY INCOME

CHELSEA RISK RATING:	■■■■●■■■ 6.5
ANNUAL MANAGEMENT CHARGE:	0.75%
ONGOING CHARGES FIGURE (OCF):	1.24%



TIM GUINNESS
Fund manager, Guinness Global Energy

GUINNESS GLOBAL ENERGY

Patience and conviction in global economic and demographic trends can give your portfolio a serious boost over time. One such theme we believe in is energy.

Projected global population growth of 20% by 2030 and continuing economic expansion in countries like China and India are forcing demand for electricity, cars and consumer goods ever higher, and significantly impacting the world's energy balance. China's demand for oil per capita has not yet reached that of the developed world in 1950. More cars will be sold over the next 20 years than have ever been sold before. There are 20 years of unrelenting oil demand growth to come while China's vehicle fleet moves from 100 million now to 400 million by 2030, with other countries following behind. The implications for energy consumption are profound.

The risk that energy supplies fall short of what is required is intensifying, in particular as the era of low cost, easily extractable oil comes to an end. The oil industry faces a huge challenge to build up new supplies of oil just to compensate for the rapid decline in existing fields.

The combination of growing demand and inadequate supply signals that oil and other energy prices will move up over time. The Guinness Global Energy fund seeks to capitalise on this favourable environment, in which we believe shareholders in companies with energy resource reserves and their service providers and distributors will be duly rewarded. ■



WILL RILEY
Fund manager, Guinness Global Energy



JONATHAN WAGHORN
Fund manager, Guinness Global Energy

GLOBAL ENERGY

CHELSEA RISK RATING:	■■■■■■● 10
ANNUAL MANAGEMENT CHARGE:	0.75%
ONGOING CHARGES FIGURE (OCF):	1.24%†

THE CHELSEA VIEW:

“Guinness started out as a specialist boutique with a stand-out energy fund, but they have expanded into more mainstream sectors, such as Global Equity Income, with impressive results.”

Vehicle fleet data source: US DoE, Guinness Asset Management estimates.



River and Mercantile: Boutique to IPO

It was back in 2006 that a small management team, including three UK equity fund managers, founded River and Mercantile Asset Management and quickly established themselves as a specialist asset manager in the UK equities space. Fast forward seven years and we now have 12 funds covering both UK and Global equities. In June 2014 we successfully listed on the UK stock exchange as River and Mercantile Group PLC.

River and Mercantile Asset Management LLP is a UK-based, long-only equity investment management firm. As a boutique we specialise in managing UK and global equity funds and as at 30th June 2014, assets under management were £2.41bn.

Even though we are now part of a bigger Group, we remain a boutique with substantial assets under management. The definition of 'Boutique' is not just about the size of an organisation, more importantly it is about the culture and the mindset of the employees. This boils down to our solid investment philosophy and process in the pursuit of delivering excellent performance and priding ourselves on first class client servicing.

Since our start in 2006, the UK equity team have developed a very successful investment philosophy and process called PVT (Potential, Valuation and Timing) that utilises our 'MoneyPenny' screen to help find the best quality, growth, recovery and asset-backed stocks which are attractively valued and are starting to rise. There have been no fundamental changes to this philosophy and process over these years, just a continual improvement in the systems we use with improved efficiency. This process drives all our UK funds and indeed our hard work paid off when, at the end of 2013, two of our funds made it to the top of their respective IMA sectors, UK Smaller Companies fund managed by Philip Rodrigs and our UK Equity Long Term Recovery fund managed by Hugh Sergeant.



PHILIP RODRIGS
Fund manager,
R&M UK Equity Smaller
Companies

Elite Rated by FundCalibre

R&M UK EQUITY SMALLER COMPANIES

Following a successful eight years with Investec Asset Management, I joined River and Mercantile in March 2014 and have managed the R&M UK Smaller companies fund since the 15th September 2014.

We like to think of the R&M UK Smaller Companies fund as a true smaller companies fund, in that I focus my search for the UK stock market's hidden gems exclusively within the bottom 10% of the UK Index.

I am particularly interested in investing in companies which are growing due to providing a product or service that strongly appeals to customers, perhaps filling a void that has been overlooked by larger companies. ■

R&M UK SMALLER COMPANIES FUND

CHELSEA RISK RATING:	■■■■● 8
ANNUAL MANAGEMENT CHARGE:	0.75%
ONGOING CHARGES FIGURE (OCF):	0.89% [†]



HUGH SERGEANT
Fund manager,
R&M UK Equity Long Term
Recovery

Elite Rated by FundCalibre

R&M UK EQUITY LONG TERM RECOVERY

I joined River and Mercantile in August 2006 after having started my career at Gartmore in 1987. I am Head of the UK equity team and manage the UK Long Term Recovery, World Recovery and UK High Alpha funds. I use River & Mercantile's proprietary quantitative screen to identify ideas for the portfolio.

WHAT IS A RECOVERY STOCK?

I define Recovery shares as those that have i) a strong business franchise, ii) a depressed level of profits and share price, and iii) are showing clear signs of recovering those profits to a more normal level.

WHAT SORT OF RETURNS CAN BE MADE FROM INVESTING IN RECOVERY SHARES?

I target a demonstrable upside of 100% over a three to five-year time frame for each investment we make. In reality a good recovery share will be a multiple 'bagger'. For example, two stocks held in our UK Recovery fund are ITV, which was 30p in early 2009, and is now 200p, and Somero, which averaged 15p through 2009/10, and is now over 100p.

The stocks that rank highest on our MoneyPenny screen are analysed and included in portfolios if the analysis confirms that i) there is a 100% value gap, ii) the company is focused on restoring shareholder value, and iii) the timing is supportive and confirms that the delivery of a recovery in profits has begun. ■

R&M LONG TERM RECOVERY FUND

CHELSEA RISK RATING:	■■■■● 8
ANNUAL MANAGEMENT CHARGE:	1.00%
ONGOING CHARGES FIGURE (OCF):	1.15% [†]

THE CHELSEA VIEW:

“The quantitative process that underpins R&M's investment process has been honed over a number of years and has delivered outstanding results across a range of different strategies.”

[†] 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.



Hermes Investment Management: Institutional powerhouse moves into the retail space

While a relatively new name in the UK funds market, Hermes Investment Management has been investing in UK and global markets for more than three decades through our institutional relationship with the BT Pension Scheme.

At Hermes, we manage more than £27bn of assets* - across a number of equity, fixed income, real estate and alternative solutions. We also advise on over £108bn* through our ESG (or socially responsible investing) and stewardship services.

As a fund manager for long-term investors, we recognise that Hermes has a role to play in promoting responsible practices within the industry in which we operate, as well as in the investments we make.

One of our core beliefs is in the value of a high-conviction active investment management approach. We seek to offer products that can generate sustainable long-term alpha.

We have always been a long-term investor, having been established to support the management of one of the largest UK pension funds. The philosophy of our organisation is to manage risk from a client perspective, and to incentivise managers on a long-term performance basis.

Over the past few years, under the leadership of Chief Executive Saker Nusseibeh and Head of Business Development Harriet Steel, Hermes Investment Management has been transformed into a successful manager of third party assets, having trebled them from £2bn to more than £6bn* over the past three years.



FRASER LUNDIE
Fund manager, Hermes Multi Strategy Credit

HERMES MULTI STRATEGY CREDIT

The new Hermes Multi Strategy Credit fund is managed by Hermes Credit co-head Fraser Lundie and Senior Credit Portfolio Manager Raphael Muller. Here, Fraser explains how the proposition works.

Five years into the high yield bull market, investors continue to seek strong returns, but are wary of valuation and liquidity risks. Our Hermes Multi Strategy Credit fund, the latest addition to our credit range, aims to capture the upside of this growing asset class, while minimising downside risk for investors.

To achieve this, the strategy is split into two buckets - combining high-conviction credit investing with defensive downside protection trades.

With a truly global approach, we search the high yield and investment grade bond, credit derivative and loan markets across multiple geographies for securities with the best return prospects.

By focusing on security selection, rather than issuer selection alone, we aim to exploit differences in relative value among the bonds, loans and derivatives in companies' capital structures.

The defensive element of the strategy, which accounts for one-third of the portfolio, aims to protect against market falls. These trades help to ensure the portfolio's overall volatility is less than the high yield market.

Our relative-value approach, combined with downside protection, aims to deliver high-yield like returns with less volatility. ■

CHELSEA RISK RATING:	■■■■■ 3
ANNUAL MANAGEMENT CHARGE:	0.65%
ONGOING CHARGES FIGURE (OCF) - UNHEDGED:	0.77% [†]



JONATHAN PINES
Fund manager, Hermes Asia ex Japan Equity

HERMES ASIA EX JAPAN EQUITY

The top-performing Hermes Asia ex Japan Equity fund is managed by Jonathan Pines. Here, Jonathan discusses the high-conviction strategy and his view of the rapidly-expanding region.

We believe alpha is most easily generated in Asia through bottom-up stock selection and by focusing on buying stocks that are attractively priced relative to the underlying quality of the company, rather than focusing solely on cheap or high quality stocks.

As contrarian investors, we typically buy stocks that have underperformed the market for a number of months - sometimes quite significantly. We are able to do this because we are long-term investors and focus on value, rather than news flow.

The size of the position we take in a company is informed by our assessment of the risk of loss - the smaller the downside, the greater the position. This gives our fund a strong tendency to outperform in falling markets.

At the moment the most attractive opportunities in Asia reside in Korea, and in Chinese cyclical companies. These markets are very similar from a valuation perspective, with both markets trading at significant discounts relative to history and to other Asian neighbours.

Many investors in Asia remain extremely worried about China and perceive non-Chinese stocks that display somewhat predictable earnings as a safe haven. But the price demanded for this predictability is high - which has rendered many of these stocks as unsafe. We are finding better value among the cyclical companies, which have lagged.

Finally, we believe the global economic recovery remains intact, despite numerous fissures in the political sphere. The recent rebound in activity in the second quarter, particularly in the US, is starting to be reflected in better export numbers in Korea and Taiwan, which will be positive for Asian equities generally, and potentially for the fund, given our overweight in the former. ■

*As at June 2014

CHELSEA RISK RATING:	■■■■■ 8
ANNUAL MANAGEMENT CHARGE:	0.75%
ONGOING CHARGES FIGURE (OCF) - UNHEDGED:	0.89% [†]

THE CHELSEA VIEW:

“Although Hermes are new to the retail market they have decades of experience and substantial resources. They take a high conviction approach and funds such as the Multi Strategy Credit and Asia ex Japan offer investors something very different from what is already on the market.”

[†] 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.

N.B. This fund will be available on Cofunds in the next few weeks.

UK interest rates: moving on up?

Mark Martin, manager of Neptune UK Mid Cap, a newcomer to the Chelsea Selection and an Elite Rated manager, talks here about the implications of a UK interest rate rise.

Elite Rated by FundCalibre



MARK MARTIN
Fund Manager,
Neptune UK Mid Cap

Recent comments from Mark Carney, the Governor of the Bank of England, regarding the likelihood of interest rate rises in the UK have caused some concern in the market. The most obvious sign of this concern has been the strength of sterling. Before considering the impact of interest rate rises on the market, it is important to consider:

1. The reasons for any rises
2. The likely speed of those rises

REASONS FOR ANY RISES:

The UK economy has been remarkably strong in recent months, with real GDP now above where it was at the 2008 peak*. Encouragingly, also, demand for workers has remained high – as shown by remarkably low unemployment levels in the UK. Strong GDP data and strong domestic labour demand are things for which we should be grateful. In short, they are ‘good’ reasons for a rise in interest rates.

We believe that acting early on interest rates to reduce the risk of inflationary pressures building from demand pressures is a reason for optimism. In past decades (e.g. 1970s), interest rates have risen due to supply shortages – for example, a shortage of oil due to the oil crises of the 1970s. Rising interest rates in this scenario, whilst potentially sensible, are usually a reason for pessimism and caution. Whilst geopolitical risks are rising around the world, the world currently appears to be better insulated than before against the risk of sharp rises in the oil price, which is largely due to the shale gas revolution in the US.

The recent slowdown of China’s economic growth has also muted the risk of supply-related shortages. A notable supply-related shortage the UK currently faces is in housing. However, the rectification of this shortage – if and when it happens – should act as a stimulus to the UK economy by employing large numbers of construction workers, who will likely spend (rather than save) their earnings. Encouragingly then, the reason for any interest rate rises is mostly demand related.

THE LIKELY SPEED OF THOSE RISES:

‘Baby steps’ has been the expression used by Mark Carney for the speed of interest rate rises. This is largely due to the high levels of

household debt in the UK and the nature of those debts. The average household in the UK has liabilities significantly greater than the US, for example, as a percentage of disposable income. In addition, the UK has a much greater proportion of variable rate mortgages than the US: roughly 14% of mortgages in the US are variable compared with roughly 67% in the UK.

Even where UK households do have fixed-rate mortgages, they are typically five-year fixes compared with 30-year fixes in the US. All of this means that the Bank of England will be keen to raise interest rates very slowly. Provided that the Bank is able to keep to ‘baby steps’, I believe that a shallow path of interest rate rises is bullish for the equity market generally. Although it is not our base case at Neptune, we are watching out for any developments – especially supply-related – that might force the Bank to raise interest rates sharply.

At an asset class level, bonds would underperform in the event of a sustained rising interest rate cycle. We would expect equities generally to perform well, although sectors that behave similarly to bonds – typically, real estate and utilities – are likely to underperform in relative terms. The FTSE 250 Mid Cap Index, which historically has fallen more than the FTSE 100 in bear markets, but risen more in bull markets, should again perform well in a rising equity environment.

Within the FTSE 250, wealth managers, such as Rathbones, and insurance brokers, such as Jardine Lloyd Thompson, are likely beneficiaries of increased returns on cash holdings. Housebuilders, such as Taylor Wimpey, have been big beneficiaries of ultra-low interest rates and, at least in the short term, we would expect relative weakness in housebuilders as house buyers potentially become more reticent about taking on large mortgages in a rising interest rate environment. ■

THE CHELSEA VIEW:

“Mark takes a truly active approach and this concentrated fund invests at the larger end of the small-cap index, as well, of course, in mid caps. We do like his close scrutiny of valuations, which have led to strong risk-adjusted returns.”

CHELSEA RISK RATING:	■■■■●■■■ 6
ANNUAL MANAGEMENT CHARGE:	0.75%
ONGOING CHARGES FIGURE (OCF):	0.81%

* Source: Office of National Statistics, August 2014

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.

L&G Dynamic Bond

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

Richard "Dickie" Hodges brought his unique method of bond fund management to L&G in 2007 when he launched this fund. During this period his innovative approach to managing bond fund money was characterised by providing protection in tough markets, while participating in up markets. Consequently, the fund had been on the Chelsea Core Selection for a number of years, and it was to our dismay that Dickie announced his resignation from running the fund back in April.

Dickie's starting point when running the fund was always from a

risk management perspective. He used derivatives extensively to hedge out various investment risks and he built defences into the portfolio. There are few bond fund managers with his intricate knowledge of these different hedging techniques. Therefore, the features that defined the fund during his tenure are unlikely to be replicated going forward. We have therefore placed the fund on hold, and will be seeking further clarification from the new manager, Martin Reeve, as to the direction in which he will be taking the fund.

Schroder UK Dynamic Smaller Companies

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

Since Schroders' acquisition of Cazenove, and the funds' subsequent re-branding to Schroder UK Dynamic Smaller Companies, some of the sheen has come off the fund, and it has slipped down the sector rankings.

There appears to be a number of reasons for this. Firstly, and most obviously, the fund has ballooned in size from just £80m three years ago, to over £1.3bn at its peak.

Secondly, mid-cap stocks, which make up a significant proportion of the fund, have been a happy hunting ground for active managers for a number of years. However, as the valuation

discrepancy between mid and large-cap stocks grew, it eventually led to a rotation earlier in the year, which saw mid-caps come under pressure.

Lastly, he has had some stock-specific issues. One notable example has been Xaar, which after a period of strong performance, has been blighted by profit warnings and broker downgrades.

Given the fund's current size its best years may be behind it. That said, we are still huge admirers of the manager, Paul Marriage, so we uphold our generic buy rating on the fund. **The fund remains closed to new money.**

Fidelity Special Situations

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

It seems like a long time ago that Anthony Bolton, one the UK's best ever fund managers, was at the helm of this fund. The successor to Antony Bolton, Sanjeev Shah's tenure was ultimately a success, but was characterised by periods of volatility and underperformance, and he never quite lived up to his predecessor.

Around 12 months ago Sanjeev announced his retirement and the new manager, Alex Wright, has been in sole charge since January 1st 2014.

Alex Wright's meteoric rise has been largely off the back of the phenomenal success of Fidelity UK Smaller Companies, a fund he launched and now co-manages. Consequently, despite the fact that Special Situations has a multi-cap mandate, rather than just small-cap, we had high hopes. However, as with a number of active fund managers, Alex was caught out by the mid-cap sell off earlier in the year, which has harmed his relative performance.

We would like more time to see how Alex adapts to running a multi-cap mandate and a much larger pool of money. Therefore, we are maintaining our generic hold rating.

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

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

ResearchUpdate

AS YOU KNOW, FUND RESEARCH IS AT THE CORE OF WHAT WE TRY TO DELIVER FOR OUR CLIENTS. IN THIS PARTICULAR ISSUE OF VIEWPOINT WE HAVE MADE A NUMBER OF CHANGES THAT WE FELT DESERVED SOME EXPLANATION.

As you can see on page 28, we are introducing the new fund ratings service for investors, **FundCalibre**.

One of the key things FundCalibre looks for is fund managers who consistently deliver alpha. Alpha is defined as returns that are attributed to skill and not to moves in stock markets.

With the launch of FundCalibre we have incorporated, to a greater extent, the tool which measures this fund manager skill in Chelsea's research process.

This review has led to a higher than usual number of changes in the **Chelsea Selection**, which you can find on pages 22 & 23.

CHANGES TO ASSET ALLOCATION

We are constantly reviewing asset allocations for both the DIY Portfolios (page 10) and our range of EasyISAs (pages 7-9) and Junior EasyISAs (page 6). Here we have made a greater than normal number of changes on the asset allocations.

DIYportfolio

In the Cautious Growth DIYportfolio we have added a 10% allocation to commercial property because we feel this will add even more diversification, as property has a low correlation to equities and bonds. We have also started to give more attention to a number of external benchmarks and this has led to some changes to the equity weightings in the Cautious Growth DIYportfolio. Please note these changes should not be taken as advice for you to make changes, but represent an asset allocation that we think is most appropriate today.

EasyISAs

On the Cautious Growth EasyISA there have been a significant number of changes and we have reduced the equity weighting in line with external benchmarks. The Woodford Equity Income fund came on to our platform following its launch, and the Miton Special Situations Portfolio manager left. And again, we have made an allocation to property. We have also made a couple of small changes based on the underlying volatility of some funds.

On the Balanced Growth EasyISA we have added in an Absolute Return fund to reduce the equity weighting.

Junior EasyISA

The Cautious Equity portfolio has been renamed the Core Equity portfolio to greater reflect its asset allocation.

The Woodford Equity Income fund has replaced Artemis Income following the launch of the Woodford fund and HSBC Open Global Return was removed due to high charges and replaced by Henderson Cautious Managed.

New charging: cutting the cost of investing

You could look at the recent industry-wide change as an unsettling time for your investments. Here at Chelsea we understand that our clients are looking for consistent and stable annual charges at a time when there is perhaps more confusion for the investor than ever before.

Following the Retail Distribution Review (RDR) by the FCA, since 6th April 2014 it is no longer possible for execution-only brokers (like Chelsea) to be paid renewal commission (previously paid by the fund manager out of the annual management charge) for new investments on platforms. All new investments will be put into what is referred to as the 'clean' or 'explicit' share class and the annual fees will now be paid to each party separately, instead of being taken in one go by the fund manager.

Whilst we have no control over regulation, we at Chelsea have tried to keep charging simple, by having one flat fee without any 'hidden' or additional charges. For example, you may have seen that some intermediaries are now charging for reinvesting income, sending paper statements and telephone dealing. It is worth emphasising that Chelsea does not impose any of these charges and, whilst some other providers may look cheaper at first glance, it is crucial to analyse the real cost. Perhaps even more importantly, Chelsea also provides independent research for you; investment returns can prove to be far more important than costs.

CHELSEA CLIENTS BENEFIT FROM:

- Telephone dealing ✓ **FREE**
- Paper statements ✓ **FREE**
- Online dealing ✓ **FREE**
- Probate valuation ✓ **FREE**
- Re-investing income ✓ **FREE**
- Investing via direct debit ✓ **FREE**
- Duplicate tax certificates ✓ **FREE**
- Ad hoc paper statements ✓ **FREE**
- Sale of investments ✓ **FREE**
- Registration of legal docs ✓ **FREE**
- Payment by cheque ✓ **FREE**
- Paper contract notes ✓ **FREE**
- Exit fees ✓ **FREE**
- Independent research ✓ **FREE**
- Personal service ✓ **FREE**
- 0% initial charges ✓ **FREE**



WILL RUSSELL
Operations Consultant, Chelsea

HOW WILL THE NEW ANNUAL CHARGES BE TAKEN?

The Cofunds platform fee and the Chelsea fee can be paid in one of three ways:

- 1 By the Cofunds platform automatically selling units from the highest-valued fund in your portfolio.
- 2 By the Cofunds platform automatically selling units from one fund of your choice.
- 3 By you putting money in your Cofunds Cash Account to cover the charges.

IF YOU HAVE NOT ALREADY MOVED TO THE NEW CHARGING STRUCTURE, WHAT ARE YOUR CHOICES?

- 1 Move all of your investments to the new and cheaper charging structure immediately to enjoy the further reduction in charges.
- 2 Do nothing now. Your existing investments can continue as they are unless you make any new investments or change existing ones. If you do not make any changes, you will remain on the old charging structure until 6th April 2016, by which time regulatory requirements may force us to move any remaining customers across to the new structure.

Please note there is no charge for converting to the clean share class and you will not be out of the market at any time. This means that there is no capital gains tax liability. To benefit from the new charging structure please fill out and return to us a 'Share Class Conversion' form (on the next page).



NEW PRICING DETAILS

Up to £250,000 held with Chelsea (combined amount across all products and wrappers):

Cofunds' platform fee reduced from 0.25% to 0.20%
 Chelsea's fee reduced from 0.50% to 0.40%
Total reduction in annual fees 0.15%
 (platform & service charge cut by 20%)

Amounts between £250,000 and £500,000

Cofunds' platform fee reduced from 0.25% to 0.20%
 Chelsea's fee reduced from 0.50% to 0.35%
Total reduction in annual fees 0.20%
 (platform & service charge cut by 26.66%)

Amounts between £500,000 and £1m:

Cofunds' platform fee reduced from 0.25% to 0.20%
 Chelsea's fee reduced from 0.50% to 0.30%
Total reduction in annual fees 0.25%
 (platform & service charge cut by 33.33%)

Amounts between £1m and £2m:

Cofunds' platform fee reduced from 0.25% to 0.15%
 Chelsea's fee reduced from 0.50% to 0.25%
Total reduction in annual fees 0.35%
 (platform & service charge cut by 46.66%)

Amounts over £2m:

Cofunds' platform fee reduced from 0.25% to 0.15%
 Chelsea's fee reduced from 0.50% to 0%
Total reduction in annual fees 0.60%
 (platform & service charge cut by 80%)

SUMMARY

- The regulator has enforced a change to the way we structure our charges.
- Charges will be more transparent with no hidden or additional charges.

8 Authorisation and Platform Charge

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

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 2,000 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 42.

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:
---------	-------

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

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

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

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

ISA investments - Please complete in block capital letters

Fund Provider	Fund Name	Account Number/ Plan Reference	Unit Type ACC/INC	Tick if current tax year	Tick if saving monthly
SAMPLE FUND MANAGERS LIMITED	SAMPLE HIGH INCOME FUND	12345	INC	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

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

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

Please photocopy this form if you require additional space.

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

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.

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

- Consolidated monthly income**
Income generated from your investment funds will be consolidated into your cash account and paid to your nominated bank account on a monthly basis.
- Cofunds Cash Account**
Income generated will be paid into your cash account to be held on platform for withdrawals or future investment.
- Retain in 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.

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 been provided with the Terms & Conditions of the Cofunds Platform (Self-directed Explicit Pricing) and by signing this application form I agree to be bound by them.
- I have received the relevant product key features and fund specific information and/or Key Investor Information Documents (KIID) relating to my investment.
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 if the fund(s) selected in this form are not available to my intermediary, Cofunds will automatically select a comparable fund available to my intermediary when processing my application. I understand and accept that I am entitled to cancel my application in accordance with the relevant Terms and Conditions of the Cofunds Platform or Customer Agreement applicable to the product I am investing in and that if I chose to cancel my application, my investment shall be subject to market movement during the period from the date when my application is processed to the date my investment is sold.

Fund Sale Instruction

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

Data Protection

Cofunds 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

To receive reports and accounts or attend/vote at unit holder or shareholder meetings, these services are subject to a charge of £20 per communication. However, 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

X

Date

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 (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 chelseafunds.co.uk/products/isa/easy for details.

Existing Cofunds Client ref

Cautious Growth EasyISA	<input type="checkbox"/>
Balanced Growth EasyISA	<input type="checkbox"/>
Aggressive Growth EasyISA	<input type="checkbox"/>
Income EasyISA (please complete sections 3 & 4 on page 43)	<input type="checkbox"/>
Global Income EasyISA (please complete sections 3 & 4 on page 43)	<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 3 and Section 4 of the Transfer Application form, Cofunds will invest into accumulation units/shares where available.

Total 100%

The disclosure documentation applicable to this transaction is:

0 2 1 4 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"/> . <input type="text"/>	Amount
<input type="checkbox"/>	Cofunds Cash Account	£ <input type="text"/> <input type="text"/> . <input type="text"/>	Amount

Monthly Direct Debit (please ensure you complete the Investment by Direct Debit instruction on page 55)

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

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 three months bank statements 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 or future investment.
- 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 £500 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 £500 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 client's 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 client's name must appear on the front of the cheque, or on the back of the cheque accompanied by the Building Society's or Bank's official stamp and signature. For other methods of funding your client's investment please see Section 6.

**** 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 been provided with the Terms & Conditions of the Cofunds Platform (Self-directed Explicit Pricing) and by signing this application form I agree to be bound by them.
I have received the relevant product key features and fund specific information and/or Key Investor Information Documents (KIID) relating to my investment. 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 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.

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	X	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 2 1 4 S D E**

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

This application form is used to subscribe to a Stocks and Shares ISA with Cofunds. By completing this application, you agree to subscribe to a 2014/2015 tax year Stocks and Shares ISA and each subsequent year until further notice. You are not obliged to invest in subsequent tax years unless you choose to do so.

The ISA allowance for all investors is £15,000 for the 2014/15 tax year.

Please complete this application form using black ink and BLOCK CAPITALS and return to: Chelsea Financial Services, St James Ha II, Moore Park Road, London SW6 2JS

Cofunds Authorisation Code **7 7**

1 Personal Details (Please complete this section in full)

Existing Cofunds Client Reference

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

Mr/Mrs/Ms/Miss/Other

Surname

Full first name(s)

Email

Daytime telephone number

Male Female Date of Birth / /

National Insurance Number / / /

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

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

Postcode

Time at this address yrs mths

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

Postcode

Time at this address yrs mths

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

2 Segmentation (For intermediary use only)

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 Funding Your Investment

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

Cheque £ . Amount

Cofunds Cash Account £ . Amount

Monthly Direct Debit
(please ensure you complete the Investment by Direct Debit instruction on page 55)

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.

4 Nominated Bank Account

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

Name of Account Holder

Bank or Building Society name and address

Postcode

Branch Sort Code -

Bank/Building Society Account Number

Building Society Roll Number

5 Income

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

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

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

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

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

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

6 Investment Selection

I wish to invest in the Chelsea EasyISA (please choose one of the portfolios below). See pages 8 & 9 or chelseafs.co.uk/products/isa/easy for details

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

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

		Lump Sum Min portfolio investment £500	Monthly Min investment £50 per month
Either	Cautious Growth EasyISA	£	£
Or	Balanced Growth EasyISA	£	£
Or	Aggressive Growth EasyISA	£	£
Or	Income EasyISA (please complete sections 4 & 5 overleaf)	£	£
Or	Global Income EasyISA (please complete sections 4 & 5 overleaf)	£	£

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

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

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

Fund Sale Instruction

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

Data Protection

Cofunds 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.

We will apply a £20 administration charge per fund for each request to attend/vote at unit holder and shareholder meetings, and for each request to receive paper copies.

Service and Subscription Charge

I confirm that I have received my Fees and Charges Schedule and understand which fees and charges are applicable to my investment. I hereby instruct Cofunds to pay my intermediary the Service Charge and/or Subscription Charge specified in Section 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 (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 and/or Subscription Charge in accordance with the relevant Terms and Conditions of the Cofunds Platform or Customer Agreement applicable to my investments/assets. I understand and accept that this may result in commission-included share class funds being sold to cover the Service Charge and/or Subscription Charge, if I have an account level SfrP instruction.

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

Signature

X

Date

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

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

This application form is used to subscribe to a Stocks and Shares ISA with Cofunds. By completing this application, you agree to subscribe to a 2014/2015 tax year Stocks and Shares ISA and each subsequent year until further notice. You are not obliged to invest in subsequent tax years unless you choose to do so.

The ISA allowance for all investors is £15,000 for the 2014/15 tax year.

Please complete this application form using black ink and BLOCK CAPITALS and return to: Chelsea Financial Services, St James Ha II, Moore Park Road, London SW6 2JS

Cofunds Authorisation Code

7 7

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

Daytime telephone number

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

National Insurance Number / / / /

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

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

Postcode

Time at this address yrs mths

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

Postcode

Time at this address yrs mths

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

2 Segmentation (For intermediary use only)

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 Funding Your Investment

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

Cheque £ . Amount

Cofunds Cash Account £ . Amount

Monthly Direct Debit
 (please ensure you complete the Investment by Direct Debit instruction on page 55)

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.

4 Nominated Bank Account

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

Name of Account Holder

Bank or Building Society name and address

Postcode

Branch Sort Code

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

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

<input type="text"/>																			
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5 Income

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

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

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

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

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

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

6 Investment Selection

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

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

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

Fund name	Type of unit/share (delete as appropriate)*	Lump sum £500 per fund (minimum)	New monthly saving £50 per fund (minimum)**
	ACC/INC	£	£
CASH RESERVE		£	£
TOTAL INVESTMENT AMOUNT		£	£

*ACC/INC

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

Cheque payment

Cheques must either be drawn on your own account or joint account. The cheque must be made payable to **Cofunds Limited**. For a Building Society cheque or banker's draft your client's name must appear on the front of the cheque, or on the back of the cheque accompanied by the Building Society's or bank's official stamp and signature.

**New monthly saving

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

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

Fund Sale Instruction

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

Data Protection

Cofunds 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.

We will apply a £20 administration charge per fund for each request to attend/vote at unit holder and shareholder meetings, and for each request to receive paper copies.

Service 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

X

Date

The disclosure documentation applicable to this transaction is:

J I S A 0 4 1 4

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

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 £4,000 for the 2014/2015 tax year.

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

Cofunds Intermediary Authorisation Code

7 7

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

1 Child Details (Please complete this section in full)

Existing Cofunds Client Reference

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

Mr/Mrs/Miss/Other

Surname

Full first name(s)

Male Female

Date of Birth / /

D D / M M / Y Y Y Y

Current permanent residential address

Postcode

National Insurance Number / / / /
(if held)

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

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

Mr/Mrs/Ms/Miss/Other

Surname

Full first name(s)

Telephone

Email

Date of Birth / /

D D / M M / Y Y Y Y

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.

Mr/Mrs/Ms/Miss/Other

Surname

Full first name(s)

Telephone

Date of Birth / /

D D / M M / Y Y Y Y

Current permanent residential address

Postcode

4 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 already segmented)

5 Funding Your Investment into the JISA

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

Cheque £ Amount

Cheque payment

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

Monthly Direct Debit (please ensure that the payer completes the Investment by Direct Debit on page 55).

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 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 6 for details of the Junior EasyISA.

Fund name Or Junior EasyISA portfolio (tick the appropriate box to select)	Type of unit/share (delete as appropriate)*	Lump sum	Monthly amount per fund
<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

Money may be held for short periods in the Cash Reserve. Such holdings are deemed 'destined for investment'.

Cheque payment

Cheques must either be drawn on your client's 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 client's name must appear on the front of the cheque, or on the back of the cheque accompanied by the Building Society's or bank's official stamp and signature.

Monthly savings

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

8 Declaration and Authorisation

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

Investment ISA and 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.

Signature
(Registered Contact)

Date

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 adviser.

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

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

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

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

If you wish to receive paper copies of reports and accounts please speak to your intermediary. You can also request to receive paper copies of reports and accounts by writing to us at Cofunds Limited, PO Box 1103, Chelmsford CM99 2XY.

We reserve the right to apply a £20 administration charge per fund for each request to attend/vote at unit holder and shareholder meetings, and for each request to receive

We're here to help

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

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

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

We have a team in our office in Chelsea.

And we'd be pleased to help.

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

